

UDC 342.9

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Voskoboinikov, Vadym (2022). Specifics of business support and development under martial law in Ukraine. *Entrepreneurship, Economy and Law*, 10, 25–29, doi <https://doi.org/10.32849/2663-5313/2022.10.04>

SPECIFICS OF BUSINESS SUPPORT AND DEVELOPMENT UNDER MARTIAL LAW IN UKRAINE

Abstract. Purpose. The purpose of the article is to identify the specifics of business support and development under martial law in Ukraine. **Results.** It is emphasised that since the beginning of hostilities, the efficiency of the public sector of the economy has significantly declined, due to: the suspension of operations of enterprises in the area of active hostilities as a result of their partial or complete destruction; the blockade of seaports, which negatively affected exports; the suspension of transport links in the areas of active hostilities and the complete cancellation of air traffic; the destruction of the logistics system for the supply of certain production components; changes in the structure of demand and production; loss of sales and supply markets; lower tax revenues; a drop in the country's gross domestic product and a budget deficit. In this regard, it is emphasised that such a situation requires the state to develop a set of measures to facilitate an enabling environment for functioning of the economy in times of war, focused primarily on the preservation and restoration of industry, production and jobs, to support purchasing power and domestic demand, ensuring macroeconomic stability, to introduce government support and create favourable conditions for small and medium-sized businesses. **Conclusions.** It is concluded that today, the priority sectors where the functioning of enterprises under martial law should be regulated are the agricultural sector, food industry, pharmaceuticals, light industry, trade and provision of resources. The author analyses the measures taken at the national and regional levels to stabilise the economic situation in the country, including those aimed at increasing entrepreneurial mobility and organising business in the territories, where active hostilities are not taking place, as well as facilitating an enabling environment for a rapid economic recovery, including the return of businesses forced to suspend operations. The author offers original perspective on the list of measures that should be implemented to ensure support and development of business in Ukraine in the context of the introduction of the martial law regime.

Key words: legal regime, martial law, public sector of the economy, business, entrepreneurship, state support, stabilisation of the economic situation.

1. Introduction

The imposition of martial law throughout Ukraine on 24 February 2022 necessitated the introduction of a special procedure for the activities of state authorities, military commanders, military administrations and local governments, and the proper functioning of all sectors of society. The national economy should be under focus, since ensuring the economic stability of the state enables to attract as many resources as possible to fight the enemy and ensure victory in a military confrontation.

As of today, Ukraine's critical infrastructure enterprises providing services to the population in the fields of healthcare, water supply, energy supply, gas supply, production and sale of food and other groups of everyday goods are

operating relatively smoothly (Sakun, Shchur, Matskiv, 2022). However, this applies only to those enterprises located in the government-controlled territory of Ukraine in regions that are not in the area of active hostilities. As for other regions, the operation of these enterprises is either completely paralysed (including as a result of their complete liquidation) or complicated by constant shelling, rocket and bomb attacks and occupation. In addition, it should be noted that since the beginning of hostilities, the efficiency of the public sector of the economy has significantly declined, due to: the suspension of operations of enterprises in the area of active hostilities as a result of their partial or complete destruction (Ilyich Iron and Steel Works of Mariupol and Azovstal, as

well as Zaporizhstal and ArcelorMittal Kryvyi Rih); the blockade of seaports, which negatively affected exports (wheat, oil, iron ore); the suspension of transport links in the areas of active hostilities and the complete cancellation of air traffic; the destruction of the logistics system for the supply of certain production components; changes in the structure of demand and production; loss of sales and supply markets; lower tax revenues; a drop in the country's GDP and budget deficit, etc. As a result, the above factors have had a negative impact on the population's spending power due to job losses and a significant decline in income (in most cases, the loss of income sources altogether). This situation requires the State to develop a set of measures to facilitate an enabling environment for functioning of the economy in times of war, focused primarily on the preservation and restoration of industry, production and jobs, to support purchasing power and domestic demand, ensuring macroeconomic stability, to introduce government support and create favourable conditions for small and medium-sized businesses. This is what makes this study relevant.

2. Doing business under martial law

It should be noted that the issue of facilitating an enabling environment for doing business under martial law affects a significant number of areas of society (legislative, economic, tax, medical, military, educational, etc.), therefore, a sufficient number of researchers, not only in the field of law, but also in the field of economics, have conducted relevant scientific research on the development of an optimal mechanism for business support and development. In our opinion, before proceeding directly to specific steps towards facilitating an enabling environment for doing business in various spheres of public life, it is necessary to develop a conceptually new approach to making public policy business development, providing legal, institutional and organisational guarantees for business development (primarily for medium and small businesses), which requires special attention to the work of experts in administrative law in this field. It should be noted that a large number of scholars have focused on the development and conduct of business in peacetime, but with regard to the specifics of the introduction of the martial law regime, this issue has only become extremely relevant in 2022. Therefore, given the lack of scientific research on the issue of maintaining and doing business under martial law, as well as economic recovery after the war, this topic requires special scientific attention and study.

It should be noted that the functioning of small and medium-sized businesses has a direct impact on the development of the coun-

try's economic and financial system. According to the Law of Ukraine "On the development and state support of small and medium-sized enterprises in Ukraine" of 22 March 2012, public policy in this field should be aimed at: 1) facilitating an enabling environment for the development of small and medium-sized enterprises; 2) ensuring the development of small and medium-sized enterprises in order to create a competitive environment and increase their competitiveness; 3) stimulating investment and innovation activity of small and medium-sized enterprises; 4) facilitating the activities of small and medium-sized businesses to promote their goods (works, services) and intellectual property to domestic and foreign markets; 5) ensuring employment by supporting the entrepreneurial initiative of citizens. Of course, in the context of the introduction of the legal regime of martial law, these areas of public policy do not lose their relevance and significance but need to be supplemented and adjusted to take into account threats to the economic security of the state in general.

Since the introduction of the legal regime of martial law, the vast majority of businesses, both those in the area of active hostilities and those in the rear, have faced a number of problems. This had a negative impact on the efficiency of their operation. These include complications in logistics, shortages of fuel, raw materials and components, and a drop in demand for certain groups of goods and services due to a decline in the purchasing power of the population and changes in consumption priorities; lack of labour resources due to the massive forced displacement of people abroad and mobilisation (Sakun, Shchur, Matskiv, 2022). Today, the priority sectors where the functioning of enterprises under martial law should be regulated are the agricultural sector, food industry, pharmaceuticals, light industry, trade and provision of resources.

One of the negative consequences of the large-scale invasion to our country is a sharp reduction in the number of jobs, which has led to the loss of a significant part of the population's source of income. According to the sociological group "Rating" (The sixth national survey: adaptation of Ukrainians to the conditions of war? 2022), as of the beginning of April 2022, about half (53%) of Ukrainians lost their jobs due to the war, 22% work as usual, 21% work remotely or partially, and only 2% have found a new job. According to the information provided by the State Employment Service of Ukraine, as of 1 April 2022, the number of unemployed persons was 286,879, and the number of vacancies was only 33,528; accordingly, the number of appli-

cants for 1 vacancy is 9 persons (The website of the State Employment Service, 2022).

3. Support for and development of business in Ukraine in the context of martial law

It should be noted that since the beginning of Russia's large-scale aggression against Ukraine, the Government has taken a number of measures to stabilise the economic situation in the country, for example, increasing business mobility and organising business in the territories, where active hostilities are not taking place, as well as facilitating an enabling environment for a rapid economic recovery, including the return of businesses forced to suspend operations. These measures include the following:

- The Government has amended the State Programme "Affordable Loans 5-7-9%", which provides for a number of measures to support agricultural producers during the sowing campaign for lending purposes, in particular, the purchase of agricultural machinery, replenishment of working capital for the purchase of seeds, fertilisers and fuel and lubricants;

- The Government approved the allocation of an additional amount of state guarantees to ensure lending to farmers in the spring of 2022, namely: the possibility of providing state guarantees on the portfolio of loans for micro, small and medium-sized businesses to 17 selected lending banks was established; the NBU approved the maximum amount of state guarantees to be provided on a portfolio basis in the total amount of UAH 18.8 billion; amendments were made to the State Budget for 2022: restrictions on the amount of state guarantees provided on a portfolio basis, which are provided by a decision of the Cabinet of Ministers of Ukraine, were cancelled;

- The Ministry of Justice of Ukraine has resumed the operation of the Unified State Register, which contains information on companies and individual entrepreneurs, the possibility of urgent registration actions was implemented, and banks and financial institutions were given the opportunity to use the application software interface to obtain the necessary information from the Unified State Register;

- The State Enterprise "National Information Systems" has resumed the operation of the State Register of Encumbrances on Movable Property by providing a service in the form of an application software interface;

- The government has launched a programme to temporarily relocate businesses from war-affected regions, under this programme, enterprises can receive assistance from the state in selecting locations for their production facilities, organising transportation, resettlement of personnel and recruitment of personnel with the necessary professions (Overview of business

support tools during the period of martial law in Ukraine, 2022).

These measures were implemented at the national level as part of public policy on stabilisation of the economic situation in the country. In addition, the focus should be on the experience of certain regions of our country, where a set of priority tasks was developed and implemented in a timely manner to support micro, small and medium-sized businesses, innovative development, preservation of strategically important industries and jobs, relocation of enterprises from the territories of Ukraine where active hostilities are taking place. For example, the Business Support Programme in Lviv Oblast for the period of martial law aims to provide support to businesses under martial law, in particular, creating the necessary conditions for the location and operation of businesses relocated to Lviv region from other regions of Ukraine, supporting export-oriented enterprises, supporting enterprises producing socially important goods and military goods (Business support program in the Lviv region during the period of martial law, 2022). The main objectives of this Programme, focused on achieving its goal, are as follows: a) non-repayable financial assistance to businesses that have relocated to and registered in the Lviv region; b) voucher support for business for marketing purposes and product certification; c) non-repayable financial assistance for the purchase of equipment to food, light and machine-building enterprises (Business support program in the Lviv region during the period of martial law, 2022).

It should be noted that the measures envisaged in this programme are aimed at promoting the development of small and medium-sized businesses using various tax instruments, its restoration after the termination of the legal regime of martial law by combining the financial and material and technical resources of local state authorities, local self-government bodies and other sources, permitted by law. In our opinion, similar programmes should be adopted and implemented in those areas where active hostilities are not taking place (the so-called "rear" areas), as this will facilitate an enabling environment for the maximum possible use of the potential of those enterprises that were forced to relocate to them. As a result, this will ensure the legal relocation and registration of enterprises displaced from other regions, preserve the geography of exports and industrial production, preserve and create new jobs, and ensure tax revenues from relocated enterprises. Of course, the adoption of these programmes cannot be mandatory for every region, as there are other factors to consider, firstly,

whether a particular region belongs to a region where there are no active hostilities, but there is a risk of Russian troops approaching, a region far from the frontline, and a region on the frontline.

Therefore, in our opinion, the following measures are of particular relevance in order to ensure the support and development of business in Ukraine in the context of the introduction of the martial law regime:

- Implementation of donor programmes and private initiatives aimed at supporting entrepreneurs in times of war and preserving jobs;
- Introduction of joint financial and credit support programmes for small and medium-sized businesses of local authorities and local self-government bodies in cooperation with the Entrepreneurship Development Fund;
- Improvement of the logistics component, enabling to restore broken supply chains and establish communication between Ukrainian producers and entrepreneurs not only in our country but also abroad;
- State support to enterprises products thereof are oriented towards the needs of the population, production of critical goods and services, primarily the construction of modular towns for IDPs, restoration of damaged buildings, furniture production, agricultural sector, pharmaceutical sector, clothing and footwear production;
- Additional funding, subsidies, grants and microgrants for entrepreneurs who have lost their businesses in the area of active hostilities, in the temporarily occupied territories and a special (preferential) mechanism for business recovery in other regions of the country;
- A mechanism for evacuating enterprises from the zone of hostilities and transporting production facilities and employees, allowing for the security component;
- Simplification of customs clearance for raw materials and supplies required for the pro-

duction of Ukrainian goods and to cancel import duties on them;

- Given that the effective functioning of business contributes to the timely filling of the state budget, it is advisable to review the practice of mass conscription of citizens from the mobilisation and civilian reserves working for enterprises of strategic importance;
- A review of legislation on hiring and dismissing employees, facilitation of an enabling environment for high-quality remote work and proper remuneration;
- Benefits to entrepreneurs for employing internally displaced persons;
- State control over pricing in the real estate market, in particular, the reasonable pricing of real estate leases and payment of commissions to real estate agencies;
- Information support mechanisms for business representatives within territorial communities, etc.

Furthermore, it is important to strengthen cooperation with international organisations to expand financial and advisory support for small and medium-sized businesses, including the International Bank for Reconstruction and Development, the International Finance Corporation, the European Investment Bank, and the United States Agency for International Development. It should be noted that such interaction should be focused on the implementation of comprehensive measures at both the national and regional levels.

4. Conclusions

To sum up, during martial law throughout the country, the importance of facilitating an enabling environment for business representatives to realise their entrepreneurial potential should be emphasised, as it will preserve Ukraine's economic potential and create the preconditions for new jobs. In turn, this will become a high-quality foundation for the post-war recovery of our country and strengthening the capacities of enterprises in the context of sectoral business transformation.

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ОСОБЛИВОСТІ ПІДТРИМКИ ТА РОЗВИТКУ БІЗНЕСУ В УМОВАХ ВОЄННОГО СТАНУ В УКРАЇНІ

Анотація. Мета. Метою статті є визначення особливостей підтримки та розвитку бізнесу в умовах воєнного стану в Україні. **Результати.** Акцентовано увагу, що з початку ведення воєнних дій спостерігається істотне зниження ефективності функціонування державного сектору економіки, що зумовлено, зокрема: зупинкою роботи підприємств у зоні активних бойових дій внаслідок їх часткового або повного руйнування; блокадою морських портів, що негативно вплинула на рівень експорту; зупинкою транспортного сполучення у зонах активних бойових дій та повною відміною авіаційного сполучення; руйнацією системи логістичного забезпечення постачань окремих компонентів виробництва; зміною структури попиту та виробництва; втратою ринків збуту та постачання; зниженням податкових надходжень; падінням валового внутрішнього продукту країни та дефіцитом бюджету. У зв'язку з цим наголошено, що така ситуація вимагає від держави вироблення комплексу заходів, спрямованих на створення умов для функціонування економіки в умовах війни, орієнтованих насамперед на збереження і відновлення промисловості, виробництва та робочих місць, підтримку купівельної спроможності та внутрішнього попиту, забезпечення макроекономічної стабільності, запровадження державної підтримки та створення пільгових умов для функціонування малого та середнього бізнесу. **Висновки.** Зроблено висновок, що нині пріоритетними сферами упорядкування функціонування підприємств, у межах яких в умовах воєнного стану набуває першочергового значення, є аграрний сектор, харчова промисловість, фармацевтика, легка промисловість, торгівля та забезпечення ресурсами. Проаналізовано заходи, що вживаються на загальнодержавному та регіональному рівнях у напрямі стабілізації економічної ситуації в державі, у тому числі щодо підвищення підприємницької мобільності та організації ведення бізнесу на територіях, де не ведуться активні бойові дії, а також створення умов для швидкого економічного відновлення, у тому числі повернення бізнесу, який був змушений перервати роботу. Запропоновано власне бачення переліку заходів, що мають реалізовуватися з метою забезпечення підтримки та розвитку бізнесу в Україні в умовах запровадження правового режиму воєнного стану.

Ключові слова: правовий режим, воєнний стан, державний сектор економіки, бізнес, підприємництво, державна підтримка, стабілізація економічної ситуації.

The article was submitted 21.07.2022

The article was revised 11.08.2022

The article was accepted 30.08.2022