

The Risks and Opportunities of Forming a Specific Business Environment in Ukraine in the Conditions of War

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Abstract

The research analyses a range of analytical materials of Ukrainian and international experts in business, economy, finance, etc., and the data of sociological surveys of the representatives of Ukrainian businesses regarding the entrepreneurship development trends in Ukraine in conditions of martial law. The analysis of these resources has revealed a substantial negative impact of the war on the export of goods and services from Ukraine, the falling sales volumes, the reducing staff of enterprises, problems with labour remuneration, and the preservation of panic in the business environment. However, there is a substantial risk that the hostilities do not end in the short run. Therefore, the authors analyse the opportunities for the creation of a specific business environment in Ukraine under martial law with the view to develop a policy directed at securing economic resilience as well as the maintenance of the country's economic capacity. The risks and threats of doing business in Ukraine in the context of adopted amendments to legislation in conditions of war are examined. The priority steps for the elimination of possible threats of falling business activity are outlined.

Keywords

war, martial law, business development, business conditions, war in Ukraine

Introduction

The Russian military aggression against Ukraine has significantly weakened the dynamics of the national economy. Ukraine ended 2022 with a 30% drop in real GDP. It is interesting that even during the Second World War, almost no such volume of GDP decline was recorded within one calendar year.

At the end of July 2023, the National Bank of Ukraine raised the forecast for Ukraine's GDP growth in 2023 from 2% to 2.9%, but lowered it for 2024 from 4.3% to 3.5%.

The calculations of the National Bank show that Ukraine's economy loses 50% of "unproduced" GDP in the war (i.e. each week costs the national economy over 50 billion UAH, even not taking into account the losses from destruction). Meanwhile, if the war continues for the next six months, 90% of Ukrainians (according to the UN) can face poverty and absolute economic vulnerability (only 2% of the Ukrainian population had been below the poverty line before the war) (Economic truth, 2022). These threatening predictions are preliminary and can be revised upward, since the duration and intensity of hostilities are currently not known for sure. Meanwhile, we share the position of numerous experts and analysts that the development of business is among the major "activators" of Ukrainian recovery.

The theoretical setting and literature review

A substantial share of studies on doing business in war in the global scientific literature addressed the conditions of the functioning of companies producing weapons and military supplies (Lakomaa, 2017). Yet, Ukrainian economic science lacks profound discussions and substantial economic-mathematical modelling of the war's impact on business development (in the first place, in the long run). It is mostly caused by difficult access (or absence, in some cases) to statistical data on main business activity parameters in conditions of war (including across Ukrainian regions). However, the analytical materials of Ukrainian and international experts in business, economy, finances, etc. – and the data of sociological surveys of the representatives of Ukrainian businesses regarding the entrepreneurship development trends in Ukraine in conditions of martial law – are available for analysis. According to experts from Gradus and KUS Business (Kyiv School of Economics, 2022, p. 4), in the first months of the war, 85% of businesses have transferred to the partial operation mode or terminated their activities, 1% of which have completely ceased operations and do not plan their recovery, and 35% have suspended their activities waiting for the end of the war (such businesses account for 27.7%, according to other estimates (Tarasovskiy, 2022)). Moreover, 86% of businesses operate with less workload than before the war, 33% of companies do not have an opportunity to pay salaries to employees (38%, according to other analysts, and 38% more employees are put on leave (Tarasovskiy, 2022)), and 29% cannot pay for the services of suppliers. The share of domestic companies' staff cut in the first month of war is 21% (Tarasovskiy, 2022).

The expectations of the domestic businesses regarding their activity in 2024 are disheartening. Uncertainty with the duration of hostilities, the risks of non-rhythmic receipts and insufficient volumes of international aid, the growth of logistics costs due to the blockade of the border, high fuel prices, the narrowing of investment demand, the lack of qualified personnel, and the weakening of demand all negatively affected the expectations of enterprises regarding their business activity in 2024.

The industries in the conditions of war where online work is impossible and business works directly with consumers were affected the most – air and sea transportation, postal and courier activities, and insurance. Agricultural enterprises are also in difficult conditions since their businesses are linked to a specific area, and field and farm work cannot be postponed indefinitely or delayed. Overall, the lack of orders, problems with logistics, and shortage of raw materials are the major problems faced by domestic businesses in current conditions (Kyiv School of Economics, 2022). Meanwhile, the problem also concerns the companies that operate relatively far from the areas of intense hostilities.

In general, the Ministry of Economy of Ukraine estimates the losses of domestic companies and organisations in the first month of the war at 80 billion USD (Svyrydenko, 2022). For instance, the analysts of the Advanter Group estimate the current direct losses of small and medium businesses in the first two weeks of war at 30–60 billion USD¹.

Research methodology

At the time of writing this article, the Russian Federation's war in Ukraine has been lasting for two months. The State Statistics Service suspended the public release of statistical information for the period of martial law or the state of war and for three months after it is terminated, including regarding the trends in entrepreneurial activity. It has made it difficult to carry out comprehensive economic-mathematical modelling of economic processes and has generated the need to search for alternative research methods.

The research can be conditionally divided into two parts: the first part describes the business environment in Ukraine in conditions of war unleashed by the Russian Federation. To prepare this part, the authors have used a range of analytical materials of Ukrainian and international experts in business, economy, finance, etc., and the data of sociological surveys of Ukrainian business representatives.

¹ Official website of Advanter Group consulting company: <https://advanter.ua/>

Taking into account the critical condition of Ukrainian business under martial law and the need for business to become the driver of economic recovery in Ukraine, the government has adopted a range of legislative initiatives that create a specific business environment in Ukraine under martial law. Therefore, the second part of the article addresses the critical analysis of this “specific environment”. For that purpose, the methods of logical generalisation, systemic analysis, comparison, and synthesis were applied. To visualise the trends in companies’ relocation from the areas of hostilities to safer regions of Ukraine, the graphic method was used. To substantiate the ways of eliminating the threats of falling business activity due to the creation of a specific business environment in Ukraine under martial law, the strategic analysis method was applied.

Findings and discussion

The termination or substantial scaling down in most economic activities, the destruction of production and infrastructural facilities, forced movement of Ukrainian citizens to safe areas with simultaneous unemployment growth in the country, and the threat of global food crisis in case of disrupted planning campaign have become the major challenges that require instant reaction and support from the Ukrainian state in conditions of the current military situation.

According to the Ministry of Economy, direct losses for Ukrainian infrastructure (excluding economic growth losses) account for at least 100 billion USD, or 3 trillion UAH. In addition to that, according to the National Bank of Ukraine (NBU), the Ukrainian economy loses over 1.7 billion USD, or 50 billion UAH, each week of hostilities.

The research of the Advanter Group consulting company shows that almost 86.5% of small and medium businesses are not functioning in Ukraine as of 13th March, 2022, 5.8% of companies are operating part-time, 5.85% of companies have reduced the amount of work, and the activities of only 1.9% of companies remain unchanged. The research of this company conducted in a month of hostilities indicates the intensification of the process of small and medium businesses’ adaptation to the martial law conditions: the number of non-operating companies has reduced to about 56%; meanwhile, the number of companies that have resumed their activities part-time has increased over three times (to 19.1%), and some companies have even increased the volumes of their activities – 8.5% (3.8% of them for more than +40%) (Figure 1).

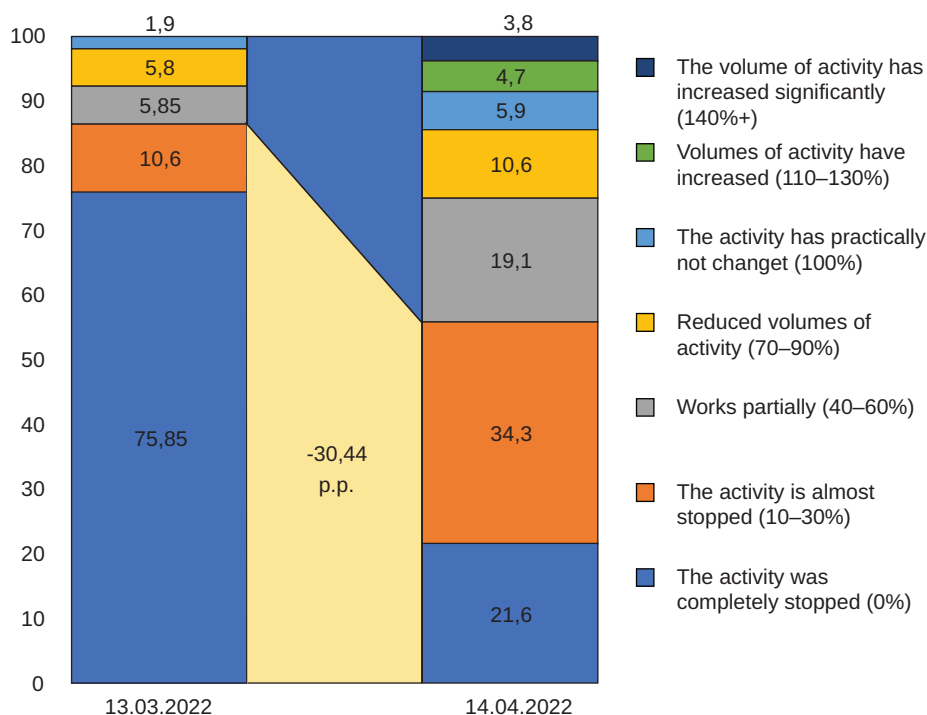


Figure 1. Business activity in Ukraine in the period of hostilities as of 13th March and 14th April 2022

Source: Compiled based on the data from: Advanter Group. Research. URL://<https://advanter.ua/#cta>

As of the beginning of 2023, 31.7% of enterprises have completely or almost completely stopped work (Innovation Development Centre, 2023).

The rescue of business capacity, especially the production capacity, is imperative not only for the support and after-war recovery of the Ukrainian economy, but also to secure employment and purchasing power of the country's population. The programme for the relocation (transfer) of companies from the areas of hostilities to safer, mostly western, regions of Ukraine – approved by the Order of the Ministry of Economy of Ukraine № 391-22 as of 7th March, 2022 – has become an essential governmental measure directed at assistance in the rescue of business capacity. The companies of any size located in the risk zone due to hostilities can move their assets free of charge and continue their functioning in any of nine oblasts – Vinnytska, Volynska, Zakarpatska, Ivano-Frankivska, Lvivska, Rivnenska, Ternopil'ska, Hmelnytska, and Chernivetska. Moreover, the Resolution of the Cabinet of Ministers of Ukraine №246-r as of 25th March, 2022, approves the Plan of urgent measures on the relocation, when needed, of the production capacities of economic entities from the areas of hostilities and/or with the threat of hostilities to safer areas.

As of 20th April, 2022, the Ministry of Economy of Ukraine has received 2,054 applications for relocation from the hostilities areas; 2,035 of them have been processed. 312 companies have completely finalised the relocation of production capacities from the areas of hostilities, 195 of them have resumed functioning in new sites, and equipped sites have been found for 532 companies as they have been handed over to the Ukrzaliznytsya (Ukrainian railways services) and Ukrposhta (Ukrainian postal services) services for transportation.

Table 1. The relocation of companies from the areas of hostilities to safer regions of Ukraine in 2022

The region (area) of relocation		The number of applications, units	Processed, units	Relocated businesses, units	Started work, units	Sphere of economic activity of enterprises	Region of location before relocation	Share of relocated enterprises in the total number of enterprises, %
1		2	3	4	5	6	7	8
1	Lviv	412	410	93	39	metalworking, mechanical engineering, light industry, medical and pharmaceutical companies, IT industry	Kharkiv, Zaporizhia, Sumy, Chernihiv, Kyiv, Donetsk	0.4428
2	Ivano-Frankivsk	98	95	28	23	light and furniture industry, IT services, metalworking	Kharkiv, Zaporizhia, Kyiv, Donetsk	0.3435
3	Volyn	12	8	7	5	light and food industry, IT industry	Kyiv, Kharkiv, Zhytomyr	0.0991
4	Rivne	589	578	21	16	light and food industries, trade, woodworking and furniture industries	Kyiv, Kharkiv, Donetsk, Chernihiv	0.3476
5	Ternopil	131	131	24	18	light, machine-building, metalworking and food industry, IT industry	Zaporizhia, Sumy, Chernihiv, Kyiv, Donetsk, Luhansk.	0.4652
6	Chernivtsi	45	44	23	16	IT industry, production of electric motors and high-voltage equipment, light, food and chemical industries	Zaporizhia, Kyiv, Dnipropetrovsk, Kharkiv	0.544

Table 1. – cont.

The region (area) of relocation		The number of applications, units	Processed, units	Relocated businesses, units	Started work, units	Sphere of economic activity of enterprises	Region of location before relocation	Share of relocated enterprises in the total number of enterprises, %
1		2	3	4	5	6	7	8
7	Khmelnysky	170	170	19	15	mechanical engineering and metalworking, furniture, chemical, light and food industries	Zaporizhia, Kyiv, Donetsk, Kharkiv	0.2476
8	Zakarpattia	500	500	81	54	furniture, light and food industries, radio electronics and IT industry	Kharkiv, Zaporizhia, Sumy, Chernihiv, Kyiv, Donetsk	1.2025
9	Vinnytsia	97	91	16	9	food industry, production of refrigeration and ventilation equipment, metalworking and mechanical engineering, production of medical equipment	Kharkiv, Dnipropetrovsk, Donetsk, Kherson, Kyiv	0.162

Source: Compiled based on the reports of oblast military administrations (OMAs) of the defined 9 oblasts.

In particular, according to oblast military administrations (OMAs) of nine regions defined by the government for relocation, the Rivnenska and Zakarpatska OMAs have the largest number of applications – 589 and 500, respectively. Almost each of them has been processed, allowing the relocation of 21 and 81 companies, respectively, to the territories of these oblasts. The Lvivska oblast has processed 410 applications for relocation, and as of 20th April, 2022, it has managed to place the largest number of companies (91) out of nine regions defined by the government; 39 of them have already started functioning. Despite the less amount of received and processed applications for relocation (12 and 45, respectively), the Volynska and Chernivetska oblasts have demonstrated the highest implementation efficiency. 58% and 51%, respectively, of the processed applications have resulted in the successful movement of companies to the territories of these oblasts. Meanwhile, the Ivano-Frankivska and Hmelnytska oblasts have the highest density of relocated companies that have started functioning among other oblasts – 82% and 79%, respectively.

The companies from 6 different oblasts where the hostilities have been or are taking place have been relocated to the Lvivska, Zakarpatska, and Ternopil'ska oblasts, and from 5 oblasts to the Vinnytska oblast. IT services, food and light industry, mechanical engineering, metalworking, and the production of medical equipment are among the most common economic activity sectors of the companies relocated to safer oblasts.

The most significant share of relocated companies in the total number of registered companies in the analysed period was in the Zakarpatska oblast (+1.2%), which is related to the fact that the oblast has the largest number of companies (81) relocated to the territory of the oblast at a relatively low number of registered companies (6,655). Overall, it is worth acknowledging the trend towards the relocation of companies from the most economically-active regions where the hostilities have been or are taking place or those adjoining them to the regions with much lower economic activity levels (excluding the Lvivska oblast). It helps maintain the country's economic capacity in conditions of martial law and substantially revitalise economic activity in less developed regions (Figure 2).

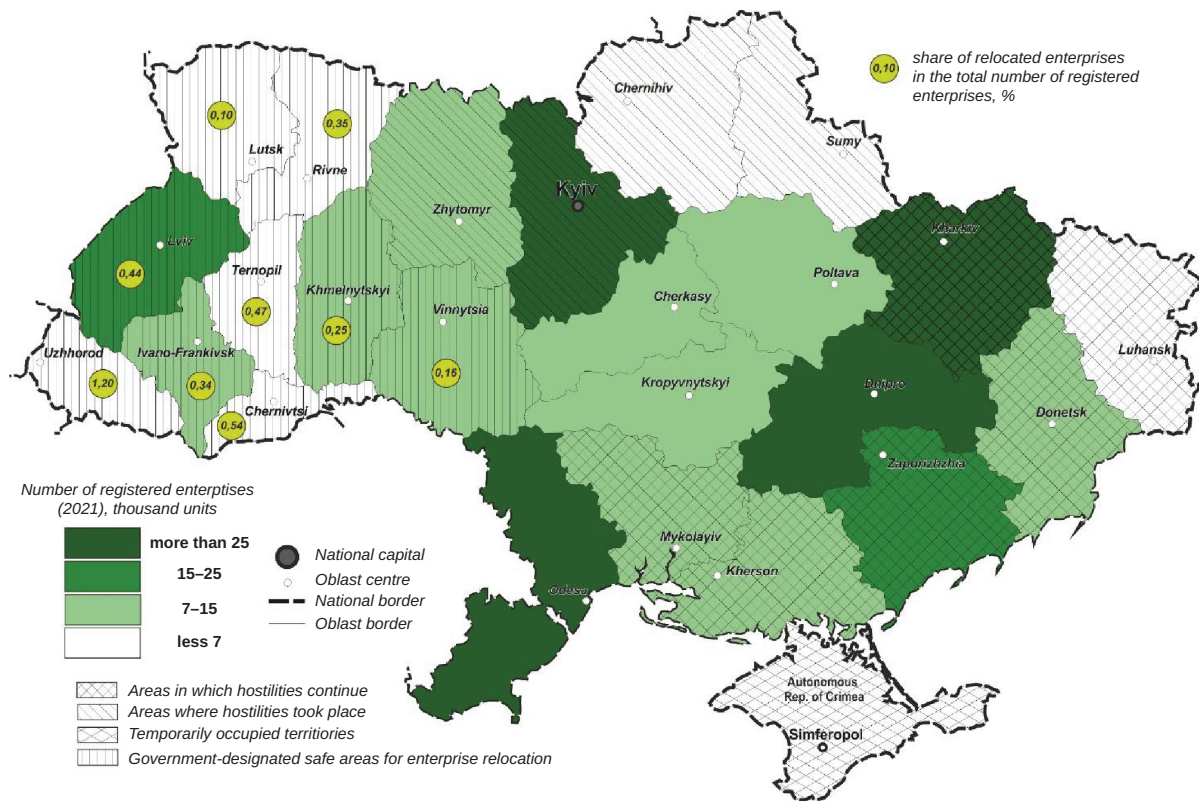


Figure 2. The relocation of companies from the areas of hostilities to safer regions of Ukraine in 2022

Source: Own elaboration.

The global challenge – a full-scale war unleashed by the Russian aggressor – led to a decrease in the potential of logistics enterprises of Ukraine, because:

- 1) during the war, the operation of a number of logistics routes and branches of the transport and logistics sphere was blocked. In particular, the threat of air attacks “grounded” all air transport in Ukraine. The occupation of part of the Khersonska and Zaporizhska oblasts, as well as the destruction of the Kakhovska HPP, stopped the movement of river transport along the Dnipro. Russian warships in the Black Sea are blocking Ukrainian seaports. In addition to the obvious loss of income, the blockade of Ukrainian ports led to the disruption of the usual logistics chains. For Ukrainian seaports, this caused the loss of some customers. Instead, companies that sold their products by sea were forced to look for new intermediaries and new sales markets (Melnyk & Leshchukh, 2023);
- 2) as a result of hostilities and rocket attacks, the destruction of transport infrastructure has occurred (and continues to occur);
- 3) military operations, blockade of seaports, damage to transport and logistics infrastructure, etc. caused – in addition to a decrease in the physical volume of cargo transportation – a change in its structure by types of goods.

Since there is a significant risk that hostilities do not end in the short run, it is essential to develop a policy directed at securing the economic resilience and maintaining the economic capacity of the country under martial law.

In our opinion, the following are the major threats that substantially complicate the processes of securing the economic resilience and maintaining the economic capacity of the country under the martial law:

- the violation of internal and international economic links;
- the blocking and violation of supply and/or sales logistics;
- the loss of labour capacity due to continuous human outflow;
- the lack of sufficient number of equipped sites to locate companies;

- difficulties in simultaneous relocation and accommodation of a substantial number of employees along with securing them the access to basic social services;
- the lack of, or problems with, connection to necessary engineering networks to secure the functioning of companies;
- difficult logistics and long-term transfer of industrial equipment to the relocation sites;
- the lack or shortage of qualified specialists to assemble/dismantle the complex industrial equipment (including the one produced abroad).

Therefore, the Parliament and Government of Ukraine introduced a range of initiatives in the first month of the war to support businesses in this particular period. Namely, they include the deregulation and simplification of requirements for doing business, concessional lending, the opportunity to relocate from the area of intense hostilities, etc., which will help businesses to continue operations (Table 2).

Table 2. The risks of creating specific business environment in Ukraine under military law

Specific conditions / opportunities for doing business	The risks of creating specific business environment
Business relocation	<p>Microlevel (business):</p> <ol style="list-style-type: none"> 1) high cost and legal and technical difficulties of the relocation procedure; 2) the loss of resources, goods, fixed assets; relocation cost; 3) limited mobility of some types of businesses, their territorial “linkage” (mostly, agribusiness, large production, and logistics companies); 4) challenges of the selection of sites to locate production; possible high production premises rent in a new location site; 5) challenges of the selection of qualified staff in the sites after relocation, especially for economic activity types where the employees must have specific skills and knowledge. Moreover, there is a threat of labour shortage, since, currently, a significant share of the population has left abroad, and hundreds of thousands of people have joined the Ukrainian Armed Forces as well as have become volunteers involved in the transportation of humanitarian aid and supplies to armed forces. They all have “left” the labour market; 6) challenges of the relocation and accommodation of staff in new sites; 7) the loss of partners, suppliers of raw materials, etc.; the need to search for new partners, suppliers, etc., which requires additional financial losses and some time, and, among other things, can constitute a threat of business downtime. <p>Meso and macrolevel (regions and state):</p> <ol style="list-style-type: none"> 1) the lack/difficulties in logistical capacities to relocate the business from the areas of intense hostilities; the threat to life and health of staff, drivers, and railway workers when they perform relocation procedures; 2) the loss of tax revenues to local budgets in the regions where the businesses are relocated from due to the reduction of tax base and accumulation of tax debt; 3) the growing share of companies that relocate abroad (according to Advanter analysts, as of 13th March, 2022, about 8% of companies have relocated abroad); hence the loss of their capacity for Ukraine; 4) the threat of budget imbalance in various regions of the country; 5) growing negative impact on sustainable development of the areas where the businesses relocate from, e.g. due to failure to conduct an inventory of pollutants emission by enterprises; growing environmental threats in the sites of the location of some types of businesses after relocation.
Deregulation, Reduced tax burden	<p>Microlevel (business):</p> <p>Illegal appointment of unscheduled and actual inspections due to misuse of legislation on the restoration of inspections in certain areas in the case of threat to rights, legal interests, human life and health, environmental protection, and the maintenance of national security; incorrect definition of a list of controlled companies.</p> <p>Meso and macrolevel (regions and state):</p> <ol style="list-style-type: none"> 1) a significant growth of budget deficit due to reduced tax base and the accumulation of tax debt since: <ul style="list-style-type: none"> – over a half of tax payments are in the risk zone due to hostilities and intense movement of the population (e.g. in 2021, small and medium businesses covered 54.2 % of tax payments. About 40% of the mentioned companies were located in the areas of hostilities); – according to Art. 69.1. of the Tax Code of Ukraine, operating companies have the right to tax and fee deferral if they do not have an opportunity to pay taxes in time; – the businesses’ capacity to cover advance payments is exhausted. In the first place, it is about the payments of large taxpayers as their advance payments (in February) secured the growth of tax revenues in March this year compared to March 2021.

Table 2. – cont.

Specific conditions / opportunities for doing business	The risks of creating specific business environment
	<p>Overall, in 2021, large taxpayers secured 45.8% of tax revenues to the state budget of Ukraine. However, nowadays, a significant share of this capacity is lost, since most companies are located in the areas of ongoing hostilities. Under these conditions, according to various analysts, the loss of single social contribution and personal income tax can reach 30–50% in March–April of 2022, and the volume of customs payments can account for only 15–20% of those planned before the war.</p> <ol style="list-style-type: none"> 2) On the one hand, large-scale sequestration of the spending part of state and local budgets can mitigate the problem of the budget deficit, while on the other hand, it is dangerous as it deepens the economic recession. 3) There are growing volumes of counterfeit fuel and ethanol, and their illegal/uncontrolled transportation by vehicles due to the abuse of Article 69.4 of the Tax Code of Ukraine by unscrupulous individuals and legal entities. It is worth mentioning that tax authorities imposed financial sanctions in the amount of 278.1 million UAH in 2021 and 409.3 million UAH in 2020 for conducting unlicensed activities related to fuel circulation or activities violating the licensing terms. 4) Failure to display/incorrect display of sales operations by business entities for tax purposes due to abuse of Article 69.5 of the Tax Code of Ukraine by unscrupulous business entities. 5) Falling revenues from the licensing of activities related to the production and circulation of ethanol, alcohol, and tobacco; growing illegal/uncontrolled production (including poor quality products, falsification) and circulation of ethanol, alcohol, tobacco, and liquids used in electronic cigarettes due to abuse by unscrupulous economic entities of the provisions of the Tax Code of Ukraine related to the deferral of licensing these activities till the martial law is terminated or cancelled in Ukraine. It is worth mentioning that in the prewar 2021, the divisions of Service of Tax Control over the Excisable Goods Circulation imposed financial sanctions for the violation of legislation on the production and circulation of excisable goods and accrued excise tax in the amount of 1,613 million UAH, which is 997.7 million UAH more than in 2020. Meanwhile, under martial law, Article 69.10.1 of the Code allows the production and circulation of a range of excisable goods under old licenses. Moreover, the issue of the reasonability of mitigated requirements for licensing the activities related to the production/circulation of ethanol and alcohol during the war is quite debatable. On the one hand, businesses pay taxes and fees to the budget as they conduct their activities (although these payments will actually be paid after the martial law is cancelled, taking into account the current exemption from taxes and fees). On the other hand, the “anti-alcohol law” (Rohalska, 2022) was introduced in the first days of the war in 13 Ukrainian regions in correspondence with the Law of Ukraine “On Legal Regime of Martial Law” and the Public Health Centre of Ukraine recommended the population to refrain from alcohol consumption under martial law. 6) Falling revenues from the sales of excise stamps and growing import and sales of counterfeit tobacco products due to abuse by unscrupulous taxpayers of legal provisions related to an opportunity of import and sales of tobacco products violating the requirements to labelling following Ukrainian legislation if it is impossible to buy excise stamps. It is worth mentioning that financial sanctions in the amount of 88.6 million UAH were imposed in 2021 by tax authorities for the manufacture, storage, transportation, and sales of counterfeit alcohol and tobacco products or those without excise stamps or with forged brands of alcohol and tobacco products. 7) The shortage of single social contribution to the Pension Fund, including due to an opportunity under Ukrainian law to voluntarily pay this contribution for entrepreneurs belonging to the first and second categories. So in March 2022, the Pension Fund received 9% less single social contributions. The shortfall of this contribution in April will probably be even more significant. 8) Inability of tax and customs authorities to perform their functions in a large part of the country due to the risks and threats to the security of employees; inability to get workers to work; destroyed premises, computer hardware, databases, and/or working documents. 9) There is a risk of deteriorating interaction between tax and customs authorities with territorial divisions of treasury service and/or local financial authorities affecting the maintenance of budgetary process due to humanitarian problems.
Concessional lending	<p>Meso and macrolevel (regions and state):</p> <ol style="list-style-type: none"> 1) the unprofitability of the banking system caused by falling revenues from lending and other types of operational activity; 2) decreasing quality of loan portfolio due to deteriorating payment discipline of borrowers.
Labour relations liberalisation	<p>Microlevel (employees):</p> <ol style="list-style-type: none"> 1) The demoralisation of employees as a result of their: <ul style="list-style-type: none"> – transfer to another job not stipulated by the employment contract (this opportunity for the employer is laid down in Art. 3 of the Law of Ukraine “On the Organisation of Labour Relations under Martial Law”); – release during the period of temporary disability (being on sick leave) and leave (excluding maternity and childcare leave until the child is three years old; Art. 5.1 of the Law of Ukraine “On the Organisation of Labour Relations under Martial Law”).

Table 2. – cont.

Specific conditions / opportunities for doing business	The risks of creating specific business environment
Labour relations liberalisation	2) Temporary loss of solvency by employees due to the abuse by the employer of Article 10 of the Law of Ukraine “On the Organisation of Labour Relations under Martial Law” in the context of its possible violation of obligations regarding remuneration terms (without the imposition of penalties on the latter). 3) Failure of the aggressor state to compensate salaries and other payments accrued to employees in conditions of suspension of employment contracts. It is worth mentioning that according to Art. 13.3 of the Law of Ukraine “On the Organisation of Labour Relations under Martial Law”, reimbursement of salaries, guarantee and compensation payments to employees during the period of employment contract suspension lay entirely with the state that carries out military aggression against Ukraine.
Sectoral transformation of business	Microlevel (business): 1) logistical problems, challenges of the selection of qualified staff and reliable suppliers to conduct a “new” activity type; the need to create a new customer base; 2) the loss of clients, partners, suppliers of raw materials, etc. present in the “previous” business; 3) financial losses caused by a wrong choice of “new” business and its poor resilience in the changing economic dynamics and demand on the market. Meso and macrolevel (regions and state): 1) a shortage of some goods and services due to business conversion and the creation of frenetic demand for these goods and services; 2) decreasing volumes of international reserves due to a significant decline in export of some goods and services of “transformed” companies. It will limit the inflow of foreign currency to the country.

Source: Own elaboration.

Recommendations

The risks and threats of doing business in Ukraine can be eliminated, in our opinion, due to the development and consistent implementation of specific public policy in all priority domains of social life that would contribute to launching the mechanisms of maintaining the economic capacity and the economic recovery of the country under martial law. The following should be the priority steps for the elimination of possible threats of falling business activity that has negative socioeconomic consequences:

- securing the further promotion of business relocation to the areas without intense hostilities (according to the Advanter Group, 48% of small and medium businesses cannot transfer their manufacturing to safe regions yet for various reasons). In addition to creating the tax base, the launching of new businesses in the areas without intense hostilities will allow the creation of new jobs and keep the population from leaving abroad since it will generate preconditions for their solvency;
- promoting domestic products on the market and searching for new export opportunities;
- intensifying the public-private partnership (hereinafter – PPP) in the context of creating the new and reconstructing the damaged infrastructure. The introduction of tax preferences can become the incentive for businesses to intensify investment within the PPP, in particular in the context of the revision of fixed assets depreciation standards, same as tax preferences for revenues directed at capital investment.
- operationally deregulating tax and customs domains and updating state policy in compliance with the martial law needs – maintaining the policy of reducing the administrative and tax burden on business with the elimination of possible abuse, including:
 - with the view to protect against the spread of excisable goods of poor quality (counterfeit), the amendments to Art. 69.1. of Chapter XX of the Tax Code of Ukraine should be introduced in terms of shortening the period of registration in the Unified Register of Excise Invoices, adjustment calculations, the submission of electronic documents with the data on actual fuel reserves and volumes of fuel or ethanol circulation from six to two months after martial law in Ukraine is terminated or cancelled;
 - in the support of an opportunity for a taxpayer to prolong the period of taxes and fees payment to six months after martial law in Ukraine is terminated or cancelled, which is laid down in Art. 69.1 of Chapter XX of the Tax Code of Ukraine, it is reasonable to shorten the period of reporting, registration in the respective registers of tax invoices, adjustment calculations, etc. from six to three months after martial law in Ukraine is terminated or cancelled;

- the mechanism of monitoring the operations related to voluntary transfer or alienation of money, goods, including excise goods, and the provision of services for the Armed Forces of Ukraine and divisions of territorial defence, which without previous or subsequent reimbursement of their cost are not considered as sales operations for tax purposes (Art. 69.5 of Chapter XX of the Tax Code of Ukraine), should be developed. It will eliminate the possibility of not displaying/incorrect these operations by business entities.
- public and local financial assistance for Ukrainian national and local companies (with final beneficiary-owner in Ukraine) operating in the region, including due to the expansion of interest-free lending programmes for businesses under martial law;
 - liberalising labour relations under martial law (Verkhovna Rada of Ukraine, 2021), including due to approval of the official procedure of reserving the key employees of the companies from conscription to maintain the functioning of companies;
 - maintaining consistent and quick internal goods logistics, including due to the adjustment of freight transport inspections at checkpoints of territorial defence;
 - including industrial equipment and components necessary for manufacturing in the list of allowed critical import positions to restore and extend the functioning of industrial companies in Ukraine;
 - deregulating and accelerating the process of connection to engineering networks to secure the functioning of companies under martial law;
 - introducing the mechanism of integrating the relocated companies with the legal regime of the existing industrial parks located in the territory of defined safer regions.
- the flexibility of logistics potential (infrastructure); the transformation of the transport and logistics system, the priority directions of which in the conditions of war, first of all, are:
 - the restoration of the destroyed railway infrastructure should take into account possible changes in the location of large industrial enterprises and sources of cargo flows;
 - the restoration of the capacity and cargo capacity of sea ports (today their work is blocked) by attracting investments (for demining, dredging, clearing, repair, and modernising port infrastructure). They will not immediately be able to reach the pre-war volume of transshipment of goods; hence the importance of road and rail transport in the western direction;
 - the development of warehouse management.

Conclusion

Current realities generate a range of challenges and tasks for businesses and authorities. The functioning of companies in hostilities is the key issue. Businesses must resume operating. It is the foundation for revenues to the state budget, the maintenance of the solvency of the population (including due to jobs creation), and the strengthening of the country's economic resilience, and thus its ability to efficiently resist the aggressor.

Despite a range of risks for the country and its regions (in the first place those related to the shortage of taxes and fees), the creation of a specific business environment in Ukraine under martial law creates opportunities to boost production and entrepreneurial activity in less industrially developed western regions with the attraction of their labour capacity, in addition to the achievement of its major objective – maintaining the country's economic capacity in current difficult conditions. It is especially important in conditions of a significant growth of expenditures related to defence, the solution of social issues, and the accommodation of refugees in the background of a substantial decline in revenues to state and local budgets.

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