

# **PUBLIC ADMINISTRATION FOR SUSTAINABLE DEVELOPMENT**



**MECHANISMS AND STRATEGIES OF STATE AND  
REGIONAL ADMINISTRATION IN THE CONDITIONS  
OF WAR AND RECONSTRUCTION OF UKRAINE**

Mariupol State University (Ukraine)  
University of Economics and Humanities (Poland)

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The monograph is dedicated to the pressing issues and prospects of Ukraine's recovery after the armed conflict. The study focuses on public administration reforms aimed at strengthening the country's potential during the war and in the reconstruction phase, as well as the role of these reforms in the process of European integration. The authors examine a wide range of topics, from the organizational and legal mechanisms for engaging citizens in local governance to strategies for managing public finances in wartime. Attention is given to decentralization, sustainable regional development, crisis management in the field of water use, and the restoration of key economic sectors. Particular emphasis is placed on the analysis of women's social entrepreneurship and its impact on social processes in conflict and post-conflict situations, as well as a comparative study of migration policies in Ukraine and EU member states. This monograph represents a contribution from scholars and experts, offering a critical perspective and comprehensive approaches to addressing public administration and economic development challenges in the post-war recovery period of Ukraine. It aims to serve as a guide for policymakers, researchers, and all those involved in the process of recovery and sustainable development of the country, providing a solid foundation for long-term changes. The monograph is designed for scientists, graduate and undergraduate students who are researching these above-mentioned problems in the Public Administration scientific sphere.

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## CONTENT

<b>The path to recovery: discussions on the strategy of the post-war reconstruction in Ukraine (Preface)</b>	<b>4</b>
<b>SECTION 1      MACROECONOMIC AND ADMINISTRATIVE FRAMEWORK OF RECONSTRUCTION</b>	<b>6</b>
<b>1.1              Strategy for reforming the public administration system as a factor in increasing the state's potential during war in the context of Ukraine's European integration (<i>Denys Tarasenko</i>)</b>	<b>7</b>
<b>1.2              State management of sustainable regional development in Ukraine in the context of post-war decentralisation (<i>Olena Brazhko</i>)</b>	<b>35</b>
<b>1.3              Organizational and legal mechanism for ensuring public participation in management decision-making at the local level (<i>Alina Nadezhdenko</i>)</b>	<b>66</b>
<b>1.4              Comparative analysis of migration policy in EU member states and Ukraine (<i>Valentyna Tokareva, Anna Chechel, Viktoriya Kotova</i>)</b>	<b>86</b>
<b>1.5              Economic development through the Ukraine-Poland migration processes (<i>Liubov Zharova</i>)</b>	<b>100</b>
<b>SECTION 2      MICROECONOMIC AND FINANCIAL DIMENSIONS OF POST-WAR DEVELOPMENT</b>	<b>111</b>
<b>2.1              Features of public finance management in Ukraine in the context of wartime (<i>Svitlana Verytelnyk</i>)</b>	<b>112</b>
<b>2.2              State financial support as a component of the construction and development of the country (<i>Victoria Koverza</i>)</b>	<b>137</b>
<b>2.3              Anti-crisis management in the field of water use: problems and prospects for their solution (<i>Andrii Mashyn, Olena Pavlenko</i>)</b>	<b>160</b>
<b>2.4              Women-led impact entrepreneurship in Ukraine: lessons for public administration in conflict and post-conflict settings (<i>Andrei Kirilenko, Anna Chechel</i>)</b>	<b>177</b>
<b>2.5              «Green entrepreneurship» in the context of developing policies for the advancement of modern social business (<i>Anna Chechel</i>)</b>	<b>195</b>
<b>2.6              Prospects for coordination of innovative development of economic sectors of Georgia in the next decade (<i>Ramaz Abesadze, Vakhtang Burduli</i>)</b>	<b>217</b>
<b>2.7              Social entrepreneurship as one of the tools for ensuring effective social dialogue (<i>Maryna Zelinska, Anastasiia Isaieva, Denys Gryaznov</i>)</b>	<b>250</b>
<b>AFTERWORD</b>	<b>277</b>
<b>ABOUT AUTHORS OF MONOGRAPHY</b>	<b>283</b>

## **The Path to Recovery: Discussions on the Strategy of the Post-War Reconstruction in Ukraine**

A nation's resilience and adaptability are tested to the fullest in the face of adversity. Ukraine, amid the ongoing challenges of war and its aftermath, stands as a testament to the strength and determination of its people. As the nation continues its journey toward recovery and rebuilding, it becomes crucial to reexamine the role of public administration, governance, and sustainable development in shaping the country's future. This monograph aims to comprehensively address these critical areas, focusing on the strategies and reforms necessary for effective post-war reconstruction.

Post-war reconstruction is not merely about rebuilding physical infrastructure but redefining the country's social, economic, and political fabric. This transformation must be rooted in strong governance, strategic public policy, and inclusive decision-making processes that can guide Ukraine toward a more sustainable and resilient future. In this regard, the monograph delves into various aspects of public administration reform, emphasising its significance as a catalyst for increasing the state's potential in times of conflict and the context of European integration.

The studies presented here address vital issues, including reforming public administration systems, decentralisation, sustainable regional development, and citizen participation in governance. Additionally, the monograph explores the intricacies of public finance management during wartime and the critical role of state financial support in nation-building efforts. These topics are relevant and essential to understanding Ukraine's recovery process dynamics.

The focus on sectoral development, such as anti-crisis management in water use and strategies for restoring key industries, underscores the need for a holistic approach to national reconstruction. These insights highlight the importance of innovation, resource management, and strategic planning in restoring Ukraine's economy's backbone. Furthermore, the examining-led impact of entrepreneurship in conflict and post-conflict settings offers a unique perspective on the role of inclusive economic practices in fostering societal resilience.

This monograph represents a collaborative effort by scholars and experts who have come together to analyse, critique, and propose forward-looking solutions for Ukraine's post-war recovery. Their contributions reflect a deep understanding of the complex challenges ahead and a commitment to turning them into sustainable growth and development opportunities.

As Ukraine moves forward, embracing the principles of good governance, transparency, and inclusivity will be paramount in ensuring that the country's reconstruction efforts lead to a brighter, more stable future. We hope the insights and strategies this monograph outlines will serve as valuable resources for rebuilding a resilient and prosperous Ukraine.

With the most profound respect,  
Editorial Board  
**(Anna Chechel, Liubov Zharova, Michał Śleziak)**

# **SECTION 1**

## **MACROECONOMIC AND ADMINISTRATIVE FRAMEWORK OF RECONSTRUCTION**

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### **1.1. Strategy for reforming the public administration system as a factor in increasing the state's potential during war in the context of Ukraine's European integration <sup>1</sup>**

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Reforming public administration requires adaptability, innovative thinking, and the readiness to quickly respond to key changes to ensure security, stability, and progress on the path to European integration, especially in the context of war. Today, public administration has undergone significant changes that need to be carefully reviewed, taking into account not only the transformation of the system but also the military situation in the country. Given the European direction of Ukrainian policy, it is relevant to study the effectiveness of the functioning of administrative mechanisms and to identify the influencing factors that hinder the country's purposeful movement towards joining the European Union. However, the ongoing war not only exhausts the economy, causes significant damage to infrastructure, reduces investment attractiveness, worsens market conditions, and the quality of life for ordinary citizens but also takes lives and plunges society into the depths of a demographic catastrophe. Therefore, the issue of developing effective public administration mechanisms at all levels aimed at ensuring the livelihood of citizens, conducting business, social protection, etc., arises. Ultimately, effective social transformations in the economic and social life of the state are based on the development of its territory. It is at the level of a specific settlement that state and local government authorities can strengthen regional food security, support demographic stability, preserve historical and cultural heritage, and ensure environmental balance. The relevant administration plays a very important role in this, properly influencing the development of the territorial urban community of Ukraine and ensuring the development of the territory at the necessary level. In this situation, the issue of the overall efficiency of public administration, particularly its implementation based on sound forecasting, becomes especially important. This leads to the need to study the modern approach to forecasting as a tool for improving the efficiency of public administration

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<sup>1</sup>The author of the chapter: **Denys Tarasenko**, Doctor of Economic Sciences, Professor, Professor of the Department of Public Management and Administration the Educational and Scientific Institute of Management at Mariupol State University, Kyiv (Ukraine).



both at the national and regional levels. The problem of regional development is explained by several factors: the peculiarities of Ukraine's development, the difficulties of past pandemics, and active military actions in the country. This leads to the discussion of ineffective public administration of regional development, which directly affects regional policy and worsens key social indicators. The country's and region's economic problems, combined with the need for defense spending, have posed the task to society of finding a way out of the crisis in ensuring regional development in the event of force majeure circumstances. It is advisable to make adjustments in the field of public administration, on which the country's livelihood depends during this challenging time. Ultimately, the reform of public administration and decentralization of public authority, the current approach to regional development, has led to a systematic resolution of the problems that have accumulated over time. Therefore, questions remain regarding the development and testing of new approaches to regional development, the search for effective ways to implement mechanisms of state governance in strategic development at the level of territorial communities. In general, the process of European integration, which is crucial for Ukraine, requires a comprehensive approach to reforming public administration, aligning laws with European standards, optimizing management processes, ensuring transparency in the activities of state institutions, strengthening local autonomy, enhancing institutional capacity, and adapting to European policies. We consider it necessary to pay special attention to the strategy of public administration reform as a factor in increasing the state's potential during the war in the context of Ukraine's European integration, which becomes particularly relevant in the face of external challenges to national security.

Thus, the aim of the study is to clarify the features and prospects of the process of reforming Ukraine's public administration system as a factor that enhances the state's potential, taking into account European standards; to examine the mechanisms of public administration in the context of factors that slow down the strategy of its reform, considering tools for rational forecasting; to consider opportunities for improving the efficiency of state governance, including identifying relevant strategic directions for its development and considering post-war perspectives; to analyze the public administration factors that influence the regional development of communities in Ukraine; and to justify the modernization

of the administrative system in the context of decentralization of power based on strategic regional development and the necessity of creating appropriate conditions for European integration amid the war in Ukraine.

Today, important multifaceted processes are taking place in the world, and governance systems require changes at all levels. Governments of all countries face challenges related to adapting their development models to modern demands and exploring effective new models of public administration to ensure a certain level of governance and an adequate level of citizens' welfare. The transformation processes and the impact of military actions taking place in Ukraine also dictate new constructive solutions for creating an effective system of state institutions and governance at all levels in the context of societal development. Thus, the main efforts of theorists and practitioners, in modern conditions, are directed towards developing a general paradigm of public administration, adapting the fundamental principles of global concepts to the practical activities of Ukrainian politicians and officials, improving aspects of ineffective reforms, conducting administrative reforms, and supporting the wave of new ideas for improving public administration. If the public administration sphere is decentralized (in our opinion, the decentralization reform should continue even during the war), the activities of state sector institutions and organizations are transparent and open, and the mechanisms for accountability, monitoring, and management are improved, then a shift towards principles of efficiency, effectiveness, cost-efficiency, and the provision of high-quality management services by the administration is possible<sup>2</sup>.

And the reform of the public administration system in the context of European integration is a crucial aspect for countries seeking to align with the standards and requirements of the European Union. This process involves a wide range of changes in governance structures, legislative frameworks, and management methods and approaches to ensure transparency, accountability, and efficiency within the state apparatus. It is worth noting that administrative reform in this context aims to achieve the following goals:

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<sup>2</sup> Kodis, Ye. I. (2020). *Model of Integration of Public Administration Systems of Ukraine and the European Union*. Retrieved from <https://periodicals.karazin.ua/db/article/view/19187/17470>

- Improve legislation: Harmonizing domestic laws with EU norms and standards can provide a legal basis for implementing European principles;

- Enhance management efficiency: Optimizing processes in the public sector, implementing modern management methods and IT solutions make the work of government institutions more efficient and socially responsible;

- Ensure transparency and accountability: Creating mechanisms to ensure transparency in the activities of public authorities and mechanisms for public feedback;

- Develop local self-government: Decentralization of power not only ensures more effective and rapid resolution of regional issues but also increases citizen involvement in the management process at the regional level;

- Strengthen institutional capacity: To improve the quality of governance and the provision of public services, it is necessary to strengthen the institutional capacity of public institutions, enhance the qualifications of civil servants, and reform the civil service system;

- Adapt to European policies: It facilitates the creation of a common space for interaction with EU member states and ensures adaptation to common market conditions, security policies, and environmental standards;

- Support innovation and human resource development: It contributes to increasing the competitiveness of the economy, developing the skills and competencies needed for successful integration into the European Union, and ensures more effective resource management;

- Ensure public participation in the management process: It promotes increased transparency, accountability in public administration, and the formation of an open and democratic society;

- Strengthen international cooperation: It fosters the activation of dialogue and cooperation with European Union institutions, opening up new opportunities for experience exchange and securing support for reforms.

Fundamental changes are taking place in Ukraine, primarily due to globalization, socio-economic, and civic transformations. This global challenge dictates the necessity for comprehensive reforms aimed at modernizing the national economy, contributing to the balanced progress

of our country as a highly developed and civilized European state with a fairly high standard of living, socio-economic stability, established democratic traditions, and post-war recovery<sup>3</sup>. Regarding the modernization of the public administration system, due to the combination of negative trends, in our opinion, it is necessary as soon as possible, primarily through the application of innovations related to the following criteria:

- The institutional structure of the administrative apparatus does not meet the needs of society and business, or the priorities of Ukraine's external and internal policies;
  - Low manageability and high administrative costs;
  - Lack of transparency and low quality of public services, along with the absence of timely responses to public inquiries;
  - The limitations existing within the structure of modern state institutions significantly reduce the opportunities for socio-economic and human development;
  - Shortage of specialized personnel within the administrative system;
  - Ignoring the positive results achieved by leading scholars in the field of public administration in the process of developing and shaping effective personnel policies;
  - The dishonest and corrupt nature of the functioning of public bodies;
  - Low competitiveness of the country in terms of security and the quality of state institutions;
  - Lack of information on the implementation of the latest scientific and methodological approaches and the application of foreign practices in public administration activities;
  - Bureaucracy in the systems of innovation implementation;
  - Negative public opinion regarding the activities of public bodies at all levels;
  - Demographic crisis, aging population, declining birth rates, poverty, national reproduction, and migration of highly qualified citizens;

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<sup>3</sup> Nikolyuk, O. V., Myronenko, B. V., & Kyrylova, V. P. (2022). *Reforming the Public Administration System in the Context of Decentralization of Power*. *Ekonomika Kharchovoi Promyslovosti*, 14(2), 77-83.

- Monopolization of land use rights, mass privatization of industrial enterprises, and unreasonable exploitation of industrial and land resources;
- Military actions on the territory of the state and the overall martial law.

The analysis and synthesis of various approaches have led us to conclude that many of the problems arising in the process of administrative development are highly relevant. Further directions of global development, including a wide range of issues, are outlined in Ukraine's Sustainable Development Strategy until 2030, but it has not yet been approved for well-known reasons<sup>4</sup>.

Overall, the research, based on the integration of public administration system reform strategies, aims to initiate the process of identifying and classifying innovative and advanced methods that have been or can be applied in this field to improve the quality of life for citizens and effectively address regional issues in Ukraine. Furthermore, analyzing these modern methods allows for an assessment of the opportunities and limitations of their application, which is connected to the specifics of the Ukrainian context. Currently, Ukraine faces a number of serious challenges that affect the efficiency of public administration and require special attention in developing response strategies.

First and foremost, there are security threats, particularly the ongoing military conflicts, which not only place additional burdens on public authorities but also lead to the loss and destruction of everyday life. Of course, the war depletes vast resources that could be used for internal development and modernization. Additionally, military actions exacerbate social tensions, complicate the internal political situation, and divert attention from the need for structural reforms. However, even very promising changes could pose a threat to the stability of public institutions and should be postponed as much as possible until the end of the military actions. Political instability continues to be one of the key obstacles to the effective functioning of state mechanisms. Before the war, this included frequent changes in government, leading to long-term disruptions in policy implementation, loss of expertise, and unpredictability in the political

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<sup>4</sup> Melnychenko, O. A. (2021). *The Quality of Public Administration as a Guarantee of the Welfare of the Country's Population*. *Theory and History of Public Administration*, 1(51).

sphere<sup>5</sup>. Currently, there is growing public distrust in the government, which worsens both the security and economic environment in the country. The lack of stability in the government negatively affects the country's ability to carry out reforms and adapt to changing internal and external conditions.

Economic issues have also significantly impacted public administration. In particular, the high level of public debt and the need to utilize international financial resources pose threats to financial and economic stability. Even minimal delays in assistance from partners could be enough to devalue the hryvnia exchange rate. And, of course, these issues complicate the implementation of macroeconomic policies, especially in the areas of inflation and exchange rate stabilization<sup>6</sup>. Moreover, high dependence on energy imports increases the economy's vulnerability to external shocks, necessitating the development and implementation of more flexible economic strategies by the government.

Another significant issue is internal migration and the emigration of the population, particularly women with children, as well as young and highly skilled professionals. This phenomenon significantly reduces the potential for economic growth and innovation in the country. Therefore, it is necessary to develop policies aimed at supporting and encouraging the professional and personal development of Ukrainian youth and to create conditions for the return of qualified migrants, at least after the war<sup>7</sup>. These challenges must also be addressed in parallel with efforts to reform public administration and modernize the country as a whole. At the same time, new approaches are being sought to ensure national security and defense. All categories of challenges require a comprehensive approach and interaction with management decisions that should aim at stabilizing the internal situation and enhancing Ukraine's security.

The synthesis of conceptual approaches common among contemporary scholars allows for the identification of areas for applying

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<sup>5</sup> Yarovoy, T., & Dabizha, V. (2023). The Role of the State in Financial and Economic Stabilization in the Context of Societal Transformation. *Scientific Innovations and Advanced Technologies*, 11(25), 134-143.

<sup>6</sup> Koziuk, V. V. (2022). Post-War Inflation Targeting: Key Challenges. *Economy of Ukraine*, 10(731), 15-34.

<sup>7</sup> Lytvynchuk, O. V., & Yurkivskyi, O. Y. (2023). Migration Processes in Ukraine: Threats in the Context of the Russia-Ukraine War. *Economy, Management, and Administration*, 2(104), 71-78.



innovative approaches in the public administration system, which encompass the following categories:

Service innovations aimed at improving the provision of services to existing users; process innovations that include the development of new management methods, forms, and working procedures in public bodies<sup>8</sup>;

Technological innovations applied to service delivery mechanisms through digital transformation, a reform that has been accelerated by the war in Ukraine<sup>9</sup>;

Management innovations that introduce new mechanisms and methods to ensure transparency and accountability in the public sector; systemic innovations that enhance interaction with other organizations and knowledge bases for the joint delivery of public services; social innovations, which represent cross-sectoral concepts aimed at meeting the social needs of vulnerable groups and addressing the root causes of social problems<sup>10</sup>.

However, regardless of the category, all aspects of the public administration reform strategy are unified by the necessity of using rational forecasting methods. Overall, forecasting methods play a crucial role in enhancing the effectiveness of public administration, as they allow authorities to anticipate future events and develop adaptive strategies for responding to potential challenges. Advanced forecasting methods, such as artificial intelligence, significantly improve the ability to analyze large volumes of data, which can be used to identify trends, risks, and optimize management decisions<sup>11</sup>. These methods can be employed for various purposes, ranging from budget planning and public asset management to the development of social programs and crisis response.

Quantitative methods, such as econometric forecasting and statistical analysis, allow future scenarios to be derived from variables in past and current data. These methods are widely used for economic forecasting,

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<sup>8</sup> De Vries, H., Bekkers, V., & Tummers, L. (2016). Innovation in the Public Sector: A Systematic Review and Future Research Agenda. *Public Administration*, 94(1), 146–166.

<sup>9</sup> SMART MEDIA (2023). *Digital Transformation in Ukraine: A Reform Accelerated by the War*. Retrieved from <https://www.smartmedianews.org/post/>.

<sup>10</sup> Cinar, E., Simms, C., Trott, P., & Demircioglu, M. A. (2022). Public Sector Innovation in Context: A Comparative Study of Innovation Types. *Public Management Review*, 1–29.

<sup>11</sup> Khatniuk, N., Shestakovska, T., Pobiianska, N., Rovnyi, V., & Surzhik, Y. (2023). Legal Principles and Features of the Use of Artificial Intelligence in the Provision of Legal Services. *Journal of Law and Sustainable Development*, 11(5).

financial planning, and the analysis of socio-economic development<sup>12</sup>. Qualitative methods, such as expert judgment and the Delphi method, rely on expert knowledge and intuition to determine future trends and solutions<sup>13</sup>. At the same time, it is important to develop the forecasting and analytical capabilities of administrative personnel. Investment in education and professional training aimed at improving the analytical skills of staff will contribute to a better understanding and application of forecasting tools. Training should encompass critical thinking skills, the ability to analyze and interpret large volumes of data, and an understanding of the latest technological solutions that can enhance the transparency and objectivity of decision-making.

Overall, the effective use of forecasting methods as an administrative tool can significantly enhance the quality of management decisions, reduce risks, and unlock new opportunities for sustainable development and improving citizens' well-being. These methods should become commonplace in strategic planning and management, as they help governments become more predictable, accountable, and transparent to society. Despite the considerable amount of research in the field of territorial community development, a different approach is still needed at this stage to study the role and importance of public administration in regional development. It is particularly important to analyze the administrative factors influencing regional development in Ukraine. Currently, the impact of administrative factors on the development of regional urban communities in Ukraine is based on the principles of objectivity, flexibility, openness, and democracy. This applies to procedures regulating tax payments and the activities of taxpayers, regardless of ownership form, procedures for filling local budgets, and other procedures related to the economic development of regional urban communities.

The Law of Ukraine «On Local Self-Government» considers the principles of democracy outlined in the European Charter of Local Self-Government, significantly expanding knowledge and understanding of the

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<sup>12</sup> Hilbert, M., Miles, I., & Othmer, J. (2009). Foresight Tools for Participative Policy-Making in Inter-Governmental Processes in Developing Countries: Lessons Learned from the eLAC Policy Priorities Delphi. *Technological Forecasting and Social Change*, 15(2), 880–896.

<sup>13</sup> Banno, M., Tsujimoto, Y., & Kataoka, Y. (2020). The Majority of Reporting Guidelines Are Not Developed with the Delphi Method: A Systematic Review of Reporting Guidelines. *Journal of Clinical Epidemiology*, 124, 50–57.

principles of self-governance. The particularly important challenges faced by Ukrainian communities require the development and implementation of modern approaches to address them<sup>14</sup>. The success of democratic governance and the implementation of innovative methods and technologies depend on understanding the theoretical, methodological, and practical aspects of the new stages of regional public development. Given the challenges public administration faces in the field of socio-economic regional development, it is generally necessary to evaluate all factors affecting the integrity and adequacy of the management process. Therefore, it is advisable to use a PEST analysis designed for political factors, including the stability of political power, maintaining stability in the tax, credit, and financial spheres, participation in political processes, and increasing citizens' activity in political life; the large number of bureaucratic obstacles and high level of corruption; the potential for conflict escalation and military operations in the country. Economic factors include low economic growth rates, decreasing population income levels, increasing unemployment, slow progress in the development of the banking system, decreased purchasing power, and rising inflation. Social factors involve decreasing population growth rates, increasing labor market migration, expanding social assistance, low minimum wages, and insufficient quality of healthcare and education. Technological factors include the potential for the development of mobile devices and expanded access to the Internet, the creation of public registers of individuals' incomes, opportunities for implementing, using, and transferring technologies, and strengthening control over the accounting of the tax base for economic entities<sup>15</sup>. This approach will allow identifying the public administration factors that significantly influence regional development and forecasting the dynamics of future impact.

Based on the aforementioned administrative factors, let's consider their impact on regional development in the current conditions. Examining the political factors, it can be observed that the stability of political power, a relatively resilient tax, credit, and financial sector, despite the implementation of martial law, and citizen participation in the political

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<sup>14</sup> *On Local Self-Government in Ukraine* (2024). Retrieved from <https://zakon.rada.gov.ua/laws/show/280/97-Бп#Text>.

<sup>15</sup> Kyzym, M. O., Semihulina, I. B., & Yaroshenko, I. V. (2022). Factors of Spatial Development of Territorial Communities in the System of Public Administration of Territories. *Problems of Economics*, 2(52), 83-92.

process have a positive impact. At the same time, numerous bureaucratic obstacles and a high level of corruption negatively affect the phenomenon under study. The factor of increasing conflict within the country and the possibility of escalating military actions requires separate consideration, as it is currently the most relevant and has the greatest impact on the territorial development of the Ukrainian state.

Economic factors are interrelated, with economic growth leading to higher incomes and lower unemployment. The development of the banking system also serves as a stimulating factor; however, higher inflation has a negative impact. When evaluating social factors, it is important to note that improvements in education and healthcare, increases in the minimum wage, and higher birth rates are factors that currently positively influence the effectiveness of regional development management. However, the increase in labor migration negatively impacts this phenomenon. Technological factors include the implementation of technologies that facilitate public management of regional development, the widespread use of the Internet, and the development of mobile devices. These factors also include the creation of a public registry of individual incomes and the enhancement of tax base management, which contribute to the improved functioning of local communities<sup>16</sup>.

Thus, the analysis of public administration factors influencing regional development indicates that a significant portion of them can enhance the efficiency of individual regions. However, the most crucial factor that directly impacts all areas of social life, including the phenomenon under study, is the presence of martial law and active military operations on the territory of Ukraine. This situation directly affects the development of Ukraine's regional urban communities and the maintenance of an adequate standard of living for their residents.

Particular attention should be paid to the importance of transforming decentralization to enhance administrative efficiency in the development of regional urban communities. In this context, various directions of regional development can be highlighted within the framework of financial decentralization:

Organizational and procedural independence: empowering relevant officials and local self-government bodies with the authority to draft,

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<sup>16</sup> Movchaniuk, A. V. (2019). Features of the Functioning of Capable Territorial Communities in the Context of Decentralization of Power. *Modern Economics*, 13, 74–179.

execute, and approve budget plans, estimates, and budgets, as well as ensuring accountability and oversight.

Expenditure decentralization: providing local self-government bodies with the financial resources necessary to ensure the proper development of their territories.

Revenue decentralization: granting local self-government bodies the right to independently determine their own revenues for fulfilling their tasks and to allocate them in amounts sufficient to ensure the proper performance of their duties and functions<sup>17</sup>.

To ensure the effectiveness of local self-government under financial decentralization, local authorities must possess tax and budgetary independence under certain conditions. Specifically, it is important that local self-government bodies can independently utilize their revenues within the scope of their powers and competencies, which implies a corresponding level of autonomy. To ensure effective financial decentralization for the progressive development of regions, the following mechanisms should be implemented:

- Allocation of adjusted taxes and grants in a manner that balances the budget deficits of each region without interfering with horizontal imbalances;

- Utilization of a unified system of transfers and special grants to equalize differences in fiscal revenues among local budgets;

- Closing local budget deficits through the optimal distribution of tax revenues and transfers from the state budget.

Overall, at the current stage, the effective functioning of local budgets is a crucial factor in ensuring the development of Ukrainian urban communities. This transforms local communities into organizations capable of effectively executing their budgets, rationally planning their expenditures, and independently addressing the socio-economic issues of their residents, primarily through their own revenues. An important aspect of public administration in this area is the establishment of social standards within the context of decentralizing the budgetary system, with

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<sup>17</sup> Ksionzhyk, I. V., Potravka, L. O., & Zamkovyi, V. M. (2023). Socio-Economic Development of Territorial Communities in Ukraine in the Context of Decentralization. *Public Administration: Improvement and Development*.

the aim of successfully reforming local budgets and ensuring sufficient resources for the future development of the territories<sup>18</sup>.

Regarding the reform of administrative mechanisms for regional development, it should be noted that although the use of strategic approaches to the development of local communities is gradually expanding in modern society, government bodies have not yet conducted studies or comparisons to evaluate their application at different levels of public administration or local self-government. A relevant issue when considering the features of the regional system is the relationship between autonomy and the regulation of its development. Many scholars, whose views are well-founded, believe that external management and internal autonomy within the system must be balanced to ensure the relative stability of the social system as a whole.

If these rules are not followed or are violated sharply and uncompromisingly, the imbalance of the subject may lead to the destruction of the system's integrity. There are two ways to organize the internal relations of territorial communities to perform managerial functions. The first is self-governance, or the process of objectively autonomous self-regulation and self-organization. Thus, the four well-known elements of the self-organization mechanism—demand, supply, price, and competition—play a primary role in the self-regulation of market relations. Based on these interactions, territorial elements of the market economic system emerge. The relationship between these elements is influenced by various social and regional characteristics. Today, the process of economic regionalization is most evident in the significant delegation of authority to decentralization, with the focus of reforms shifting to the regional level<sup>19</sup>.

According to V. Negoda, the best time for reforms, especially those aimed at strengthening the resilience of the state, is during wartime. Strong and responsible local communities are key to success and victory in Ukraine. Decentralization reforms have begun 10 years ago when the concept of reforming the territorial organization of local self-government and authority in Ukraine was adopted, and this process must continue

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<sup>18</sup> Bobrovskiy, O. I. (2020). Theoretical Foundations of Public Administration of Territorial Communities. *Public Administration: Improvement and Development*. Retrieved from: [http://www.dy.nayka.com.ua/pdf/4\\_2020/153.pdf](http://www.dy.nayka.com.ua/pdf/4_2020/153.pdf)

<sup>19</sup> Kovalskiy, M. R., & Pustovoit, Ye. O. (2021). Resource Territorial Potential and Methodological Bases for Its Assessment. *Public Governance*, 3(28), 31–37.



without waiting for the war to end. This is why lawmakers have already developed bills to strengthen local autonomy<sup>20</sup>.

The process of completing the decentralization reform, initially planned for peacetime, is now taking place during military conflict. This situation creates new challenges, prompting consultations with parliamentarians, local councils, and professional associations to ensure the sustainability of local self-government. For the first time since independence, a law on service in local government bodies will be adopted.

The second bill will address military administrations in communities; many administrations have already been established, but this issue will become even more relevant as victory approaches. Also on the agenda are bills on budget amendments, administrative fees, co-ownership, and representation of banned political parties at the local level. The current martial law provides for a six-month transition period after its repeal. Following victory, constitutional amendments will be needed to strengthen local self-government. However, until then, local authorities must continue to operate effectively<sup>21</sup>.

Thus, decentralization has become one of the most successful reforms in Ukraine, strengthening the role of local self-government in management. However, during martial law, the state significantly restricted the powers of local self-government bodies and continued to curtail their rights, justifying this by the needs of defense. It is necessary to emphasize that the Ukrainian state somehow fails to see local self-government as an equal partner and acts in a way that undermines its role. In other words, despite the significant role of local authorities in addressing wartime issues, state bodies do not seem to regard local self-government as an equal and reliable partner in the context of war<sup>22</sup>.

Of course, it cannot be said that this attitude towards local self-government is systematic, with characteristics of statism. However, state measures aimed at limiting the role of local self-government raise concerns, leading to increased tension and growing discontent in the regions.

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<sup>20</sup> Nehoda, V. (2024). *The Decentralization Reform Must Continue During the War*. Retrieved from [https://lb.ua/society/2023/04/28/553403\\_reformu\\_detsentralizatsii\\_neobhidno.html](https://lb.ua/society/2023/04/28/553403_reformu_detsentralizatsii_neobhidno.html).

<sup>21</sup> Ibid.

<sup>22</sup> *Local Self-Government in the Conditions of War with Russia* (2024). Retrieved from [https://lb.ua/blog/katerina\\_odarchenko/586766\\_mistseve\\_samovryaduvannya\\_umovah.html](https://lb.ua/blog/katerina_odarchenko/586766_mistseve_samovryaduvannya_umovah.html).

With the introduction of martial law, state authorities imposed several restrictions on the powers of local self-government necessary to ensure defense and military resistance. However, some of these restrictions did not comply with the law. For example, the government issued a decree that deprived not only regional and district councils in occupied or conflict zones of budgetary powers but also all other councils of this level in rear regions. The government also withdrew local taxes paid into community budgets from personal income taxes paid by the army and other security forces, deciding that from November 2023 until the end of martial law, these funds would be returned to the state budget and used for defense purposes, as communities were deprived of the right to purchase weapons. In 2024, the bill to return local military taxes to the state budget was passed by parliament on the third attempt<sup>23</sup>.

This is due to the fact that local communities effectively support the armed forces and cover most of the needs of military units that lack state funding. The bill provides for compensation to local communities from the state budget, but it is expected that next year, local budget revenues will sharply decrease, leading to a corresponding reduction in community activity in assisting the armed forces and addressing other war-related issues<sup>24</sup>. Unjustified tension in relations between the state and local authorities during the war is associated with the constant oversight of local government leaders by law enforcement agencies due to suspicions of corruption. Of course, corruption exists at the local level, but the level of corruption is significantly lower than the violations related to the state budget. In many cases, investigations into the misuse of state funds by local officials end in acquittal by the courts. This is another argument that these prosecutions are driven by political pressure rather than a genuine fight against corruption.

War is a time not for politics but for national consolidation, which should be based not only on civic enthusiasm and sacrifice, as was the case in Ukraine at the beginning of the war, but also on appropriate government measures reflecting national reconciliation and a willingness to cooperate equally with all partners. On the contrary, there is a strong impression that the Ukrainian ruling elite has failed to maintain national consensus in line

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<sup>23</sup> *On the State Budget of Ukraine for 2024* (2023), No. 3460-IX. Retrieved from <https://zakon.rada.gov.ua/laws/show/3460-20#Text>

<sup>24</sup> *Partnership for Recovery and Development* (2024). Retrieved from <https://decentralization.ua>

with its institutional goals. By its actions, Ukraine has alienated almost all potential partners: first the political opposition, then local authorities, and now volunteers have united against the government's attempt to change the conditions under which humanitarian organizations operate. If the government does not change its approach to the country's recovery, the erosion of trust in the actions of the President and his government is unlikely to be stopped. It is worth noting that in 2023, the Ministry of Restoration began laying the foundations for a qualitatively new regional policy aimed at overcoming the challenges of war and preparing for European integration<sup>25</sup>.

First, the State Regional Development Strategy until 2027 was updated. The strategy clearly identifies current problems, priorities, and the strategic local development goals based on them. These will guide regions and communities in developing their own strategies and action plans. This includes creating conditions for the return of Ukrainians to their regions and territorial communities. It is necessary to address the adaptation of internally displaced persons, relocated businesses, and veterans, consider environmental issues, and carry out reconstruction according to the principles of the European Union's Green Deal<sup>26</sup>.

It should be emphasized that local authorities play an important role in the EU, and in the future, Ukrainian regions should become full-fledged partners. Therefore, priority should be given to the development of inter-municipal, inter-regional, and cross-border cooperation. For the first time, the strategies are based on an approach that considers the needs and problems of different regions: four functional types have been introduced – reconstruction regions, regional growth poles, areas with special development conditions, and sustainable development areas. For each type, individual support tools have been developed, and corresponding committees have already identified 600 local communities in need of recovery.

Second, a decentralization roadmap to 2027 was developed. This roadmap outlines priorities for continuing reforms in the decentralization field and provides specific legislative measures for the recovery and development of communities during and after the war. In particular, it

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<sup>25</sup> *Ministry of Recovery* (2024). Retrieved from: <https://mtu.gov.ua/content/hto-mi-e.html>.

<sup>26</sup> State Regional Development Strategy for 2021-2027 (2023). Retrieved from <https://mtu.gov.ua/news/35052.html>

addresses the restoration of authority in de-occupied territories, the revision of the powers of local authorities and governance in line with the European Charter of Local Self-Government, the introduction of local statistics, and other important decisions. The main mission of the roadmap is to ensure the necessary conditions for creating competent, prosperous, transparent, and inclusive local communities, already synchronized with the State Regional Development Strategy and the Ukraine Plan<sup>27</sup>.

It is also advisable to work on more efficient and simplified planning, which requires a detailed analysis of the architecture of planning documents to ensure that strategic, spatial, and budget planning documents are synchronized with each other. This issue is particularly acute at the community level, where up to ten different documents have been prepared. Many of these documents have overlapping sections, leading to unnecessary work and the dilution of the plan's goals and objectives. Today, it is desirable to develop an efficient and straightforward approach to regional planning, reducing the burden on regional and local authorities both in terms of document preparation and monitoring their implementation. This would lead to a more efficient use of community resources, especially in the context of staff shortages and the overburdening of local government representatives<sup>28</sup>.

Thirdly, a new methodology is needed to launch the liquidation fund and prioritize reconstruction projects. A key event in 2023 in the context of reconstruction was the launch of the liquidation fund for the consequences of armed aggression. It is important that communities were given the opportunity to submit their own projects for funding, providing them with the necessary independence to prioritize their funding needs. This has demonstrated the effectiveness of local government use of funds. Through the Liquidation Fund, UAH 10.6 billion was allocated to 337 projects in 99 communities; in 2023, a total of UAH 21.6 billion was allocated to 834 community projects<sup>29</sup>. The Ministry also approved a separate set of methodological guidelines for prioritizing reconstruction projects. This

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<sup>27</sup> *Roadmap for Decentralization* (2024). Retrieved from <https://www.kmu.gov.ua/news/uriad-ukrainy-zatverdyy-dorozhniu-kartu-detsentralizatsii>

<sup>28</sup> *European Integration and the Challenges of War* (2024). Retrieved from <https://www.epravda.com.ua/columns/2024/01/25/709155/>

<sup>29</sup> *Fund for the Elimination of the Consequences of Armed Aggression* (2023). Retrieved from <https://mtu.gov.ua/content/fond-likvidacii-naslidkiv-zbrojnoi-agresii.html>

document includes a list of indicators, criteria, and benchmarks that allow for the prioritization of projects based on a point system.

To ensure fair distribution of community support from various development partners, including programs, projects, initiatives, international funds, and organizations, community support groups or Community Support Teams were established. These teams are intended to serve as a communication platform between development partners. In the short term, this should level the playing field and create conditions for providing support to communities that need it. One way to do this is to encourage communities to cooperate with each other, as some projects benefit more than one community<sup>30</sup>.

To make communities more capable, new financial opportunities are needed. First of all, they need access to favorable loans with minimal interest rates. Relevant bills and initiatives aimed at developing a local borrowing culture have already been developed, but the communities themselves must also be ready to learn how to borrow, including from international financial institutions.

Information about these opportunities will be available, in particular, on the updated decentralization portal, and local government representatives will be able to seek consultations through it. Together with the European Commission, conditions must be created so that all communities have clear rules and guarantees for obtaining funds for restructuring within the framework of support for reforms under the Ukraine Facility<sup>31</sup>.

In particular, it includes the allocation of 50 billion euros from the EU. According to the program, the majority of these funds will be directed towards the restoration and reconstruction of regions and regional communities. In 2024, it is necessary to focus on developing a concept for relaunching the State Regional Development Fund, which should operate on the same principles as similar EU funds, as well as adapt and integrate the successful experience of the Liquidation Fund into the Regional Development Fund, such as prioritization methods and digital solutions.

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<sup>30</sup> Ministry of Infrastructure (2024). Retrieved from: <https://mtu.gov.ua/content/hto-mi-e.html>.

<sup>31</sup> The Ukraine Facility (2024). *Supporting Ukraine's Recovery, Reconstruction, and Path Towards EU Accession*. Retrieved from <https://www.google.com/search>

Active collaboration with foreign companies to attract investments and create new jobs in the regions is also essential<sup>32</sup>.

It is the local societal elements that make the local economy a viable system. However, this also complicates the process of managing the system, as it manifests in the independence of individual subsystems, the ambiguity of development goals for each element and the system as a whole, and the complexity of relationships between the elements forming this system<sup>33</sup>. The general problems corresponding to the characteristics of the current stage of public administration are the inefficiency of state policy due to the difficulty in predicting economic conditions and significant distortions in the fundamental responses of the national economic system to endogenous and exogenous factors<sup>34</sup>.

State institutions have evolved alongside the development and emergence of public administration and governance, social activities, and the regulation of socio-economic development of the economy. In light of the above, it is necessary to examine the development of mechanisms for reforming the public administration algorithm for the strategic development of the region. Modernization of administrative mechanisms and local government systems is one of the many trends in the current development of both the economic system and state policy. However, it does not create positive opportunities for regenerating the national economic system and emerging from the crisis. Some researchers believe it is necessary to focus not on modernization but on reconstruction<sup>35</sup>. Defining a strategic task means developing the national economy within the context of global economic relations, which allows for the inclusion and realization of the internal potential of all elements, including at the local community level, and of all entities within the national socio-economic system, thereby ensuring their balance.

The implementation of the concept of local development and corresponding models, as well as the application of a conceptual approach

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<sup>32</sup> *State Regional Development Fund* (2024). Retrieved from <https://welfare.green/docs/tips-guides/donori-ta-finansovi-organizacii/derzhavnijj-fond-regionalnogo-rozvitku/>

<sup>33</sup> Kolupaieva, I., & Shevchenko, O. (2019). Justification of Scenarios of State Regulatory Policy of Ukraine. *Proceedings of the International Conference of Innovation in Science and Education*, March 20–22, Prague, Czech Republic

<sup>34</sup> Pustovoit, Ye. O., & Lytvyn, Yu. O. (2022). Conditions for the Development of Regional Competitive Advantages in the System of Public Administration. *Scientific Perspectives*, 1(19), 521–527.

<sup>35</sup> Kolupaieva, I., & Shevchenko, O. (2019)....



to solving current issues faced by governing bodies, communities, and the population in Ukraine, requires the modernization of the administrative system and the formation of new approaches to the application of effective management policies. Specifically, the theory of social welfare in terms of addressing issues of inequality and poverty from the perspective of distributing social wealth, the theory of space and location in terms of forming inclusive regional and local markets and creating inclusive innovations, as well as the activities of inclusive and extractive institutions as levers of regional development<sup>36</sup>.

Maximizing the use of local potential requires not only consultations with community representatives and professional analytical work but also the direct participation of the population in managing the socio-economic development of the territory. The application of a conceptual approach to public administration of strategic regional development, based on conscious and informed management, through the implementation of unconventional principles of openness, transparency, efficiency, and environmental protection, which will ensure the introduction of the European paradigm of public administration for sustainable regional development, is extremely necessary. Notably, a new form of interaction between the government and local residents, commercial and non-commercial organizations, is crowdsourcing, based on the use of creative solutions obtained through an open competition of project proposals from the local community<sup>37</sup>.

Therefore, the role of local development strategies is crucial for addressing key aspects of local governance issues at the community level, with a focus on service delivery procedures and promotion potential. The main task of national and local authorities is to create the right support environment for the application of relevant technologies and use this support environment to create conditions where they can demonstrate their capabilities externally in the context of European integration.

In this context, it can be noted that in Ukraine, the discourse on the quality of public administration has become relevant due to the need for its reform in accordance with EU standards to implement European

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<sup>36</sup> Pustovoi, Ye. O., & Lytvyn, Yu. O. (2022). Conditions for the Development of Regional Competitive Advantages in the System of Public Administration. *Scientific Perspectives*, 1(19), 521–527.

<sup>37</sup> Mosumova, A. K. (2019). The Role of the Project Approach in Ensuring the Effective Work of Local Governments. *Public Administration Studies*, 3(14).

integration policies. The large-scale armed aggression of the Russian Federation against Ukraine has also necessitated the development of anti-crisis mechanisms in public administration in response to current national security challenges.

Focusing on European integration during wartime, it is interesting to note that Ukraine's experience in this context is unique. Despite the fact that the EU and NATO defended its eastern borders from Russian armed intervention and suffered enormous human, financial, and economic losses, the country received candidate status for EU membership, implemented pro-European reforms in various fields, deepened sectoral cooperation with Brussels, and effectively implemented the provisions of the Association Agreement and the recommendations of the European Commission<sup>38</sup>.

The current stage of European integration is taking place under the influence of a number of factors, challenges, and threats of both external and internal nature, including the turbulence and unpredictability of global political and economic processes, the intensification of conflicts between global centers of influence, the accumulation of crises within the EU, and Ukraine's internal problems. However, it is clear that these factors are to some extent fueled and inspired by Kremlin aggression, which poses the greatest threat to Ukraine and its future in Europe. The war has led to a massive "Westernization" of Ukrainian society and has strengthened the perception of the non-alternative and irreversible nature of the movement towards the EU. When assessing the impact of Russian aggression on the content and pace of Ukraine's European integration, the following conditions must be considered.

First, the Ukrainian side must focus its vast political, diplomatic, financial-economic, and human resources on countering Russia's intense interference in various fields. Kyiv must ensure the Russian-Ukrainian front is supported by strong military units and continually increase funding for military needs. Currently, nearly half of budget expenditures are directed towards the defense sector; in the 2023 budget, 43% of military expenditures were allocated to defense<sup>39</sup>. These human and

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<sup>38</sup> *European Integration of Communities* (2024). Retrieved from <https://decentralization.ua>

<sup>39</sup> *Budget-23: Army, Roads, and Marathon* (2022). Retrieved from [https://lb.ua/economics/2022/11/05/534879\\_byudzhet23\\_armiya\\_dorogi\\_i\\_marafon.html](https://lb.ua/economics/2022/11/05/534879_byudzhet23_armiya_dorogi_i_marafon.html)

financial resources could have been usefully directed towards European integration.

Second, the war has slowed down the pace of reforms within the framework of the Association Agreement between Ukraine and the EU and has somewhat complicated the process of implementing the European Commission's package of recommendations. In particular, the implementation of certain areas of the Association Agreement is currently critically difficult and should be carried out in peacetime. Moreover, pan-European universal norms, including those related to media regulation and minority rights, need to be adapted to the conditions of martial law and the wartime regime.

Third, despite a number of important initiatives from Brussels aimed at opening access for Ukrainian producers to the European internal market, the war has reduced the interest of European business partners in cooperating with countries affected by conflict, with a complex internal situation that creates risks and dangers for future investments and business, and activity has decreased. At the same time, Russia's energy blockade, the influx of refugees, and a number of other internal problems have put European businesses in a difficult position.

Fourth, the war has made Ukraine a long-term recipient of aid from international donors. According to expert estimates, foreign inflows cover about a third of Ukraine's budget expenditures<sup>40</sup>.

Thus, significant progress and achievements have been made in all areas identified by the Commission. This progress is particularly important given the threat posed by the large-scale war in Ukraine, not only to the direction of European integration but also to the entire structure of Ukraine as a state. At the same time, it is clear that the implementation of these EU objectives requires further efforts from both the government and Ukrainian society. Amidst the war, Ukraine has actively aligned itself with the EU, implemented pro-European reforms, deepened sectoral cooperation with Brussels, and fulfilled the provisions of the Association Agreement and the recommendations of the European Commission.

Russia's military intervention has accelerated the process of European integration in our country, helped unite our people, strengthened solidarity between Ukraine and the EU, and brought the EU

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<sup>40</sup> *Economic Truth* (2023). *Financial Aid from International Partners: How Much Ukraine Has Received*. Retrieved from: <https://www.epravda.com.ua/news/2022/10/6/692303>

countries together against Kremlin aggression. A new quality of relations has been established between Kyiv and Brussels, including Ukraine's status as an EU candidate country, a high level of trust, and unprecedented intensity of mutual contacts, as well as the liberalization of trade and economic cooperation. In this context, political, military, financial, and humanitarian support from the EU is critically important for Ukraine. The EU's sanctions policy, coordinated with other countries, is also an effective tool for countering aggressor states. Ukraine's successful path to European integration is a prerequisite for the implementation of EU values and norms and the effective execution of fundamental reforms in various fields. In the last months of 2022, the Ukrainian government focused on implementing the European Commission's recommendations<sup>41</sup>.

Overall, the assessment of the actions of the Ukrainian authorities indicates positive results and significant progress in specific areas. Among them are the adoption of a series of euro-integration laws (including those concerning the media and national minorities), the advancement of judicial reform, and the establishment of a transparent procedure for selecting the head of the anti-corruption agency. However, the adopted legislation requires practical implementation, a focus on key areas of European integration, and the resolution of several internal issues that hinder Ukraine's progress towards the European community.

Active efforts are being made at the legislative level to ensure not only the process of adapting Ukrainian legislation to the laws of EU countries but also the incorporation of the legal standards and values that guide European legislation and legal consciousness into the regulation of public relations in Ukraine – political, economic, social, state, cultural, informational, security, and all other types of relations<sup>42</sup>.

To implement the main directions of administrative reform in the context of European integration, a number of legislative changes are required to align national laws with EU norms and standards. The key areas of legal reform include the following:

- Reform administrative law: Ensure transparency and accessibility of public services by implementing e-government and e-services,

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<sup>41</sup> *Recommendations of the European Commission on Ukraine's Status for EU Membership* (2022). Retrieved from: <https://www.eeas.europa.eu/delegations/ukraine/>

<sup>42</sup> Savchenko, I. O. (2022). *Modernization of Ukraine's Public Administration System in the Aspect of European Integration*. 4, 62-65.

improving the regulations applicable to administrative procedures, and facilitating citizens' access to administrative services;

- The civil service legislation should provide for civil service reform, focusing on professionalism, impartiality, and efficiency, as well as clear criteria for hiring, evaluating, and promoting civil servants, ensuring their motivation and accountability;

- Legally support the principle of open governance by incorporating key principles such as openness, transparency, accountability, efficiency, equality, and fairness into the legislation;

- Pass legislation on public procurement and reform the public procurement system to align it with EU standards and practices, ensuring competition, transparency, and the efficient use of public funds;

- Enact legislation on the protection of citizens' rights and access to information, improving existing mechanisms for protecting citizens' rights, such as free access to public information and mechanisms for the protection of personal data;

- Anti-corruption legislation requires strengthening effective mechanisms for detecting, investigating, and punishing corruption, ensuring the independence of anti-corruption bodies, and developing systems to prevent conflicts of interest;

- Enact financial management and audit legislation to ensure the efficient use of public resources, transparency of budget processes, and compliance with international standards;

- The law on e-democracy envisions the development and implementation of legislative measures that promote the development of e-democracy, including electronic consultations with citizens, e-voting, and other tools for involving citizens in the decision-making process;

- Harmonization with European legislation in such specific areas as healthcare, education, social protection, agriculture, and the environment, as well as compliance with EU requirements and standards;

- Implement data protection legislation, including the processing and protection of personal data in accordance with the General Data Protection Regulation<sup>43</sup>.

The implementation of these legal reforms requires an inclusive approach, active participation of state institutions, and engagement with

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<sup>43</sup> *GDPR in Figures and Diagrams*. Retrieved from <https://legalitgroup.com/gdpr-novi-eu-tendentsii/>.

stakeholders, including civil society, the business sector, international organizations, and partners. Carrying out these reforms will not only bring the country closer to EU standards but also contribute to the creation of a more transparent, efficient, and accountable public administration system. According to global governance effectiveness indicators, Ukraine's competitiveness ranking is quite low. Factors such as reducing the administrative burden through state regulation, improving the quality of administrative services, and ensuring the legality and predictability of administrative actions could improve Ukraine's position<sup>44</sup>.

Reforming administrative systems during wartime is a task that requires a special approach and prioritization, particularly in the context of European integration. Martial law creates new opportunities to strengthen the resilience and efficiency of the public administration system while making adjustments to the usual reform procedures. This involves enhancing the capacity of state authorities to adapt and respond quickly to crisis situations, as well as ensuring the continuity of critical administrative functions at all levels, from national to local. It is equally important to reform the security and defense sector in line with EU standards and recommendations, ensure effective cooperation between military and civilian structures, and utilize EU assistance and advisory support to address pressing issues.

It is essential to intensify foreign policy and diplomatic activities to gain the support of international partners, attract international assistance and investments for the country's reconstruction, and strengthen the country's position on the international stage in connection with the European integration process.

Accelerate the implementation of electronic public services and platforms to ensure social protection, aid for refugees and war victims, especially internally displaced persons, and to provide citizens with access to public services in situations where physical access to frontline populations is limited. Strengthen anti-corruption measures to ensure transparency and efficiency in the use of resources, promote active public participation in the reform and recovery process, develop volunteer initiatives, and ensure open dialogue between the government and civil society.

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<sup>44</sup> Soros, G. (2016). *Brexit and the Future of the EU*. Retrieved from <https://www.eurointegration.com.ua/articles/2016/06/26/7051283/>

Despite the challenging political and socio-economic situation in our country, it is crucial to develop long-term recovery and development plans that take into account the goals of European integration, including infrastructure projects, economic reconstruction, and social and environmental initiatives. Only by harmonizing legislation with international standards and EU norms, as well as ensuring legal security and justice during and after the conflict, will it be possible to implement these plans. To support economic stability, it is necessary to develop new sectors of the economy (such as information technology and cybersecurity, renewable energy sources, biotechnology, e-commerce and digital services, educational technologies) that can attract investments, support small and medium-sized businesses, and contribute to rapid recovery and growth.

The processes of reform within the context of European integration, aimed at aligning with EU standards, including changes to governance structures, legal frameworks, and ensuring transparency and efficiency, have been examined. It has been determined that the reform of the public administration system during wartime, considering the goals of European integration, requires flexibility, innovative approaches, and readiness to quickly adapt to changing circumstances. It is essential to focus on ensuring security, stability, and continuing progress toward European integration standards even under extremely challenging conditions.

The main problems inherent in the public administration reform process, which hinder the effective functioning of the mechanisms of Ukraine's public administration system, have been identified. These problems are influenced by various factors, including the current stage of European integration, external and internal challenges and threats, global political and economic unpredictability, escalating conflicts between global centers of influence, accumulating crises within the EU, and internal issues in Ukraine.

The key components that would make the formation and functioning of the public administration system effective, such as a functioning public service delivery system, a developed e-government network, and the potential of professional human resources, have been summarized. The factors that restrain the effective functioning of the public administration system in Ukraine have been analyzed, the connections between them established, and the conditions for further reforms and improvements outlined.



It has been determined that one of the key means of enhancing public administration efficiency, both at the national and regional levels, is rational forecasting, and the flexibility and responsiveness of public administration can be significantly increased by implementing a comprehensive forecasting system that includes both quantitative and qualitative methods. This will allow for rapid adaptation to changes in the socio-economic environment and ensure a high level of preparedness for potential crises. Researchers should focus particular attention on the coordination of forecasting methods as a tool to enhance management efficiency. Human resources play a crucial role, requiring systematic and widespread training of highly qualified specialists capable of working with data at an inter-agency level and using a comprehensive set of forecasting methods and tools, including elements of artificial intelligence.

The updated State Strategy for Regional Development until 2027 has been reviewed, clearly identifying current issues, priorities, and the strategic local development goals based on these priorities, which regions and communities will focus on when developing their own strategies and action plans. This includes creating conditions for the return of Ukrainians to their regions and territorial communities. It is necessary to address the adaptation of internally displaced persons, relocated enterprises, and veterans, consider environmental issues, and carry out reconstruction according to the principles of the European Union's Green Deal.

It has been proven that, under martial law, optimizing the management process of the country and its regions is becoming increasingly important, placing new demands on Ukraine's public administration system. First and foremost, it is necessary to establish effective interaction between state authorities, local governments, and civil society organizations to overcome existing institutional problems that hinder adaptation to martial law and limit the prospects for economic development in post-war Ukraine. These problems include, in particular, institutional gaps in the legal framework for administrative and regional reforms and the opportunistic behavior of a significant portion of the population. The formation of a new system of strategic management for national, regional, and communal development in Ukraine, taking into account the current needs of wartime, is also highly important in the present circumstances.

The main legislative changes necessary for implementing the key directions of public administration reform in the context of European integration have been proposed to align national laws with EU norms and standards. The financial, social, and market mechanisms for the development of public administration, aimed at increasing its efficiency through the introduction of new models of strategy formulation and effective strategic planning tools, have been systematized.

It has been determined that, in the context of martial law, public administration reform should focus on strategic management, rapid intervention, and the reform of the security and defense sectors in line with EU standards, as well as the development of new economic sectors. The implementation of these reforms will facilitate Ukraine's integration into the European Union and the creation of a transparent and efficient governance system both during the war and in post-war recovery. It has been established that during the war, reforming the public administration system according to EU standards and national security requirements is seen as a primary objective for strengthening state capacity.

## ***1.2. State management of sustainable regional development in Ukraine in the context of post-war decentralisation***<sup>1</sup>

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The issue of sustainable development is most relevant in the context of the modern decentralisation process of our state, within which a larger share of powers has been transferred to local authorities, emphasising the need to improve the state management system, especially in the context of sustainable regional development in post-war Ukraine. This will allow for effective and swift responses to new challenges and ensure timely and effective measures to address them in both the economic and social spheres of regional development. In this context, understanding and implementing effective administrative strategies will be a key factor in ensuring sustainable development in the regions. This issue provides a wide range of opportunities for research and the development of practical measures to optimise the state management process during martial law and ensure sustainable regional development. The creation of new regional communities should be based on specific tasks of the post-war decentralisation reform. Overall, decentralisation reform in Ukraine is one of the most successful and consistent reforms in recent years, and the key to this has been the long-standing European traditions of local autonomy, consistency of state leadership, and systematic methodological and institutional support from international organisations<sup>2</sup>. In the context of the war, the practice of 2023 shows that multilateralism in the process of ensuring sustainable development goals as the basis of international cooperation must be part of solving all other problems, so the issue of interaction to achieve the goals comes to the forefront. On the one hand, this once again confirms the extreme relevance of the issue of ensuring sustainable development goals, and on the other, it becomes very important to review the process of their implementation under wartime conditions.

Therefore, the research aims to highlight the issues of the development of state management of sustainable regional development in

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<sup>2</sup> Nehoda, V. A. (2021). Mechanisms for ensuring local development in the context of implementing decentralisation reform in Ukraine: PhD thesis in the field 281 "Public Administration", Kyiv, 240 p.

the context of the present, consider possible ways of their solution, and justify constructive approaches to defining state management mechanisms to ensure sustainable regional development under conditions of post-war decentralisation, developing proposals to improve its functioning at the level of territorial communities and rethinking the goals of sustainable development and their implementation for Ukraine through the lens of the consequences of the war.

During martial law, when territorial communities are subjected to severe trials and challenges, the implementation of effective state management becomes very relevant. Through an effectively organised administrative system, it is possible to achieve sustainable regional development and address existing socio-economic problems. It should be noted that improving Ukraine's administrative system requires implementing a mechanism to increase efficiency. State and local authorities must establish strategic goals and aspects of the administrative system and direct it towards the development of regional communities, whose development determines the stable development of regions and the state as a whole.

Now, the resolution of the problem, which encompasses not only the social but also the economic and environmental spheres, comes to the forefront. This is due to the fact that under the conditions of the national economy's martial law, the administration must quickly adapt to changes in territorial development and strategically direct its activities towards their life support. To ensure the sustainable development of the regional community, it is necessary to identify the resource base, balance the economic and social aspects of business, and carefully analyse the situation in various economic sectors; ensure full employment of people, improve their standard of living, solve environmental problems, and determine the sustainable development of the region by increasing the economic potential of the region<sup>3</sup>.

In planning state sector management, strategic planning plays an important role in achieving Sustainable Development Goals (SDGs). This process not only defines prospective goals but also forms specific strategies for their successful achievement. Strategic planning is a continuous process that does not end, allowing for prioritisation, efficient

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<sup>3</sup> Nair, C. (2020). *The Sustainable State: The Future of Government, Economy and Society*. Kyiv: Nash Format, 286.

resource allocation, and coordination of actions of all stakeholders. The strategic plan involves interaction between different levels of decommunisation, forming control and evaluation mechanisms for strategy implementation, adhering to the principle of constant openness to changing circumstances, and participation in the strategic development process, contributing to strengthening public trust in the activities of state and local authorities. This approach not only makes strategic planning a tool for achieving specific goals but also serves as an important factor in shaping public opinion regarding the establishment of strategic development directions and regional management. Creating an independent, democratic, and legal Ukrainian state is a long-term process that requires all governance structures to be effective and responsible for the implementation of state policy, economic and efficient use of resources under sustainable development<sup>4</sup>.

Thus, to ensure strategic regional development after the war, it is necessary to demonstrate strategic and operational goals, significantly modernise the methods and forms of resource utilisation at all levels of state management, and implement new conceptual approaches for reviewing and radically changing the strategies and projects developed and updated before the war. The negative changes in the current conditions of the national economy's functioning and its subsystems at the regional, territorial, and sectoral levels, associated with the armed aggression of the Russian Federation, require the implementation of innovative methods and techniques in administrative practice to achieve sustainable development goals, which in the long run will contribute to increasing the competitiveness of both regions and the country as a whole. Therefore, the development of innovative approaches to solving important regional problems of the respective territories and the implementation of innovative ideas in local self-government practice is today an absolute requirement<sup>5</sup>.

It should be noted that the creation of an effective administrative system is one of the key factors in ensuring the country's

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<sup>4</sup> Osypov, V.M., Pivovarchuk, I.D. (2011). Strategic planning as an effective tool for regional development management. Sumy State University Publishing. Retrieved from <https://core.ac.uk/download/pdf/14048816.pdf>

<sup>5</sup> Chykarenko, Iryna, Mamatova, Tetiana. (2023). Strategic development of territorial communities in the post-war period: new challenges and requirements. *Scientific-practical conference with international participation*. Dnipro NTU "Dnipro Polytechnic".

competitiveness on the path to European integration. The direction chosen by Ukraine in terms of strategic regional development includes administrative reform, which involves creating an effective and transparent administrative structure that can ensure the implementation of a unified state policy aimed at sustainable social development of the region and timely response to internal and external challenges. Due to the capacity for local autonomy and deviation from the model of state centralisation to ensure the establishment of an effective system of regional governance based on the principles of complementarity, ubiquity, and financial self-sufficiency of local autonomy, decentralisation has been given an important place in administrative reform<sup>6</sup>. The reform of the regional governance structure based on the principle of decentralisation is one of the important aspects of systematic social transformations in Ukraine.

A key element of this reform is the optimisation of the spatial basis for the functioning of state institutions – administrative-territorial structures. The aim of this optimisation is to create an effective system of state bodies in administrative-territorial units that, through the rational use of potential, can provide favourable living conditions for people and opportunities for sustainable socio-economic development of the region.

We have focused on the fact that the full-scale war by Russia against Ukraine has affected all economic and social processes of the state, including decentralisation reform, which is one of the most successful and popular reforms in Ukraine. The war poses new challenges to local communities and central governments, and as practice in 2022 shows, judicial processes can only be overcome through joint efforts. At the same time, decommunisation and planning for post-war development require a change in the distribution of power between the central government and local self-government. Some of these changes are regulated by the Martial Law Code, but the details of the functioning of power in the post-war transitional period are very limited, as Ukraine's international experience in this regard is also very limited since such large-scale military operations have not been conducted in countries similar to Ukraine in terms of the

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<sup>6</sup> Movchaniuk, A. V. (2020). Conceptual foundations of public administration system reform in Ukraine. *Public Administration and Customs Administration*. 2 (25). 20 - 24.

development of democratic institutions and autonomy in recent years<sup>7</sup>. Therefore, it is necessary to analyse and substantiate the latest challenges for developing new models of cooperation between central, regional, and local authorities both during the war and in the post-war period. This issue is particularly acute for restoring government operations in occupied territories, where the process of purging collaborators and addressing the consequences of occupation must occur simultaneously. A key criterion in developing a successful model will be maximum stakeholder participation in the decision-making process and the adoption of each decision based on consensus between parliamentary representatives and local self-government.

Analysing the main results of decentralisation before the full-scale invasion, we concluded that 1,470 amalgamated territorial communities were created, meaning that since 2014, Ukraine had successfully implemented local self-government reforms, which led to the consolidation of small settlements into territorial communities, helped strengthen local self-government, and ensured effective resource allocation. Consolidation was also carried out, resulting in the creation of 136 districts instead of the previously existing 490. The general fund revenues of the local budget in 2021 reached 351.9 billion hryvnias, and in 2022, state financial support for regional development and infrastructure development was planned at 1.318 billion hryvnias. Due to decentralisation, the political influence of regional elites significantly increased, mainly city mayors of large cities who retained their positions and formed coalitions with local councils<sup>8</sup>.

We would also like to emphasise the changes in regional policy and governance that were introduced during the war:

- all powers of the local state administration were transferred to the regional (district) military administration;
- staff competitions were cancelled;
- travel restrictions abroad were imposed on local council members;
- the registration of many pro-Russian parties was cancelled, which called into question the status of elected deputies of local councils.

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<sup>7</sup> Popov, I. (2023). Decentralisation: What will be the relationship between the centre and regions after the war? Retrieved from: <https://uifuture.org/publications/deccentralizacziya-2-0-yakymy-budut-vidnosyny-czentru-i-regioniv-pislya-vijny/>.

<sup>8</sup> Popov, I. (2023). Decentralisation...



Let's consider the problems of decentralisation in Ukraine during martial law:

- budget cuts led to the bankruptcy of many communities, with local budget surpluses occurring only in territorial communities where military units were stationed. The Cabinet of Ministers of Ukraine distributed additional subsidies to compensate for tax revenues lost due to the war;

- to meet defence needs, the regional military administration appeals to the city mayor for inter-budgetary transfers to the regional budget;

- in regions where fierce battles took place, infrastructure was significantly destroyed, in some settlements it was almost completely ruined;

- the war resulted in significant population migration and, consequently, loss of labour resources: the total number of refugees is about 5 million, and internally displaced persons – 4,9 million;

- the overall financial situation in Ukraine is entirely dependent on foreign financing in the form of loans, grants, and targeted projects, a large part of which is directed to the government and distributed through budgetary mechanisms;

- at the beginning of the war, a moratorium on increasing the cost of housing and communal services was introduced, while the total debt of the population for tariffs amounted to over 100 billion hryvnias, and preferential tariffs and debts became problems in repairing infrastructure and preparing for the heating season;

- in many territorial communities, it became problematic to convene a quorum at local council sessions due to deputies' refusal or deprivation of their mandates, resulting in the territorial election commission facing difficulties in transferring powers to the next member of parliament on the list, especially in frontline regions<sup>9</sup>.

Regarding the challenges of decentralisation following the lifting of martial law, it is appropriate to note the following:

- the country's reconstruction process necessitates centralised planning: whilst a fragmented project for restoring damaged infrastructure will be supported, the majority of investments will be directed towards addressing the global task of constructing new production capacities;

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<sup>9</sup> UIFuture 2024 – where is the point of certainty. UIF experts' forecast. Retrieved from <https://uifuture.org/category/analitichni-materialy/>

- during the implementation of reconstruction projects, communities in different regions will find themselves in unequal conditions: security must be a crucial element of the plan, therefore regions that are maximally protected and distant from potential attacks should be prioritised for investment;

- the repair and construction of new transport corridors also depend on their direction: motorways, railways, and other facilities connecting Ukraine and Russia cannot be prioritized when planning reconstruction projects, and projects linking Ukraine and Belarus may also be suspended until relations with the latter country normalise;

- many companies have implemented mitigation measures and will remain in new settlements after the war, leading to an imbalance in tax revenue distribution;

- the number of population categories eligible for benefits will increase, and the government's fulfilment of obligations towards them will be associated with budgetary difficulties, resulting in disputes between central and local authorities regarding the distribution of responsibilities for tariff payments, transportation, land allocation, housing repairs, and so forth<sup>10</sup>.

Overall, regarding the process of decentralisation during the period of intensive recovery and the formation of a new security system, in our view, it is necessary to forecast the following steps.

1. The principal challenge for the legal system and society, in the period between the end of martial law and the transition to peacetime, is the scale and destructiveness of issues that prevent a complete return to the pre-war structure. Therefore, democratic procedures, decentralisation, and freedom of speech are crucial values for Ukrainian society that need protection and development. The development of a "Special Period" law, regulating the gradual transition from martial law to full restoration of institutional life in organised society, should serve as a compromise solution.

2. The distribution of powers between central and local authorities is advisable to temporarily shift towards increasing the authority of representatives of central government bodies.

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<sup>10</sup> Ibid.

3. Due to the prolonged duration of the war and the expansion of the legal framework of martial law, it is necessary to refine the functionality model of military administration through legislative changes. These changes should address the synchronisation issues between community leaders and the military administration, such as granting civil servants the legal right to work in military administration and counting their service towards civil service tenure. Furthermore, it involves strengthening the role of regional juntas in coordinating the activities of the territorial military government.

4. Administrative functions of the territorial council concerning the use of local budget funds need to be strengthened, even if the primary decision-making is undertaken by the territorial military administration. MPs should participate in budget preparation decisions and receive timely reports on fund utilisation<sup>11</sup>.

5. Transitional periods should be implemented in liberated territories with restricted local self-government powers. Here, functions of local state administrations will be performed by the local military administration, even if local council and administrative powers are restored in other regions.

6. Post-victory, Ukraine will need to continue decentralisation reforms, including the introduction of prefects: non-political figures overseeing local administration. Prefects ensure the constitutionality of local decisions, drawing on proven European effectiveness<sup>12</sup>.

7. The process of change in administrative-territorial structures must involve public and regional integration. The Ukrainian Budget Code will be reviewed to accommodate the needs of internally displaced persons.

8. Following victory and the initial reconstruction phase, a constitutional reform is necessary to regulate the powers of local authorities and their relations with the central government. This will mark the completion of decentralisation and the establishment of new institutional mechanisms with a revised system of administrative-territorial structures, a list of local taxes, and sources of local budget

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<sup>11</sup> Ministry for Reintegration of Temporarily Occupied Territories of Ukraine. (2024). Retrieved from: <https://minre.gov.ua/2024/05/28/nam-neobhidno-gotuvatysya-do-podalshoyi-deokupa-cziyi-ukrayinskyh-terytorij-vzhe-zaraz-adzhe-same-zarady-czogo-my-i-vedemo-borotbu/>

<sup>12</sup> Ukrinform. (2024). Retrieved from <https://www.ukrinform.ua/rubric-polytics/3645977-v-ukraini-zaprovadat-institut-prefektiv-u-mezah-reformi-decentralizacii.html>.

revenue. It may also define an updated role for prefects, particularly in administrative oversight.

9. The Ministry of Communities, Territory Development, and Infrastructure of Ukraine has announced a communication platform for managing the DREAM Electronic Ecosystem Restoration project, coordinating not only major national projects but also smaller local initiatives with nationwide priorities for more efficient resource utilisation<sup>13</sup>.

10. After the cancellation of martial law, one of the challenges will be the increase in tariffs for electricity, housing, and communal services. The new tariff plan should be a joint responsibility of both central and local authorities. Open dialogue should address privileged categories of the population and distribute the burden between central and local budgets.

Regarding sustainable development, analysis of international legal norms and scientific literature indicates that, although the overall goal of sustainable development is defined, Ukraine's management aspects for achieving these goals are insufficiently developed. At the highest state level, Ukraine supports the global sustainable development goals outlined by the UN General Assembly resolution for the period up to 2030. Specifically, the President of Ukraine has signed a corresponding decree integrating these goals into state policy, calling for a forecast project and programmatic document direction, as well as drafts of regulatory legal acts concerning economic, social, and environmental aspects of Ukraine's sustainable development<sup>14</sup>. According to the decree, monitoring systems were to be developed and sustainable development goals integrated into existing national strategies and programmes.

The sustainable development goals of Ukraine until 2030 establish guiding principles for the development of forecast projects and programmatic documents, the preparation of regulatory acts to ensure a balance of economic, social, and environmental aspects of Ukraine's sustainable development. The integration of sustainable development goals into state governance promotes the development of national institutions responsible for state and regional development in thematic

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<sup>13</sup> Government Portal (2023): Unified web portal of executive authorities of Ukraine. Retrieved from <https://www.kmu.gov.ua/news/mininfrastruktury-prezentuvalo-komunikatsiinu-platformu-elektronnoi-ekosystemy-upravlinnia-vidnovlenniam-dream>.

<sup>14</sup> On the Sustainable Development Goals of Ukraine for the period up to 2023. №722/2019. (2019). Retrieved from: <https://zakon.rada.gov.ua/laws/show/156-19#Text>

areas of the country's sustainable development, as well as the potential of local autonomy. As a result, the implementation of sustainable development goals remains a matter of constant attention for national leaders. The necessity of integrating sustainable development goals into Ukraine's state policy was proclaimed at the legislative level. It is important to note that a law, based on the principles of state regional policy, consists of five elements: planning, financing, implementation, monitoring and evaluation, as well as institutions. All elements of managing Ukraine's regional development are interrelated, and inefficiency in at least one element affects the functioning of the entire system<sup>15</sup>. Therefore, the regional policy of the Ukrainian state should be oriented towards people and their welfare. The strategic goal of this policy until 2027 is the development oriented towards people and decommunisation in a harmonious, decentralised, competitive, and democratic Ukraine, where the restoration of war-affected territories and the effective utilization of the region's internal potential are ongoing, and close cooperation between regions and European partners will undoubtedly accelerate growth and sustainable regional development for the benefit of the entire Ukraine.

Regarding the legislative framework, in particular the Law "On the Principles of State Regional Policy", which amends the framework for the recovery of conflict zones, includes the definition of a three-stage system of strategic planning: national, regional, and local development strategies, and establishes the details of the recovery of regions and settlements affected by armed attacks on Ukraine<sup>16</sup>.

European Commission conclusions indicate that the aforementioned amendments to the law provide the basis for recovery and development, as well as appropriate types of functional territorial communities. Similarly, various regional strategic documents are needed, including regional development strategies, reconstruction and development plans, comprehensive territorial development plans, etc., should be refined, mutually agreed upon, and linked to relevant sources of funding. Overall, there is a need to develop a clear conceptual basis for organizing regional

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<sup>15</sup> Chykarenko, Iryna, Mamatova, Tetiana. (2023). Strategic development of territorial communities in the post-war period: new challenges and requirements. *Scientific-practical conference with international participation*. Dnipro NTU "Dnipro Polytechnic".

<sup>16</sup> On the principles of state regional policy. № 3460-IX (2023). Retrieved from <https://zakon.rada.gov.ua/laws/show/2389-20#Text>

policy in Ukraine and to align it with the recovery and reconstruction process<sup>17</sup>. By the way, since the establishment of the Ministry of Regional Development, various attempts have been made to shift the direction of the state's regional policy towards housing and communal services and construction, but these experiments have not yielded positive results, and the Ministry of Regional Development has gradually transformed into a fairly powerful ministry capable of building a policy based on European approaches and Ukraine's opportunities. The decision to liquidate the Ministry of Regional Development in 2022 and establish a new Ministry for Community Affairs, Territories and Infrastructure in early 2023 significantly slowed down all processes towards the implementation of a real European model of regional development in Ukraine. The newly established Ministry failed to formulate and implement a regional policy that would meet the complex challenges arising from the full-scale invasion and utilize the opportunities associated with obtaining EU candidate status. In 2023-2024, instead of progress based on European Commission recommendations, a decline was observed in all aspects of state regional policy management<sup>18</sup>.

Thus, the effectiveness of a state management system capable of achieving specific sustainable development goals should be based on the unification of legislative norms governing the activities of executive authorities at all levels, the participation of local self-government bodies and civil organizations, and subjects of various forms of ownership. This system should be based on the concept and doctrine of Ukraine's state strategy for sustainable development. At the scientific-methodological level, measures have been identified to expand the production of high-value-added products, digitalisation, complete reforms in the fields of education, healthcare, and the judicial system from the standpoint of reviewing the feasibility of sustainable development goals during wartime<sup>19</sup>. Key factors influencing the energy sector in the regional context are identified, and types of energy development strategies based on

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<sup>17</sup> Tkachuk, A., Tretiak, Yu., Lukeria, I. (2023). State regional policy 2023: to be or not to be? Retrieved from <https://zn.ua/ukr/internal/derzhavna-rehionalna-politika-2023-buti-chi-ne-buti.html>.

<sup>18</sup> Decentralisation (2024). Retrieved from: <https://decentralization.ua/news/18126?page=57>.

<sup>19</sup> Kichurchak, M. (2023). *Sustainable development and post-war reconstruction of Ukraine's economy*. Reconstruction for development: foreign experience and Ukrainian perspectives: international collective monograph. Kyiv.

sustainable development principles are determined; a scientific approach to the post-war recovery of creative industries in the Ukrainian economy has been established<sup>20</sup>. Taking this into account, it is necessary to formulate a comprehensive vision of tasks and perspectives for sustainable regional development in conditions of war. The tasks of sustainable regional development and transformation of indicators in the conditions of war and post-war recovery are based on monitoring the main indicators of the country's economy functioning by regions. In Ukraine, depending on the degree of influence of military actions on economic, social, and ecological spheres, three regions can be distinguished:

1) Southeastern: significant portions of territories occupied, active combat operations, high degree of mine contamination and high level of migration;

2) Central: acts as a military centre meeting all regional needs where military operations are conducted;

3) Western: considered a rear region performing the role of an economic and social stabilizer of the country: receives relocated enterprises, forcibly displaced persons, ensures economic development and logistics of all commodity flows<sup>21</sup>.

To ensure that Ukraine can align its strategy for sustainable regional development with the consequences of prolonged conflict, specify intermediate tasks and indicators for achieving goals by 2030, it is necessary to propose an approach to adapting the region's sustainable development to wartime conditions and post-war national economic recovery, taking into account determinants of economic and social development and the ecological situation during conflict. This includes strengthening institutional capacity, defence and security; rebuilding and modernising housing and regional infrastructure; restoring and modernising social infrastructure; ensuring effective social policy, employment, and social protection; war-oriented foreign economic activity; informal economy and corruption, among others. To achieve this, the working group should update objectives considering sustainable development goals in terms of adaptation to post-war recovery needs and current planning, and the effectiveness of state governance decisions made

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<sup>20</sup> Antoniv V., Datskiv N., Paslavska I. (2022). Modelling the dynamics of fuel and energy complex development in the western region of Ukraine. *Bulletin of Lviv University*. 63. 67-78.

<sup>21</sup> Kichurchak, M. (2023). *Sustainable development...*



within specific sustainable development goals should be analysed through monitoring regional development indicators, which dynamically achieve economic, social, and environmental indicators accordingly. The institutional framework for sustainable development of regional communities is defined by legal norms of Ukrainian Law<sup>22</sup>.

Local self-government, in the context of sustainable regional development of communities, regulates and ensures the creation of a unified safety zone at the local level, laying the foundation for the implementation of constitutional rights and freedoms of local residents, meeting the population's needs for receiving quality administrative and social services, and supporting the development of democratic principles and regional initiatives to achieve sustainable development goals.

Today, amidst Ukraine's state of war, local authorities must clearly formulate strategic and operational goals to ensure sustainable development of regional communities. Strategic goals for achieving sustainable regional development should be based on:

- attracting grants, state and local financial resources, and interacting with the external and internal environment;
- cooperation with state civic organizations in developing investment projects;
- enhancing the experience and skills of specialists in management bodies and executive authorities;
- creating information-analytical databases of performance indicators and the effectiveness of budgeting methods used in social, civic, and environmental issues<sup>23</sup>.

Furthemore, in our view, in the context of the current decentralization process, it is also necessary to use effective mechanisms of state governance to achieve sustainable development goals. Specific instructions for ensuring sustainable regional development require the implementation of appropriate mechanisms for managing regional communities.

The concept of “management mechanism” is widely used in scientific literature and has various interpretations. In general, the concept of a

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<sup>22</sup> On local self-government in Ukraine. № 3633-IX. (2024). Retrieved from <https://zakon.rada.gov.ua/laws/show/280/97-вп#Text>.

<sup>23</sup> Patyka N., Sokolova A., Movchaniuk A., Sysoieva I., & Khirivskiy R. (2023). Ukraine's rural areas in the conditions of decentralisation and local self-government reform: challenges and prospects. *Agricultural and Resource Economics*. 9 (3). 266-295.

“mechanism” is used in a figurative sense and means “internal structure, system of something”<sup>24</sup>.

The mechanism of state governance is an integral part of the management system that influences factors affecting the results of managed activities. Factors of organizational management can be internal, concerning mechanisms of organizational management, or external, concerning mechanisms of interaction with other organizations. The actual mechanism of state governance is aimed at achieving specific goals by influencing factors, and this influence depends on the use of specific resources<sup>25</sup>.

Therefore, in our opinion, the management mechanism should be considered as an artificially organized system with clearly defined structures, regulatory and legal norms, methods, tools, and levers of influence to achieve clear goals. In general, sustainable regional development involves improving responses to negative risks in economic, social, and environmental spheres, ensuring harmonious development and self-regulation to meet the social needs of territorial communities. In our opinion, it is advisable to assign four main mechanisms of state governance for sustainable territorial development: politico-economic, organizational-institutional, regulatory-legal, and informational.

The politico-economic mechanism comprises a set of methods, tools, and incentives of financial and economic management based on the main functions and principles of economic policy aimed at achieving specific goals, neutralizing threats, and eliminating negative consequences. The organizational-institutional mechanism should be aimed at ensuring the effective operation of all subjects located in a particular territorial community and ensuring a high level of efficiency considering the complexity of development.

The regulatory-legal mechanism determines the necessary regulatory and legal support designed to regulate the interests and powers of the object and subject of management for sustainable regional development. The use of this mechanism is possible with a system of legal relations that will prevent discrimination of citizens in various spheres of

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<sup>24</sup> Fedorchak, O. (2008). Classification of public administration mechanisms. *Democratic Governance*. Retrieved from <https://science.lpnu.ua/sites/default/files/journalpaper/2022/-jan/26465/ofedorchak.pdf>

<sup>25</sup> Honcharuk O. B., Savychuk N. O. (2021). The concept of public administration mechanisms and their practical significance. *Investments: Practice and Experience* 7. 76-83.

public life and transform Ukraine into a truly legal state. The informational mechanism defines the details of forming state governance for sustainable development of regional communities using information and communication technologies, includes automation of state management systems for sustainable development and informing society, as well as conducting social monitoring<sup>26</sup>.

Therefore, the process of state governance in Ukraine necessitates the use of appropriate management mechanisms that can ensure effective resolution of existing issues in this sphere. Administrative mechanisms are typically viewed as a set of practical measures, tools, and levers enabling state and local authorities to effectively influence society to achieve clearly defined goals. In democratically developed countries, state mechanisms are seen as specialized instruments aimed at directly or indirectly influencing the country's development and its regional communities to create favorable conditions for societal life. Thus, it can be argued that all mechanisms of state governance aimed at sustainable regional development must be comprehensive and purposeful, and should be utilized at all levels of administration to help protect the interests of the territorial community, its citizens, and economic entities.

Emphasis is placed on the fact that in challenging times for the country, the combination of decentralized governance principles and a centralized decision-making system, their interaction should be directed towards addressing priority tasks, ensuring maximum efficiency of local authorities in managing the region's resource potential, coordinating the activities of all state structures, and seeking approaches and methods to facilitate the activities of economic entities. This, in turn, will actively impact the level of economic growth in the industrial segment and ensure a profitable segment of the local budget.

The decentralization process will enhance the accountability of local authorities and, based on their institutional potential, will depend on the likelihood of achieving sustainable development goals by regions. In the process of implementing decentralization reforms by expanding the capabilities of local authorities, the national strategy aimed to apply a new approach to regional policy by encouraging local communities through innovation, investment, inclusive development, rational resource

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<sup>26</sup> Diachenko V.S. (2019). Features of the mechanism for ensuring sustainable development of regions. *Economic Bulletin of Donbas*. 1 (55). 90-93.

management, financial decentralization, and creating their own competitiveness<sup>27</sup>.

At the same time, the issue of sustainable development of territorial communities in the context of decentralization remains unresolved due to current challenges and the situation currently facing the Ukrainian state. Their sustainable development pertains to the process of creating and supporting self-sufficient communities at the local level capable of enhancing the quality of life of the population in the long term. The main goal of this development is to create a stable and healthy environment for the development of citizens towards meeting current needs and preserving resources for future generations. This development is based on the territorial community, which scholars interpret as a concept from the perspective of a unique socio-economic system whose components are interconnected, occupy important territories, and expend significant resources on their own development. In other words, regional community is an autonomous social entity, and sustainable development is the basis for the formation of civil society<sup>28</sup>.

The development of territorial communities is considered in the context of sustainable development, according to which specific concepts that have received international recognition and define the movement and interaction of economic systems and communities, as well as their interaction with nature, are of particular concern. Today, this concept reflects a qualitatively new state of society's development, perceived as post-industrial<sup>29</sup>.

On the whole, the theory of sustainable development has deep roots and has long undergone significant transformations, as reflected in relevant declarations and international documents. These documents delineate the priority direction for future global development based on a balanced approach to global environmental and socio-economic systems.

The term "sustainable development" can be interpreted as the improvement of human quality of life whilst maintaining the stability of

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<sup>27</sup> Lopushynskyi I.P. (2022). Mechanisms for ensuring sustainable development of territorial communities in the conditions of decentralisation of power in Ukraine. *Bulletin of KhNTU*. 4 (83). 154-160.

<sup>28</sup> Kotov I.V. (2023). Theoretical foundations of managing sustainable development of territorial communities. *Law and Public Administration*. 3. 83–88. <https://doi.org/10.32782/pdu.2023.3.12>

<sup>29</sup> Raszkowski A., Bartniczak B. (2019). On the Road to Sustainability: Implementation of the 2030 Agenda Sustainable Development Goals (SDG) in Poland. *Sustainability*. 11. 366.

natural ecosystems. According to international standards, sustainable development is intended to meet the current needs of communities without compromising the ability of future generations to meet their own needs<sup>30</sup>. These approaches allow summarising that, in the context of changes in decentralisation, the sustainable development of territorial communities is designed to ensure effective changes at the level of individual regions, taking into account the decentralisation that began in Ukraine in 2014 and was supported by numerous regulatory acts.

The new reality has necessitated the improvement of the regulatory framework for developing the foundations of state regional policy, particularly in accordance with martial law conditions and territorial recovery policies. In 2022, the Law of Ukraine “On Amendments to Certain Legislative Acts of Ukraine Regarding the Principles of State Regional Policy and the Policy of Recovery of Regions and Territories” was adopted, introducing provisions on the need to develop strategies for regional community development, taking into account priorities defined by relevant regional development strategies. For planning recovery and stimulating regional development, the Law defines four functional types of territories: recovery, regional growth, those with special development conditions, and sustainable development territories<sup>31</sup>.

Moreover, there is an urgent need to amend the Law on the functions of civil servants and local self-government during martial law. To this end, consultations and meetings are being held with representatives of local authorities, and in 2024, a survey of these representatives was conducted to ascertain their views on legislative initiatives necessary in the current year. The survey involved 310 territorial communities from 354 regions of Ukraine, and several priority draft laws were identified for adoption in the current year, necessary for the effective operation of local authorities and successful implementation of reforms. These include draft law No. 8056 “On Amendments to Certain Laws of Ukraine Regarding the Improvement of Powers of Local Self-Government Bodies and Their Officials During Martial Law” and numerous other amendments<sup>32</sup>.

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<sup>30</sup> ISO 26000:2010 Guidance on social responsibility. Retrieved from: <http://isotc.iso.org>

<sup>31</sup> On amendments to some legislative acts of Ukraine regarding the principles of state regional policy and policy of restoration of regions and territories. № 2389-IX. (2022). Retrieved from <https://zakon.rada.gov.ua/laws/show/2389-20#Text>

<sup>32</sup> *Decentralisation* (2024). Retrieved from <https://decentralization.ua/news/18126?page=57>.

The continued implementation of reforms is also evidenced by strengthened cooperation with foreign partners. The Ministry of Development of Communities and Territories of Ukraine is working in this direction, and in 2022, they developed “Methodological Recommendations on International Municipal Partnership” in collaboration with the Council of Europe<sup>33</sup>.

The situation with decentralisation reform in Ukraine was discussed in Brussels in 2022 at the fourth annual EU-Eastern Partnership Local Leaders’ Forum on “How to Advance Decentralisation Reform and Localise”, and local leaders reached a consensus to promote decentralisation reform as a foundation for regional democracy, stability, and development, as well as a fundamental source for localising the EU Eastern Partnership agenda. One of the main themes this year was the current situation in Ukraine, decentralisation reform in Georgia and Moldova, and the necessary tools to support local authorities and their associations to ensure a smooth and continuous successful decentralisation process<sup>34</sup>.

As a result, local authorities and government institutions are effectively overcoming war-related challenges. Certainly, this has been made possible by more active citizen participation in social processes, particularly in volunteer movements. Lauren Van Metre highly values the activities of the volunteer movement, which considers civil society to play an important role in supporting Ukraine’s local self-government, which has gained more powers since 2014 as a result of significant efforts in democratic reforms – decentralisation and amalgamation, which also provided more powers and funds. Our country’s victorious response to full-scale aggression is, at least in part, the result of the agility and authority of local governments, which support civil society in its resources, coordination, and contacts with international donors. The Ukrainian volunteer movement has played a crucial role at the regional level<sup>35</sup>.

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<sup>33</sup> *Partnership for Recovery and Development*. (2022). Retrieved from <https://decentralization.ua/twincities>.

<sup>34</sup> Council of Europe supports continuation of decentralisation reform. (2024). *Council of Europe Office in Ukraine*. Retrieved from <https://www.coe.int/en/web/kyiv>

<sup>35</sup> Van Metre, Lauren. (2023). Voices from the Frontlines of Democracy in Ukraine: Supporting and Protecting Civil Society. *Just Security*. Retrieved from <https://www.justsecurity.org/tag/democracy/page/4/>.

Consequently, within the framework of these changes in decentralisation, it became possible to establish a system of local self-government as an authoritative and competent means closest to citizens. Specifically, this was designed to allow newly created local authorities to obtain appropriate powers and resources previously held by cities of regional significance. The expansion and amalgamation of communities, considering citizens' opinions when planning the creation of voluntary communities, the potential resource capabilities of the community for economic and social development, and the provision of high-quality services should be carried out in accordance with the legislation of Ukraine "On Voluntary Amalgamation of Territorial Communities"<sup>36</sup>.

In our view, it is prudent to mention some key features that characterise the sustainable development of regional communities in the context of decentralisation transformation:

1. Economic sustainability: a developed community economy based on diverse industries and income sources, guaranteeing sustainable financial security.

2. Social integration: ensuring sustainable growth in quality of life, access to education, healthcare, housing, and other social services for all community residents.

3. Ecological balance: preservation and protection of the environment, rational use of natural resources, and implementation of environmentally friendly technologies.

4. Partnerships and civic participation: active citizen involvement in decision-making and project implementation, promoting interaction between the public, corporations, and government.

5. Infrastructure development: availability of high-quality and accessible infrastructure: communications, water supply, and other utilities.

6. Cultural and historical heritage: preservation of the community's cultural and historical heritage as an essential element of sustainable development.

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<sup>36</sup> . On voluntary amalgamation of territorial communities. № 562-IX. (2020). Retrieved from <https://zakon.rada.gov.ua/laws/show/157-19#Text>.

7. Effective governance: transparent and efficient management and decision-making mechanisms that allow the community to develop according to its needs and potential<sup>37</sup>.

These characteristics indicate that the sustainable development of territorial communities, in the context of decentralisation reforms, encompasses not only economic aspects but also social, environmental, cultural, and governance aspects.

Meanwhile, as the war in Ukraine has demonstrated, peace, sustainable economic development, justice, the value of life, and human rights are fundamental, without which it is simply impossible to live. Therefore, the goals of socio-economic development of the state have become the main priority of sustainable development during the war.

It has become evident that the destructive consequences of the war were significant for virtually all domestic economic indicators, not only in Ukraine but also in other European countries, where imbalances in all macroeconomic indicators led to a domino effect reaction. Thus, international legal settlement, sanctions pressure on the aggressor's economy, restoration of Ukraine's sovereignty and territorial integrity, regulation of the migration process, reintegration of temporarily occupied territories, and combating unemployment and low incomes of the population should become important contributions to achieving the set goals.

The destruction of infrastructure and loss of human capital will lead to a serious economic decline, hindering future recovery. In the context of decentralisation in Ukraine, infrastructure plays a crucial role in transforming the local self-government system and improving the quality of life for the population. Communities can independently decide which infrastructure projects and facilities are better: improving roads or utilities, developing education and healthcare, cultural and sports facilities, etc. Decentralisation should promote the efficient use of resources and increase the responsibility of local authorities for the results of activities in the field of infrastructure<sup>38</sup>.

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<sup>37</sup> Pitiulych M.M., Hotra V.V., Chubar O.H. (2023). Factors of increasing financial capacity and development of territorial communities in the conditions of modern challenges. *Ukrainian Journal of Applied Economics and Technology*. 2.(8). 341–346.

<sup>38</sup> Denysenko S. (2022). Developing communities: how infrastructure reconstruction gives new life to communities. *Ukrainska Pravda*. Retrieved from <https://www.pravda.com.ua/columns/2022/-08/19/7363958/>



Creating “sustainable infrastructure” is a process of modernisation or changes resulting in infrastructure becoming more resilient, efficient, and modern. This can be the result of investments, reforms, technological development, or other changes aimed at improving infrastructure. In another context, “sustainable infrastructure” may refer to structures or systems that maintain functionality and stability after challenging situations or events that may harm them, such as crises, natural disasters, or military conflicts.

The prospects for developing sustainable infrastructure for post-war reconstruction are associated with the following tools:

1. Sustainable financing for infrastructure recovery and development, which may include investments from the government, international funds, and private investors.

2. When restoring and developing infrastructure, it is important to implement innovative technologies that will help us become more resilient to future challenges and more efficient.

3. It is crucial to consider the needs and opinions of local residents and involve them in planning and managing infrastructure projects.

4. The development of green infrastructure helps reduce the impact of climate change and promotes sustainable development of local communities<sup>39</sup>.

The considerations of local government representatives about security are grouped into categories:

1. Infrastructure security: improvement of public spaces, street lighting, resilience of social infrastructure.

2. Protection from emergencies and crime.

The Law of Ukraine “On Critical Infrastructure” states that the security of critical infrastructure is defined as “the state of protection of critical infrastructure, which guarantees functionality, continuity of operation, reproducibility, integrity, and stability of critical infrastructure”<sup>40</sup>. In our view, it is appropriate to define infrastructure security as a state of uninterrupted functioning of the national economy’s infrastructure, ensuring stable and effective implementation of the social

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<sup>39</sup> Integrated Approaches to Sustainable Infrastructure, UN Environment, Geneva. UN Environment. (2019). Retrieved from: <https://www.greengrowthknowledge.org/>.

<sup>40</sup> On critical infrastructure. № 1882-IX. (2023). Retrieved from <https://zakon.rada.gov.ua/laws/show/1882-20#Text>

renewal process, security of individuals, economic entities, and the entire state as a whole, and reliable access to infrastructure at affordable prices.

Ensuring infrastructure security requires a special system for assessing important parameters, as it takes into account not only the largest global, macroeconomic, technological, and financial risks but also specific management methods. In a crisis situation, infrastructure companies are obliged to maintain the stability and reliability of the system at the same level, so they cannot reduce costs and staff proportionally to the reduction in the volume of services provided. This is one of the reasons why the state, which owns most infrastructure companies, began to implement a crisis model of infrastructure management. We believe that when developing infrastructure solutions, it is important to consider the assessments of experts involved in city evaluation.

Infrastructure security includes measures and policies to protect critical systems and infrastructure from various threats, including cyberattacks, technical failures, and natural disasters. In the digital economy, where data and information are important, infrastructure security requires additional content.

The Committee on Digital Transformation conducted public hearings, during which it was noted that prior to the war, the issues of regional digitalisation, smart cities, and the implementation of innovations in cities, communities, and regions were a matter of choice and priority. However, the war has made digitalisation, the development of digital infrastructure, and innovations essential for survival. It was demonstrated how to respond to these threats, counteract our adversaries, and ensure resilience to new challenges. The event identified key issues that contribute to the recovery and further development of the region. These include creating a comprehensive approach to planning, ensuring community and regional leadership, providing digital tools and solutions for databases, developing methodologies for prioritising restructuring projects, engaging companies in the implementation of joint initiatives, and ensuring coordination among a wide range of stakeholders. The community's needs for digital solutions were identified, specifically in national electronic

document management systems, alert systems, secure cities, faster internet, online services, and so forth<sup>41</sup>.

Of particular importance is the implementation of modern European standards and approaches to the digitalisation of cities and communities, as well as the possibility of legislative adaptation for post-war reconstruction and development. This is based on both unique digitalisation experiences and successful EU standards and approaches, which Ukraine aspires to become part of in the near future. It is crucial that Ukrainian cities and communities become safer and more resilient through the implementation of standards based on new technologies in terms of comfort and quality of life, European projects, and joint programmes with international partners, primarily from the European Union.

New challenges for infrastructure security arise in the digital economy:

1. Cybercrime is always a result of vulnerability and can cause serious problems that may lead to theft, fraud, and other cybercrimes.

2. Technical issues that can affect the continuity of infrastructure service provision.

3. Natural disasters, particularly floods, earthquakes, etc., can damage infrastructure and result in loss of access to digital services.

4. Human factors, especially errors of misuse, can contribute to data destruction and infrastructure security<sup>42</sup>.

In the era of the digital economy, infrastructure security becomes an integral part of ensuring stability and productivity. Digital systems and services can help solve many community problems, but they also create new threats. Enhancing infrastructure security requires a comprehensive approach that includes technical, organisational, and educational measures, as well as measures to strengthen infrastructure security:

1. Cyber defence: development and implementation of strategies involving the use of modern identification and encryption methods.

2. Backup: regular data and system backups for recovery in case of failure.

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<sup>41</sup> Smart infrastructure for post-war recovery and development of communities and territories. Press Service of the Verkhovna Rada of Ukraine. (2023). Retrieved from [https://www.rada.gov.ua/news/news\\_kom/239493.html](https://www.rada.gov.ua/news/news_kom/239493.html).

<sup>42</sup> Thacker S. (2019). Infrastructure for sustainable development. *Nature Sustainability* 2(4). Retrieved from [https://www.researchgate.net/publication/332134540\\_Infrastructure\\_for\\_sustainable\\_development](https://www.researchgate.net/publication/332134540_Infrastructure_for_sustainable_development).

3. Development of a risk assessment and management plan.
4. Training and capacity building through educational activities to raise awareness about infrastructure security.
5. Prevention strategy: development and implementation of policies and procedures aimed at preventing security incidents.
6. Collaboration with other organisations, including governmental and public structures, for joint response to threats<sup>43</sup>.

Thus, the importance of human factors leads to public participation in the infrastructure recovery process being a key component of its successful development and restoration. The active role of communities and companies in infrastructure renewal has many advantages, namely:

1. Community and business participation in the development and implementation of infrastructure projects helps to consider genuine human needs and priorities. Residents better understand which infrastructure facilities are most important to them and what problems they face, and their participation allows for the creation of infrastructure that meets needs and leads to an improved quality of life.

2. Social participation helps increase the responsibility and involvement of residents in the community development process: they become active participants and bear partial responsibility for the maintenance and support of infrastructure.

3. Public participation helps strengthen the community and increase the likelihood of reunification: working together to restore infrastructure creates opportunities for residents to jointly solve problems and achieve common goals<sup>44</sup>.

Therefore, community participation in reconstruction projects contributes to the creation of more resilient, efficient, and open infrastructure that meets the interests of all participants. Infrastructure created in collaboration with the community is much more effective than state-created infrastructure, all of which demonstrates the importance of encouraging and supporting active resident participation.

In the context of implementing Ukraine's European integration vector, it is recommended to note that the sustainable development of

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<sup>43</sup> Ibid.

<sup>44</sup> Smart infrastructure for post-war recovery and development of communities and territories. Press Service of the Verkhovna Rada of Ukraine. (2023). Retrieved from [https://www.rada.gov.ua/news/news\\_kom/239493.html](https://www.rada.gov.ua/news/news_kom/239493.html).

regional communities involves changes to the system of social relations that promote harmonious interaction of interests between local self-government bodies, communities, and commercial organisations. The aim of these changes is to meet the needs of the population and society, taking into account compliance with European standards and norms both at the current stage and in the future development of Ukrainian society. It is worth noting separately the experience of active European decentralisation in the context of the possibility and necessity of its implementation in Ukrainian reality. This point is important because the sustainable development of territorial communities in the context of Ukraine's decentralised transformation should be supported by European countries, particularly Poland, Germany, Austria, the Baltic countries, etc., which have gone through all stages of decentralisation<sup>45</sup>.

Speaking about the sustainable development of territorial communities in the context of decentralisation, it is worth noting that local authorities address the following issues: general air pollution, rising levels of reservoirs and zones; lack of water resources; low level of infrastructure and entrepreneurship development; social inequality; growing number of unemployed and lack of income; economic decline in the national economy.

Therefore, changes in Ukraine today are necessary to ensure effective sustainable development of territorial communities in the context of decentralisation, namely:

- Ensuring public participation in the management of sustainable regional development in the decision-making process.

- Strengthening regional development based on partnerships between private and public structures.

- Using strategic planning methods, taking into account the peculiarities of the development zone.

- Ensuring that all administrative decisions taken are aimed at improving the quality of life of residents of a particular territorial community.

The sustainable development of territorial communities in the context of post-war decentralisation requires a comprehensive approach based on several crucial principles, including improving residents' quality

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<sup>45</sup> Center of expertise for good governance. (2022). Retrieved from: <https://rm.coe.int/cegg-pad-on-ukraine-recovery-strategy-in-lsg-area-ukr-final/1680aef3fb>.

of life, implementing strategic planning adapted to regional needs, strengthening innovative development and partnerships between various sectors, and ensuring broad public participation in decision-making processes. These principles are vital for ensuring sustainable and balanced community development that meets current needs whilst preserving resources for future generations. Concurrently, the war complicates the entire decentralisation process, as the current state of communities varies significantly depending on their proximity to the front line and the extent to which they suffer from military actions. Conversely, there is a clear consensus among Ukrainian practitioners that the reforms of previous years, which endowed local authorities with greater responsibility and resources, contribute to enhancing community resilience in today's challenging conditions.

Specifically, this is evident in the execution of new functions related to ensuring supplies for the deployment of the Armed Forces of Ukraine and internally displaced persons, as well as continuing to provide basic services to community populations severely affected by the conflict. Many interviewees indicated and evaluated this, noting that most local authorities, whether on the front line or under occupation, continue to function. Thus, the Ukrainian authorities have reaffirmed their determination to continue reforms regarding the renewal of the administrative-territorial structure at local and sub-regional levels, as well as addressing shortcomings that have remained unresolved since 2022<sup>46</sup>.

In the short term, existing laws concerning compensation and assistance for internally displaced persons should be reviewed and made more flexible, considering the various circumstances that have occurred over the past years of war. The compensation plan has several limitations that were justified before the invasion but have since lost their relevance.

In such communities, individuals who have been under occupation or military blockade in recent months and have since been liberated, but not fully displaced, often experience destruction of property and sources of income on par with the status of internally displaced persons. The distribution of powers and responsibilities between local authorities and state bodies should be envisaged and clearly enshrined in new laws and regulations applicable at both local and regional levels. Under martial law,

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<sup>46</sup> Center of expertise for good governance. (2022). Retrieved from <https://rm.coe.int/cegg-pad-on-ukraine-recovery-strategy-in-lsg-area-ukr-final/1680aef3fb>.

it is impossible to amend the Constitution, but this does not preclude discussions to ensure that these changes are directed in the right direction and are formalised as soon as the situation normalises<sup>47</sup>.

Regarding regional development policy, many European countries have experimented with regional governance over the past 20-30 years, sometimes on a universal, sometimes on an experimental basis. If we examine numerous European examples, we can conclude that even with an inclusive culture of decentralisation, there are options: countries can achieve greater decentralisation at the local or regional level, but this need not occur simultaneously at both levels. Decentralisation is necessary for a qualitative, open, and mutually acceptable vertical distribution of power between the new community and elected authorities at the local level.

In regions designated for post-war reconstruction, the pace of actions should be aligned with the need to minimise rational urban spatial planning, taking into account environmental issues, joint planning, and budgets. Long-term policies promoting building insulation, energy consumption reduction, and fossil fuel abandonment should be adopted, even if implemented gradually over years depending on available resources. This approach facilitates obtaining financial support from the European Union, as it has advantages and potential for synchronisation with EU strategy. The issue of human resources in local self-government bodies is important from the perspective of all aspects defined in the reorganisation plan: recruitment, remuneration, motivation, professional prestige, and ethical standards. However, the reform of services in local self-government bodies should be a component of broader efforts at the national level to create public services within the framework of administrative reform. This is because many problems and potential solutions for this are analogous to those implemented at the central level. At the very least, selection, promotion, and remuneration systems are often defined by common internal norms, where precise requirements and coefficients may differ, and rules for combating conflicts of interest and non-compliance are part of the same laws and verification mechanisms<sup>48</sup>.

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<sup>47</sup> Government Portal. (2024). Retrieved from <https://www.kmu.gov.ua/news/mistseva-statystyka-formuvannia-polityky-vidnovlennia-ta-rozvytku-hromad-shcho-bazuietsia-na-danykh>

<sup>48</sup> Center of expertise for good governance. (2022). Retrieved from <https://rm.coe.int/cegg-pad-on-ukraine-recovery-strategy-in-lsg-area-ukr-final/1680aef3fb>.

Consequently, the cumulative impact of the factors considered in the study not only reinforces existing trends in public administration of sustainable regional development but also imparts new content, which is manifested in the expansion of the region's role, that is, in deepening the process of post-war decentralisation.

This study has examined the issue of sustainable development within the context of the contemporary decentralisation process in our nation, wherein a significant portion of authority has been devolved to local governing bodies. This shift underscores the necessity for refining the system of public administration, particularly in relation to sustainable regional development in post-war Ukraine. Consequently, the current paradigm of public administration presupposes the existence of a strategic planning system to ensure sustainable regional development. The attainment of sustainable development for territorial communities should be viewed through the lens of collaboration between civic organisations, the public sector, and business entities. Decisions regarding capacity expansion through judicious utilisation of industrial, natural, human, financial, and investment resources, interaction with local enterprises, ensuring environmental sustainability, and expanding innovative investment projects should be prioritised management areas. These are crucial for enabling regional communities to foster their own sustainable development.

The study has analysed and substantiated recent challenges in developing new models of cooperation between central, regional, and local authorities, both during wartime and in the post-war period. This issue is particularly acute for restoring governance in occupied territories, where the process of purging collaborators and addressing the consequences of occupation must occur concurrently. A key criterion in developing a successful model will be maximum stakeholder participation in the decision-making process and the adoption of each decision based on consensus between parliamentary representatives and local self-government.

The research has forecast measures pertaining to the decentralisation process during the period of intensive recovery and the formation of a new security system. These include: protecting and developing democratic procedures, decentralisation, and freedom of speech, which are crucial values for Ukrainian society; drafting a law "On



the Special Period” to regulate the gradual transition from martial law to full restoration of institutional activities in organised society, which should serve as a compromise solution; a temporary shift towards increasing the authority of central government representatives, considering the balance of powers between central and local authorities; improving the functionality model of military administration through legislative changes to address synchronicity issues between community leaders and the military department; strengthening the role of regional juntas in coordinating territorial military government activities; enhancing the administrative functions of territorial collegiums regarding local budget expenditure; introducing a transition period with limited local self-government powers; continuing decentralisation reforms, particularly by introducing the institution of prefects as local administrative supervisors, incorporating best European practices; and revising the Budget Code of Ukraine to account for the needs of internally displaced persons.

The study has outlined that post-victory and after the initial reconstruction phase, constitutional reform will be necessary to regulate local authorities; powers and their relations with the central government. This will mark the completion of decentralisation and the establishment of new institutional mechanisms, featuring a new system of administrative-territorial structures, a list of local taxes, and sources for replenishing local budgets. The updated role of prefects, particularly their administrative supervisory functions, may also be defined at this stage.

The research has determined that in the context of the current decentralisation process, it is also necessary to employ effective public administration mechanisms to achieve sustainable development goals. In our view, it is advisable to allocate four primary mechanisms of public administration for sustainable territorial development: political-economic, organisational-institutional, regulatory-legal, and informational. It has been demonstrated that all mechanisms of public administration for sustainable regional development should be comprehensive and purposeful, and should be utilised at all levels of governance, helping to safeguard the interests of the territorial community itself, its citizens, and economic entities.

The study has established that infrastructure plays a crucial role in the post-war recovery of local communities, contributing not only to the provision of basic services but also to resilience, economic development,

and social stability. During post-war reconstruction, it is important to prioritise innovative development and infrastructure modernisation to enhance quality of life and sustainable regional development. Consequently, post-war infrastructure requires significant reconstruction and repair, which, as proposed, should be implemented on principles of security and sustainability.

It has been ascertained that the sustainable development of territorial communities in the context of post-war decentralisation requires a comprehensive approach, predicated on several crucial principles. These include enhancing residents' quality of life, implementing strategic planning tailored to regional needs, bolstering innovative development and partnerships across various sectors, and ensuring broad public participation in decision-making processes. These principles are vital for ensuring sustainable and balanced community development that meets current needs whilst preserving resources for future generations. Concurrently, the war complicates the entire decentralisation process, as the current state of communities varies significantly depending on their proximity to the front line and the extent to which they suffer from military actions. Conversely, there is a clear consensus among Ukrainian practitioners that the reforms of previous years, which endowed local authorities with greater responsibility and resources, contribute to enhancing community resilience in today's challenging conditions.

It has emerged that the decentralisation reform has not halted and continues amidst full-scale war and the imposition of martial law. Overall, the completion and achievement of planned objectives is a matter of principle, as it demonstrates the effectiveness of decentralisation reforms and allows for the creation of efficient local self-governance and anticipates more successful development during the post-war reconstruction period.

An approach has been proposed to adapt the region's sustainable development to martial law conditions and post-war national economic recovery, taking into account the determinants of economic and social development and the environmental situation under war conditions. These include: strengthening institutional capacity, defence and security; restoration and modernisation of housing and regional infrastructure; restoration and modernisation of social infrastructure; ensuring effective

social policy, employment and social protection of the population; war-oriented foreign economic activity; shadow economy and corruption, among others. To this end, a working group should be established to update objectives, considering sustainable development goals in terms of adaptation to post-war recovery needs and current planning. The effectiveness of public administration decisions made within the framework of specific sustainable development goals should be analysed by monitoring regional development indicators, in the dynamics of which economic, social and environmental indicators are achieved accordingly.

### ***1.3. Organizational and legal mechanism for ensuring public participation in management decision-making at the local level***<sup>1</sup>

<https://doi.org/10.36228/PASD24/1/3>

In Ukraine, there are several dozen mechanisms for citizen participation, provided for in normative-legal documents at various levels, from the Constitution to local self-government bodies' decisions. These mechanisms differ in methods of engagement, mandatory application, detail and definition of implementation procedures, effectiveness, frequency, convenience, and simplicity of use.

An important aspect of this rationality is the establishment of properly coordinated interactions between state authorities and local self-government, considering the subsidiarity principle. This becomes particularly significant in times of war when all levels of governance naturally tend towards the centralisation of management decisions. Therefore, a top priority today is defining the primary tasks that should be entrusted to the bodies of local self-government of regions and territorial communities. This is to ensure, on the one hand, their maximum efficiency in managing the resource potential of respective territories, and on the other hand, to establish coordination among all governmental institutions to address the urgent needs of the front and the economic recovery.

Primarily in this context, attention should be drawn to the issues of business relocation and the movement of civilians from the eastern regions of the country to its central and western parts. It is here that local self-government bodies face the most war-related challenges. This primarily involves the need to coordinate work with regional and district military administrations to provide temporary accommodation for relocated enterprises and internally displaced persons. In the near future, this may also include creating suitable conditions for the long-term stay of those who decide to remain in relocation areas for an extended period or permanently.

Despite the presence of various mechanisms for involving residents in municipal governance, there is currently a high level of distrust and apathy among citizens regarding public participation issues. To understand the effectiveness of existing engagement methods, it is

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<sup>1</sup> The author of the chapter: ***Alina Nadezhdenko***, PhD in Public Administration, Associate Professor of the Department of Public Management and Administration, Mariupol State University, Kyiv (Ukraine).

necessary to regularly monitor and evaluate the current implementation practices and use of these mechanisms. Evaluation should occur both at the level of the normative-legal framework, existing methodological recommendations, and in analysing strategies for implementation and motivation for involving residents in municipal management. An important element of citizen participation in socio-political life and decision-making processes in the city is also the cooperation between city authorities and civil society organisations (CSOs, NGOs, initiatives, and activists).

Civil society organisations, on the one hand, represent the interests of their members, the interests of various social groups, and broader societal interests. On the other hand, they themselves are a mechanism for citizen participation in city governance. Therefore, cooperation between the authorities and civil society organisations is a strategically important task for building democracy, proper governance, trust, and consensus in the community. Evaluating existing practices of interaction between civil society representatives and city authorities will help identify the main barriers to establishing such interaction and strengthen the role of civil society in city governance.

The following scholars have conducted research on the issue: S. Alexeyeva, V. Babayev, O. Balinska, N. Bortnik, T. Garasymiv, I. Zharovska, R. Igonin, M. Kelman, V. Kovalchuk, I. Lychenko, L. Luts, V. Makarchuk, M. Nikyforak, V. Ortynskyi, O. Ostapenko, B. Stetsiuk, S. Slyvka, A. Subbot, Y. Tykhomirov, Y. Shemshuchenko, and others.

*The purpose of the research* is to develop and justify the principles for forming an effective organisational and legal mechanism to engage the public in making managerial decisions at the local level, aimed at promoting more active citizen participation in addressing issues related to their local environment and improving the interaction between local authorities and the population.

The objectives of the study include exploring the theoretical aspects of creating the organisational and legal mechanism for interaction between local authorities and the public, analysing international experience in ensuring public participation in decision-making, identifying the problems and potential of electronic democracy, developing a theoretical model of the organisational and legal mechanism for public participation in decision-making, and formulating recommendations for improving the

public management mechanism for cooperation between local authorities and the public at the local level.

Data from various sources were used to investigate the organisational and legal mechanisms ensuring public participation in decision-making at the local level. This approach provided a comprehensive understanding of how these mechanisms operate. The primary sources included legislative acts regulating public participation mechanisms, particularly laws on democratic principles and citizen involvement in decision-making, enabling the analysis and evaluation of the legal framework underpinning public participation in local governance.

In addition to legislative acts, data from analytical reports and academic studies were employed to assess the effectiveness of measures engaging the public in management processes. This allowed for an analysis not only of the legal aspects but also an evaluation of the practical impact of initiatives aimed at increasing public participation in municipal or regional management.

The research utilised methods of legal analysis to substantiate and evaluate the legislative mechanisms of public participation. Comparative methods were also employed to analyse public participation practices in different countries, while generalisation, systematisation, and classification methods were used to structure and evaluate the collected data.

One of the most pressing needs of modern Ukrainian society is the sustainable development of territorial communities in small towns and rural areas. Research in recent years, supported by state statistics, indicates a decline in the rural population and small towns due to migration to large industrial centres both within Ukraine and abroad. The primary cause of this situation is the lack of local opportunities to meet essential needs in employment, medical and social assistance, quality education, and the upbringing of children and youth, which collectively impact well-being and socialisation. These issues are addressed at the local level by local self-government bodies.

The development and improvement of local communities result from the participation and efforts of the citizens themselves. In other words, the effectiveness of addressing local issues significantly increases when ordinary citizens voluntarily participate in the process. Both foreign and domestic experience demonstrate that without citizen participation, regional policy becomes detached from "territorial governance." To

implement democratic standards of public participation, the state must create conditions for active citizen involvement in shaping state policy. Accordingly, effective mechanisms for informing the public about the activities of government bodies and local self-government must be developed to promote public participation in the development, discussion, and adoption of both national and local decisions, as well as in monitoring their implementation. However, the experience of developed democracies and the demands of the time underscore that public participation is a necessary, beneficial, and critically important mechanism for the positive influence of society on government activities in the interests of citizens<sup>2</sup>.

On the other hand, public participation serves as a source of additional intellectual resources for government bodies and is, therefore, both beneficial and necessary for them (assuming that officials recognise this undeniable fact). It is clear that in Ukraine, government bodies and civil society institutions still need to navigate the challenging path of intelligently and consciously implementing mutually beneficial mechanisms of public participation, which will contribute to profound systemic reforms in Ukraine for the benefit of individuals and local communities.

It is axiomatic that in democratic countries, citizens' participation in government affairs cannot be limited to elections alone. Such limitations could lead to societal dissatisfaction, with an increased likelihood of confrontation and conflict. By integrating various approaches and interpretations, public participation can be defined as a system of actions, methods, tools, and mechanisms (united by algorithmic logic) for citizen involvement in defining and solving their problems.

In the context of governance, public participation allows for the consideration of social factors in planning, minimising social and political risks through management decisions, adjusting plans and government behaviour according to the interests of specific social groups, and involving these groups in management decisions.

The war has united Ukrainian society. Today in Ukraine, the divisions into social strata, political forces, professional associations, and even interest groups have practically disappeared. With rare exceptions,

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<sup>2</sup> Kolyanko, O. V. (2021) Interaction of state authorities and local self-government with the public. *Bulletin of Lviv Trade and Economic University. Series: Economic Sciences*. 65. 116–122. <https://doi.org/10.36477/2522-1205-2021-65-16>.

everyone is united in the singular goal of driving the occupier beyond our state borders. At the same time, the patriotic surge and emotional uplift propelling Ukrainians towards victory should not undermine the foundations of healthy rationalism. Such rationalism is essential not only for effective military logistics management but is also rightly considered one of the cornerstones of our future post-war state rebuilding and economic recovery.

Thus, public participation allows, on the one hand, for the minimisation of social and political risks and, on the other hand, for the identification, formulation, and defence of the community's interests during these challenging times for our state. Analysing the nature of public participation in 22 countries, N. Kenneth and J. Heiko<sup>3</sup> note that this form of activity, alongside human happiness, democracy, and economic prosperity, is a crucial condition and component of modern human life. In recent years, there has been a growing interest in the phenomenon of participation among both researchers and practitioners.

In academic studies, the phenomenon of participation is examined in the context of social networks, social capital, social identity, problems of local communities, partnerships, civil society, and more. Understanding new social practices has led, on the one hand, to the differentiation of participation issues, highlighting its various types as distinct areas of study: political, civic, social, individual, horizontal, vertical participation, participation in community life, and so on. On the other hand, the institutionalisation of participation processes is being studied, considering the fields, norms, rules, and technology of participation implementation.

In a broad sense, participation today is characterised as a "situational practice" implemented within a specific territorial and social space with inherent political, social, cultural, and historical features. The condition for participation is societal interests, carried out by uniting individuals into communities of varying degrees of formalisation. According to modern theorists of civil society, as a platform for voluntary collective actions around common interests, public participation is understood as one of the principles of civil society based on constitutional democracy. It provides a real opportunity for citizens to publicly express their positions, unite with

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<sup>3</sup> Kenneth, N., Heiko, G. (2008). Patterns of Participation: Political and Social Participation in 22 Nations. Discussion Paper SP IV 2008–201. P. 44.



like-minded individuals for exchanging ideas, propagate their views, exert organised influence on authority, participate in elections, and more. In this context, civic participation refers to the least politicised forms of political participation, involving not just residents but citizens – individuals with an active political culture or a culture of participation.

Contemporary academic literature presents a range of approaches to defining the concept of "participation". Such breadth in interpreting participation results in qualitative diversity in its types. Generalising the types of participation in the literature, they can be systematised as follows: by domains of participation – political participation; civic participation; public participation; participation in community life, etc. By the degree of structure – structured – unstructured; institutionalised and non-institutionalised; informal – formal. By the degree of involvement of subjects in the participation process – passive – active; individual – collective; one-time – ongoing (continuous). By orientation – vertical (aimed at involving citizens in the process of social governance) – horizontal (aimed at collective action within an association or community). Regarding social changes – oriented towards resistance to social changes – stimulating changes. By motivation – aimed at satisfying personal interests – altruistic, unpaid – paid. According to the chosen strategy – anticipatory – reactive.

The problem of effectively engaging the public in the processes of developing and implementing political and managerial decisions remains pertinent in the reform process in Ukraine.

It is important to emphasise that neglecting the participation of citizens and NGOs in the processes of developing and implementing state policy at all levels can lead to a further increase in negative perceptions of authority, potentially reaching a critical point (complete rejection of it and attempts to remove it from power). Negative attitudes towards authority and administrative obstacles in attempts to monitor its "compliance with the law" systematically undermine the foundations of social security and may trigger the so-called "society versus authority conflict".

This conflict poses a threat to national security primarily by destabilising political stability in the country. Conversely, effective practices of partnership interaction between government bodies and the public gradually increase the level of mutual trust.

This study will examine the prevalent forms of collaboration, as observed in international contexts, that facilitate public participation in local-level decision-making processes. The development of inter-municipal cooperation varies significantly in different countries. Some of these differences are related to culture, traditions, and patterns of development in specific localities.

For example, in countries with strong municipal autonomy, cooperation is the only way for small settlements to effectively provide numerous services to residents (France). In other countries, inter-municipal entities are large, but their cooperation plays only a limited role (United Kingdom). A particularly interesting example is inter-municipal cooperation in France. During the decentralisation process, which granted local self-government bodies numerous powers, municipalities felt the need to combine their resources to implement new responsibilities and provide quality services. This need arose due to the large number of small communities in the country. In France, there are 36,682 communes, 87% of which have fewer than 2,000 residents. Under these circumstances, local entities cannot independently decide on providing quality services to the population. This led to extensive inter-municipal cooperation in France, which proved to be a more flexible mechanism than municipal mergers. The majority of inter-municipal communities in France belong to the public-law cooperation structure with their own tax regime. Partnership in this format is an integrated form of territorial cooperation as it involves creating a supra-municipal level of governance. The prevalence of this cooperation model in France is due to legislative requirements for cooperation. Consequently, there are no communes in France that are not covered by inter-municipal cooperation.

Unlike France, the Polish model of cooperation is not as integrated since it operates on the principles of voluntariness and equality, without creating supra-municipal bodies of higher administration.

However, the most formalised and widespread form of cooperation among Polish local governments is the creation of inter-municipal associations (syndicates). This legal and organisational form of cooperation is outlined in the Law on Communal Self-Government for the joint execution of public tasks. If a commune joins an inter-municipal association, the tasks delegated by the commune to the syndicate cannot be carried out independently. The syndicate is a legal entity with its own

management body and executive authority, registered with the Ministry of Internal Affairs and Administration.

A vivid example of such cooperation is the establishment of the inter-municipal union of Gostkowo-Nepar in the Greater Poland Voivodeship, registered in 2009 and still active today. This union was initiated by the communes of Majska Górka and Krobia, which include the villages of Gostkowo and Nepar, respectively. The purpose of the cooperation was to delegate specific powers in the field of education, including the creation and management of schools and kindergartens. The communes of Krobia and Majska Górka paved the way in this matter, as any cooperation between municipalities in the field of education was previously limited to inter-communal agreements on providing educational services. This partnership undoubtedly exemplifies good practice in addressing issues related to small rural schools and the social conflict surrounding this issue. Furthermore, this inter-municipal cooperation enabled the implementation of decisions beneficial to various interest groups. For example, the union's statute specified that parents and teachers are also included in the assembly (supervisory body), demonstrating an unprecedented application of the concept of joint management in inter-municipal relations, involving the most important group of participants aside from local government officials<sup>4</sup>.

Another example of municipal cooperation that demonstrates a comprehensive approach to problem-solving is a five-member association registered in the Kłeszew commune in the Lodz Voivodeship in 1991. The goals of this association include environmental protection, as well as the prevention of environmental degradation and destruction due to industrial development.

Therefore, considering the lengthy and complex process of consolidation and Poland's accession to the European Union, which provided municipalities with access to EU structural and investment funds requiring urgent decisions from local self-government, Poland was able to

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<sup>4</sup> Markowski, T. (1999). Zarządzanie rozwojem miast. Warszawa, Wydawnictwo Naukowe PWN, 248.

address a range of local problems and develop its financial and economic potential through inter-municipal cooperation<sup>5</sup>.

Nevertheless, cooperation among territorial communities is a universal tool for local development that all local self-government bodies with common interests can utilise without exception. In light of the European experience of inter-municipal partnership and examining the state of cooperation among territorial communities in Ukraine, it is essential to consider the possibility of employing a new approach to cooperation among territorial communities that ensures more comprehensive activities in specific partnership areas. One should consider applying a cluster approach in organising cooperation among territorial communities, which involves expanding the range of cooperation entities, including representatives from other sectors in addition to local self-government bodies.

The activities of any state authority should primarily aim to improve the quality of life of the population. This should be the primary goal of cooperation among territorial communities.

This postulate is supported by the World Bank's definition of local economic development, which states that the goal of local economic development is to create the economic potential of the local territory to improve its economic future and quality of life. It is a process through which authorities, private, and non-governmental partners work together to create better conditions for economic growth and job creation.

Given the above, it is worth considering another type of cooperation that allows for the combined efforts of not only territorial communities and their governing bodies but also other interested parties (stakeholders) – such as the private sector, public organisations, and research institutions – to achieve a common goal of economic growth. This involves expanding the range of cooperation participants and utilising a cluster approach in organising partnerships within the territorial development system.

In the context of this study, the cluster approach implies broadening the circle of collaborators, which is quite common in Europe. In most cases, local governments create "functional enterprises" to manage public services, infrastructure, and social facilities. These enterprises are created

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<sup>5</sup> Klasik, A. (1996). Zarządzanie rozwojem lokalnym. Zarządzanie rozwojem gminy w zespołach miejsko-przemysłowych, materiały konferencyjne pod redakcją Floriana Kuźnika. Katowice, Forma studio. 16-28. (In Poland)

under either public or private law. Under private law, this is a joint activity aimed at generating profit. However, the enterprise belongs to the municipality. Private shareholders can cooperate with local authorities within the framework of public-private partnerships.

Moreover, several local governments can enter into agreements with a private company for the provision of services. This is an outsourcing mechanism for inter-municipal cooperation, which is very common in Eastern Europe. In this case, local public services are often provided by private law enterprises<sup>6</sup>. This solution can be feasible and cost-effective. Additionally, the quality of services provided by private enterprises can be significantly higher than that which a municipality can offer. There is a trend towards expanding the reach of such enterprises to provide services to a larger number of residents in territorial communities.

For instance, municipalities may need to build a road. However, the investment required to purchase construction equipment is too high, even if they combine their resources. In this case, a sensible solution would be to involve a private construction company that already possesses the necessary equipment and machinery for road construction. Thus, applying the cluster approach in organising cooperation among territorial communities will introduce a new sectoral form of cooperation, ensuring more comprehensive activities in specific areas. This type of partnership should include a comprehensive set of measures in the chosen area of cooperation, eliminating the need for a system of agreements to achieve the ultimate goal. Such comprehensive interaction of material, financial, and human resources of local governments will allow for a holistic approach to solving important issues, improving the quality of life of the population, and ensuring the sustainable development of territorial communities.

To improve the provision of administrative services and infrastructure, various forms of inter-municipal cooperation are employed, and each of the studied EU countries has its own peculiarities. Therefore, depending on the form of cooperation used and whether there is a delegation of powers, a classification of approaches to organising cooperation can be developed:

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<sup>6</sup> Kartashov, A. V. & Radchenko, O. V. (2016). Civil society and politics. Political ABC. International Republican Institute.

- direct form of rural-urban cooperation (with the formation of a joint coordination body) + with the delegation of powers from local communities (examples of this form of cooperation include Rennes, France);

- direct form of rural-urban cooperation (with the formation of a joint coordination body) + without the delegation of powers from local communities (examples of this form of cooperation include Nuremberg, Germany; the Central Zone of the West Pomeranian Voivodeship, Poland; Brabant, Netherlands);

- indirect form of rural-urban cooperation (without the formation of a joint coordination body, usually based on a contractual basis) + with the delegation of powers from local communities (examples of this form of cooperation include Forlì-Cesena, Italy; Extremadura, Spain);

- indirect form of rural-urban cooperation (without the formation of a joint coordination body, often based on a contract) + without the delegation of powers from local communities (examples of this form of cooperation include Castelo Branco, Portugal; Prague/Central Bohemia, Czech Republic).

Researching territorial communities is challenging due to their historical diversity and the various approaches to understanding these entities. Different terms are used to describe them, such as community, gmina, commune, community, Gemeinde, Gemeinschaft, and commune. Despite differences in researchers' approaches, most agree that a key feature of a territorial community is its ability to independently address certain issues, acting on the principles of self-organisation, self-governance, and self-responsibility.

A territorial community can be considered the basic structural unit of society, as it encompasses primary elements such as individuals, families, and work collectives. Local communities integrate through public associations, corporate and governmental structures that maintain the integrity of this social organisation. Moreover, these communities represent not only a shared living space but also a unity of socio-economic relations, cultural and political life, reinforced by historical traditions and local culture.

In the communities of the USA, Canada, the UK, Germany, and Switzerland, community centres actively operate, catering to various age groups. The primary areas of activity for these centres include educational,

recreational, and health-related services. One of the key tasks these organisations undertake is social inclusion, helping individuals who have lost social ties with the community (such as the elderly, individuals with physical and mental disabilities, and teenagers) reintegrate into society. Family centres are established to strengthen relationships between adults and children, while youth centres cater specifically to young people<sup>7</sup>.

Depending on whether their activities are carried out exclusively within the territorial community or extend beyond it, we can identify internal and external functional roles. The nature of external functions arises from relationships between neighbouring territorial communities, the community and the state, and communities from different countries. These connections are regional (local), national, and international, respectively. However, the division between external and internal functions is conditional since communities are not isolated from each other or the state. External functions are derived from internal functions and can be seen as their extension.

As territorial communities are subjects of governance, these functions include general management functions such as planning, organising, motivating, coordinating, and controlling. These are relatively distinct types of managerial activities that emerge in the process of specialisation and labour division. It is through these actions that the essence of management and its internal "technology" are revealed. Territorial communities in some countries have significant experience in implementing the planning function.

For instance, in Bavaria, "the strongest aspect is the mobilisation of the public in the planning process initiated by citizens". In the USA, strategic city development plans are adopted considering citizens' proposals and reflect the interests and priorities of the entire community. Legislation allows territorial communities to determine in their charters the procedures for organising public hearings, the functioning of local councils, and more. This function is also evident in the example of France, where the association of communes in the field of city development, housing, and land use planning became a significant innovation after the Law on Cooperation was passed in 1966. The basic premise of this form of

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<sup>7</sup> Slozanska, H. & Polishchuk, V. (2019). Social work in the community abroad: history and modern development trends. *Social Work and Education*. Vol. 6, No. 4. Ternopil-Aberdeen, 390-407.

cooperation is the adoption of a comprehensive policy for cities and their suburban areas.

In addition to general management functions, several other technological functions warrant attention. Specifically, the financial and budgetary functions of territorial communities are closely linked to the financial foundation of local self-government. This includes the right to communal ownership—the right of the territorial community to possess, use, and dispose of its property efficiently, economically, and effectively, at its discretion and in its interests, both directly and through local government bodies. at its discretion and in its interests, both directly and through local government bodies.

The normative function of territorial communities involves the creation of regulatory legal acts and is realised by local communities both directly through various forms of activity (local referendums, general meetings of citizens, local initiatives, public hearings) and indirectly through acts of local government bodies and officials. A key regulatory legal document is the charter of the territorial community. The informational function is demonstrated in the dissemination of information among the residents of the settlement, as well as in providing information by members of the territorial community to other subjects of local self-government. Direct communication – informing residents by government bodies – helps increase the community members' knowledge about local affairs, ensures the formation of the socio-political orientation of residents, public opinion, and is a prerequisite for increasing population activity. Feedback enables authorities and officials to continuously monitor the implementation of relevant decisions, compare achieved results with defined goals, identify deviations, side effects, and public sentiments, and make necessary adjustments in a timely manner.

It is also pertinent to distinguish specific technological functions aimed at creating a system of local self-government by territorial communities. These system-forming functions include the establishment of relevant bodies, the election of village, settlement, and city heads, deputies of local councils, the premature termination of the powers of the council, the recall of deputies and elected local government officials, the merging of the territorial communities of neighbouring villages into one territorial community, and the separation of a territorial community from a village community.



When studying the activities of territorial communities as subjects of local self-government, it is important to consider the experience of addressing local problems not only in Ukraine but also in other countries with established democratic traditions. In the United States, the most common forms of participation by territorial communities in decision-making (public hearings, written public comments on projects and local development strategies, resident participation in the boards of directors of community agencies, citizen-based commissions, task forces, advisory committees, etc.) are enshrined in law. Additionally, community jury sessions, public forums, various resident surveys, and meetings between residents and local government officials are conducted.

The participation of territorial communities in solving local problems is usually preceded by a broad information campaign conducted by municipalities to explain the nature of the issues to be addressed. During this campaign, residents are presented with project plans, decisions, etc. Various community bodies are often established to conduct public hearings. In this way, residents can provide their feedback and suggestions to municipalities regarding local issues both directly and through community bodies.

Citizen involvement in the United States occurs at all levels of governance, though it is most prominent at the local and regional levels. Community members influence government bodies and address issues in various areas of local life, including education, crime prevention, healthcare, social services, the economy, and environmental protection.

In examining the activity of community members in Poland, it is noteworthy that the idea of public participation in preparing local programmes and government decisions has been widely promoted, especially in recent years, and this is reflected in the practices of solving problems in gminas (municipalities). To ensure transparency in their activities and to gain public support, local self-government bodies can involve community members in the budget preparation process by holding public discussions, debates, and publishing the budget draft. It is significant that modern technologies are widely used in Poland to ensure interaction between authorities and community members. In 90.5% of gminas, the Internet is utilised for public participation in local issues. These data confirm that in Poland, community members actively

participate in addressing local issues and significantly influence local self-government bodies and officials.

Based on the national concept and international documents, regional and local acts should be developed to promote the sustainable development of communities, as these documents are crucial in determining the pace of sustainable development. Territorial communities also most promptly address the implementation and realisation of sustainable development principles in Ukraine. At the local level, the theory of sustainable development is primarily implemented through a concept and an action plan that adapt general scientific approaches to the needs of the territorial community.

The concept of sustainable development of a settlement is a comprehensive system of principles, objectives, and measures aimed at transitioning a village, settlement, or city to the principles of balanced (sustainable) development. This concept should form the basis for the development of strategies, local projects, and socio-economic development programmes, general plans, public transportation logistics, the functioning of the municipal system, and other initiatives aimed at implementing local policies.

The basic local documents can include the following: charters of territorial communities; documents on joining the Aalborg Charter; the concept of sustainable development of the territorial community, including sustainable development indicators; the concept of sustainable development of the territorial community, or the strategic development plan; and the local action plan.

Local self-government bodies in their activities can be guided by the following international documents: the Aalborg Charter ("European Cities Towards Sustainability"); the Aalborg Commitments; the Lisbon Action Plan: From Charter to Action; the Melbourne Principles for Sustainable Cities; the Istanbul Declaration on Human Settlements (Habitat II); and the Hannover Call of European Mayors at the Dawn of the 21st Century. All these international documents and activities provide a valuable methodological basis for managing the development of cities, villages, and settlements, as well as a platform for exchanging experiences in Ukraine. However, the most important element of local legal regulation is the charter of the territorial community.

The charter is developed and adopted by the representative body of local self-government or directly by the population. In this document, in our opinion, the principles of sustainable development of the territorial community should also be reflected. The theory of sustainable development should cover all aspects of human activity that impact the environment (both social and natural). The level of local sustainable development pertains to the system of local self-government bodies, which is the focus of this study. This specifically includes supporting subsistence farming at the rural community level, urban planning technologies, implementing quality standards for urban living, environmental protection, and the sustainable development of the territorial community.

Key principles of sustainable governance are crucial for achieving sustainable development: the state's responsibility for sustainable development and nature conservation; public participation in decision-making processes at the local level. A strategic approach to sustainable development involves transforming the entire philosophy of thinking and political activity, transitioning from developing and executing fixed plans that quickly become outdated to creating an adaptive system that can continuously improve; shifting responsibility from just the state to societal responsibility for development; moving from centralised and controlled decision-making to transparent negotiations, cooperation, and coordinated actions; focusing on quality results in management processes rather than just laws or regulatory acts; transitioning from sectoral to integrated functional planning; moving away from costly "projects" (and consequently, dependence on external aid) to development primarily funded by the country's own resources.

Thus, research data indicates that territorial communities in foreign countries exert a certain influence on decision-making processes by local self-government bodies and are capable of making decisions on specific issues themselves. By addressing various problems in their respective communities, local communities demonstrate their agency in various spheres of local life: political, economic, social, and cultural. The most significant activity of territorial community members is evident in addressing issues related to living conditions, infrastructure, safety and crime prevention, service provision, education, healthcare, environmental protection, and more.

Subsequently, we can explore the attainment of a specific degree of citizen involvement in local self-governance by examining the methods employed by local government bodies to engage with the community and its members. The choice of method for community involvement in decision-making depends on the issue at hand and the preferences of local authorities. It also reflects the professionalism of non-governmental organisations interested in engaging citizens and promoting community development. The method chosen will also depend on the level of citizen involvement in local self-governance.

Today, in our view, the main methods of citizen engagement in decision-making can be conditionally classified according to certain levels:

*Level I. Providing Information:* TV or radio interviews, coverage of government meetings by the press, a regular programme or series of publications in the media, media notifications about management services for citizens, promotional materials, press information packages, press releases, press conferences, informational bulletins, brochures, posters and informational boards, "wall press" and exhibitions of printed materials, reading rooms, local archives, reference and information centres, distribution centres for official forms and instructions, informational mailings, ceremonial events, local cable TV and video production, public relations services, personal websites.

*Level II. Informational Communication with Citizens:* protest and civil disobedience actions and working with participants, contact persons, working in clubs, Saturday breakfasts, business lunches with leaders of community groups, group discussions, engagement of public organisations, newspaper coupons with questions, "hotlines," suggestion boxes, special leaflets with questions, consultation hours for citizens, public opinion polls, "group portrait" of the community, public hearings, telephone surveys, open days, "hotlines" for complaints, citizen complaint representatives, narrow-circle public meetings, public debates.

*Level III. Dialogue with the Community:* ombudsmen, neighbourhood associations, mentorship for community leaders, joint event planning, citizen participation services in decision-making, open decision-making events, joint official discussions.

*Level IV. Partnership with the Community:* joint responsibility: advisory commissions, committees and councils; supervisory commissions, committees and councils; specialised commissions, committees and

councils; commissions, committees, and councils with oversight powers; commissions, committees and councils on regulatory issues; mixed commissions, committees, and councils; expert consulting services; special task forces or commissions.

*Level V. Public Governance: Direct Democracy:* general meetings of citizens, referendums.

The method chosen depends on the specific stage of decision preparation. Regardless of the method selected, it is essential to ensure that citizens have the opportunity to express themselves, interact with local government bodies and other citizens, participate in shaping approaches, and contribute to the development of an action plan or the corresponding decision.

Thus, in the process of implementing reforms in Ukraine, the issue of effectively engaging the public in the processes of developing and implementing political and administrative decisions remains pertinent. It is important to stress that neglecting the participation of citizens and NGOs in the processes of developing and implementing state policy at all levels can lead to a further increase in negative perceptions of the government, potentially reaching a critical point, such as complete rejection and attempts to remove it from governing the state. Negative attitudes towards the government, coupled with administrative obstacles in attempts to ensure its "lawfulness", systematically undermine the foundations of public safety and can lead to the so-called "conflict between society and government"<sup>8</sup>.

This conflict poses a threat to national security, primarily by destabilising political stability in the country. Conversely, effective practices of partnership interaction between government bodies and the public gradually increase the degree of mutual trust. In addition to political stabilisation, such practices also enhance the efficiency of state institutions. It is important to note that the development of new information and communication technologies and the emergence of innovative forms and tools for engaging citizens in policy development significantly expand the opportunities for public influence on decision-making processes, making them transparent and, thus, more effective.

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<sup>8</sup> Vysokiy, M. S. & Nahorniak, T. L. (2021).ff Interaction of local self-government bodies with the public in Ukraine. Vasyl Stus Donetsk National University (Vinnytsia). 160–162.

In this context, Ukraine can accelerate its progress by utilising the tools of e-democracy, a modern form of public administration practised in EU countries. Among the primary means of e-democracy available in Ukraine and supported by the relevant legal framework, the most popular are electronic requests, e-petitions, e-consultations, participatory budgeting, open data, and e-ordering of administrative services. Additionally, with the gradual and steady development of e-governance in Ukraine, there are prospects for the introduction of e-voting and e-elections.

According to city authorities and civil society, the most effective methods of engaging residents are "remote engagement" mechanisms, which involve a system of mandatory feedback, such as appeals and electronic petitions. The most common interaction mechanisms function as feedback from residents, but they are not effective for anticipating decisions. At the same time, the most significant influence on decision-making is exerted by public activists with higher levels of social capital; those who have the opportunity to meet with officials in person are more active and persistent.

To ensure the implementation of democratic standards of public participation, the state must create conditions for active public involvement in the formation of state policy. It is necessary to develop effective mechanisms for informing the public about the activities of state and local government bodies, thereby promoting their involvement in the development, discussion, and adoption of both national decisions and decisions at the community level, as well as in monitoring their implementation.

Effective public engagement is crucial for the successful implementation of reforms and the development of political and administrative decisions. Neglecting the participation of citizens and NGOs can lead to increased negative perceptions of the government, potentially destabilising national security. In contrast, fostering partnership interactions between government bodies and the public enhances mutual trust, political stability, and the efficiency of state institutions.

The organisational and legal mechanisms for ensuring public participation in local decision-making processes are critically important for the development of democratic processes and the sustainable development of communities. These mechanisms include the development

and implementation of local regulatory acts that govern the procedures and forms of public participation, such as consultations, public hearings, electronic petitions, referendums, and other forms of citizen engagement in the decision-making process.

An important aspect is the use of international standards and principles, particularly documents such as the Aalborg Charter, the Lisbon Action Plan, and the Melbourne Principles for Sustainable Cities, which provide a methodological basis for organising effective interaction between local self-government bodies and the public. Public involvement not only increases the level of trust in government bodies but also promotes a better understanding of the needs and expectations of local residents, enabling more informed and effective administrative decisions.

Therefore, an effective organisational and legal mechanism for ensuring public participation in decision-making is fundamental to building open, transparent, and accountable local governance. It contributes not only to the improvement of the quality of life in the community but also ensures the stable development of territorial communities, taking into account the interests of all stakeholders and ensuring sustainable development at the local level.

#### **1.4. Comparative analysis of migration policy in EU member states and Ukraine <sup>1</sup>**

<https://doi.org/10.36228/PASD24/1/4>

Despite the war with Russian aggressors and the general socio-economic crisis, Ukraine is rapidly moving towards aligning its legislation, policies, and governance strategies with those in the European Union, as it aims to become a full-fledged member of this European community.

However, alignment does not imply blind copying of rules and regulations. The rules and regulations in Europe are built based on the actual needs of the countries that make up the union and the governance practices that have developed over hundreds of years. This applies to all areas of life, including the important area of migration.

It is well-known that in recent decades, the European Union countries have been massively accepting migrants from countries experiencing armed conflicts or those suffering from various social dangers. Demographic problems in the EU member states particularly drive this. For example, in their work, T. Kortukova and V. Tokar<sup>2</sup> identify the major demographic challenges of the EU, such as declining birth rates, rapid population ageing, and the shrinking of the economically active population cohort. They show how these demographic changes can impact various sectors, including social security, healthcare systems, labour markets, public finances, and pension schemes. Thus, focusing on addressing these key issues, the EU develops migration policies aimed at attracting labour migrants with different skill levels, formulates rules for admitting highly skilled professionals, enhances legislation and practices to combat illegal migration, and, in recent times, the EU's administrative apparatus has particularly focused on developing a comprehensive set of measures for refugees and those requiring temporary protection.

If we highlight the key problems of Ukraine, based on which its migration policy was built before the full-scale Russian invasion, according

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<sup>2</sup> Kortukova, T. & Tokar, V. (2024). Comparative analysis of immigration policy in EU member states and Ukraine. *ACADEMY REVIEW*. 2 (61), 256-273. <https://doi.org/10.32342/2074-5354-2024-2-61-18>



to O.S. Borisov<sup>3</sup>, they were caused by the mass emigration of citizens abroad for employment purposes to support their families in Ukraine, the predominance of mortality over birth rates, and the reduction of the economically active population within Ukraine itself, which diminished the prospects for its socio-economic development. Thus, the most pressing issues for Ukraine at that time, which it had to consider when shaping its migration policy, were:

a) recognition of labour migrants as an effective economic force contributing significantly to the country's GDP;

b) ensuring the protection of the rights of Ukrainian citizens working and residing abroad;

c) reintegration of citizens returning from abroad and guaranteeing them social protection.

After Russia's full-scale invasion of Ukraine in 2022, a military migration crisis unfolded, associated with the mass exodus of war refugees abroad. This crisis, in terms of scale and level of threats, surpasses all the migration issues that Ukraine had to resolve before. Similarly, the demographic crisis has worsened significantly, with the population, especially the working-age population that did not flee, being rapidly destroyed by the aggressor on the battlefield and as a result of systematic Russian strikes using various weapons on Ukrainian cities and villages, regardless of their proximity to the frontline. According to estimates by Ukraine's leading expert in the field of demography – the Ptukha Institute of Demography and Social Research – the potential size of irreversible migration losses, dependent on military and economic factors, ranges from 600,000–700,000 to 5–5.5 million people<sup>4</sup>. They also note that around 3 million Ukrainians studied or worked abroad before 2022. The European Union's statistical service, Eurostat, as of July 2024, reported more than 4.1 million Ukrainian citizens receiving temporary protection in the EU as a result of Russia's invasion<sup>5</sup>.

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<sup>3</sup> Borysov, O.S. (2019). Derzhavna mihratsiyna polityka Ukrayiny ta zabezpechennya zakhystu prav hromadyan Ukrayiny, yaki pratsyuyut' i prozhyvayut' za kodonom. In Problemy realizatsiyi stratehiyi derzhavnoyi mihratsiynoyi polityky Ukrayiny: Conference Papers (Kyiv, 19.12.2019). Kyiv, NISD, 21-25

<sup>4</sup> Libanova, E., Pozhniak, O. (2023). War-driven wave of Ukrainian emigration to Europe: an attempt to evaluate the scale and consequences (the view of Ukrainian researchers). A New Role for Statistics: Joint Special Issue. 1, 257-274, <https://doi.org/10.59170/stattrans-2023-014>.

<sup>5</sup> Eurostat. (2024) Temporary protection for persons fleeing Ukraine - monthly statistics. Available at [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Temporary\\_protection\\_for\\_persons\\_fleeing\\_Ukraine\\_-\\_monthly\\_statistics](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Temporary_protection_for_persons_fleeing_Ukraine_-_monthly_statistics)

Therefore, the formation of modern Ukraine's migration policy, apart from adhering to Eurointegration rules, should also incorporate the above-mentioned problems, threats, and challenges. These measures will allow the repatriation and reintegration of its citizens after the war ends, as well as attract migrants to fill gaps in the employment sector, drive economic development, and contribute to the post-war reconstruction of our country.

This article aims to compare the migration policies of the EU and Ukraine to harmonise this field, enabling Ukraine to meet the requirements for joining the EU and to identify the features of the national Ukrainian migration policy that will assist in its post-war reconstruction.

Presentation of the main material. If we analyse within the framework of existing thematic directions of EU migration policy, as outlined by researchers from Europe and other parts of the world, attention should be focused on the following: (1) labour immigration to the EU; (2) research on illegal migration and its prevention; (3) the common EU policy on asylum, supplementary, and temporary protection.

Given the strengthening of migration ties between the EU and Ukraine and Ukraine's status as a candidate for EU membership, we will use this thematic structure to compare the migration policies of the EU and Ukraine in the context of the mentioned topics.

### ***EU and Ukraine's Policy on Labor Immigration***

The EU's labour migration policy was examined in a study by S. Carrera, A. Anger, F. Anais, and E. Guild<sup>6</sup>. In particular, they analysed the 2001 EU directive on the conditions of entry and residence for the purpose of paid employment and self-employment. As the authors point out, this directive provides for horizontal regulation of conditions (i.e., standardised across EU rules) for the entry and residence of all third-country nationals engaged in paid or self-employment. However, as indicated in the study, this has not yet fully occurred, and the conditions of labour migration remain regulated within the individual member states. S. Ferran<sup>7</sup> also contributed significantly to the first research direction by comparing the EU's migration measures for highly skilled and unskilled migrant workers, while P. Minderhoud characterised the policy as aimed at attracting highly

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<sup>6</sup> Carrera, S., F. Anais and E. Guild (2011) Labour Immigration Policy in the EU: A Renewed Agenda for Europe 2020. CEPS Policy Brief, 240 p. Available at <https://ssrn.com/abstract=1898653>.

<sup>7</sup> Ferran, C. (2019) The approach of the European Union towards economic immigration for work purposes, *Revue de droit comparé du travail et de la sécurité sociale*, no. 4. Available at <http://journals.openedition.org/rdctss/1336>.

skilled migrant labour, contributing to the overall economic growth of the EU, and reducing illegal migration<sup>8</sup>. The scientific and theoretical foundation of Ukraine's migration policy can be found in the works of O. Malynovska<sup>9</sup>, H. Fogel<sup>10</sup>, and O. Demidenko<sup>11</sup>, who have thoroughly analysed the key issues of Ukraine's migration policy before the full-scale Russian invasion. In her renowned monograph, Olena Malynovska characterises the general migration situation in Ukraine, identifies the largest trend at that time – social and economic labour migration of Ukrainians abroad – and reflects on the socio-economic consequences of this process.

It is crucial that O. Malynovska considers the European integration vector of Ukraine to be an important factor in improving Ukraine's migration policy, which, as we can see, is now increasingly acquiring concrete timelines and forms. In the work of H. Vogel, there is an analysis of the problem of developing coordinated and targeted activities by public authorities in terms of adopting responsible programs and decisions in the field of migration policy to stimulate the inflow of highly skilled migrants and young scientists while minimising their emigration. O. Demidenko studied the scale of Ukrainians' departure abroad within the framework of scientific and educational migration processes, noting the gradual decrease in the number of specialists due to migration phenomena.

Thus, a comparative analysis of scientific research on labour migration shows that the common tasks of the subjects of our comparison are, and remain, despite the changing basic conditions, the attraction of skilled labour to their economies on a legal basis (in Ukraine's case, also retaining it within the national economy), reducing illegal migration methods, and thereby increasing their economic strength.

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<sup>8</sup> Minderhoud, P. (2021). Regulation of EU Labour Migration: At a Crossroads after the New Pact on Migration and Asylum?. *Utrecht Law Review*, vol. 17, no. 4, pp. 31–44.  
<https://doi.org/10.36633/ulr.749>.

<sup>9</sup> Malynovska, O. (2018). *Mihratsiyina polityka: hlobal'nyy kontekst ta ukrayins'ki realiyi*. Kyiv, NISD (In Ukrainian)

<sup>10</sup> Fohel, Kh.Ye. (2018). Analiz mihratsiyi vysokokvalifikovanykh kadriv i mihratsiynoyi polityky Ukrayiny. Kyiv, Ahentsiya yevropeys'kykh innovatsiy. Available at <https://www.civic-synergy.org.ua/wp-content/uploads/2018/04/Analiz-migratsiyi-i-migratsiynoyi-polityky-Ukrayiny.pdf>

<sup>11</sup> Demydenko, O. (2019). Intelektualna mihratsiya ukrayintsiv na rubezhi XX-XXI stolit': masshtaby ta osnovni kharakterystyky yavyshcha (174-181). In *Istoryko-politychni problemy suchasnoho svitu: Zbirnyk naukovykh statey*. Chernivtsi: Chernivetskyy natsional'nyy universytet, Vol. 39. <https://doi.org/10.31861/mhpi2019.39.174-181>

Next, it is necessary to summarise some of the current legislative acts based on which the EU and Ukraine's aspirations are being realised. We present this summary in *Table 1*.

<b>European Union</b>
<p><b>Directive 2016/801</b><sup>12</sup> on the conditions of entry and residence of third-country nationals for the purposes of research, studies, professional development, volunteering, student exchange programs, and au pair activities. It introduced exchanges, educational projects, and work under the au pair program. The rights of third-country nationals were expanded (in particular, the right to engage in economic activities, including working at least 15 hours per week in each EU member state, the right to teach for researchers who arrived under an exchange program, and permission to remain in the member state for up to 9 months after the official program ends to seek employment or start a business)</p> <p><b>EU Directive 2021/1883</b><sup>13</sup> liberalized the conditions for obtaining the "Blue Card" and the rights of its holders (for instance, it reduced the minimum salary threshold for filling vacancies and allowed cardholders to change jobs or employers in another EU country after 12 months of uninterrupted work in the first EU member state that issued the Blue Card). For Blue Card holders, the minimum duration of the employment contract was reduced to 6 months (previously, the minimum duration was 1 year).</p>
<b>Ukraine</b>
<p><b>The Law of Ukraine "On Immigration"</b><sup>14</sup> establishes the immigration quota for foreigners and stateless persons who are eligible to receive a permit for immigration to Ukraine during the calendar year. This quota includes highly qualified specialists and workers whose knowledge is important for Ukraine's economy. Based on this law, the Cabinet of Ministers of Ukraine issues annual decrees on the number of such individuals. For example, according to the decree of the Cabinet of Ministers of Ukraine from February 7, 2023, No. 111-p "On Establishing the Immigration Quota for 2023," the quota for highly qualified specialists was set at 5,000 individuals<sup>15</sup>.</p> <p><b>The Law of Ukraine "On Employment of the Population"</b> and amendments to it from October 15, 2022<sup>16</sup>, regulate the employment of foreigners in Ukraine who come to Ukraine for the purpose of studying at higher educational institutions and intend to work in Ukraine during and after completing their studies.</p>

<sup>12</sup> Directive (EU) 2016/801 of the European Parliament and of the Council of 11 May 2016 on the conditions of entry and residence of third-country nationals for the purposes of research, studies, training, voluntary service, pupil exchange schemes or educational projects and au pairing (recast) Available at: <https://eur-lex.europa.eu/legal-content/en/ALL/?uri=CELEX%3A32016L0801>.

<sup>13</sup> Directive (EU) 2021/1883 of the European Parliament and of the Council of 20 October 2021 on the conditions of entry and residence of third-country nationals for the purpose of highly qualified employment, and repealing Council Directive 2009/50/EC. Available at: <https://eur-lex.europa.eu/eli/dir/2021/1883/oj>.

<sup>14</sup> Verkhovna Rada of Ukraine (2001). Law of Ukraine "On Immigration", URL: <https://zakon.rada.gov.ua/laws/show/2491-14#Text>.

<sup>15</sup> Order No. 111-r "On establishing the immigration quota for 2023", 2023 URL: <https://www.kmu.gov.ua/npas/pro-vstanovlennia-kvoty-immihratsii-na-2023-rik-a111r>.

<sup>16</sup> Law of Ukraine No. 2623-IX "On Amendments to Certain Laws of Ukraine Regarding Employment of Foreigners and Stateless Persons in Ukraine and Provision of Mediation Services in Employment Abroad", 2022 URL: <https://zakon.rada.gov.ua/laws/show/2623-20#Text>.

In comparing the legislative foundations for labour immigration, it is evident that the EU is more actively pursuing its goals of attracting a skilled workforce, especially highly qualified professionals, to its territory. The EU continuously issues special directives that liberalise the rules for the stay of third-country nationals, particularly when they are a valuable labour resource. For instance, according to Eurostat, in 2021, 29,000 highly qualified workers from non-EU countries received the EU Blue Card, which grants them comprehensive socio-economic rights and the right to reside in the EU<sup>17</sup>. To be eligible for the Blue Card, an individual must have a valid employment contract or job offer, a valid travel document, and health insurance and must not threaten public policy, safety, or health. Additionally, their salary must be higher than EU citizens' average annual gross salary<sup>18</sup>. Ukrainians have consistently been among the top 10 recipients of the EU Blue Card for over seven years, and since 2022, their numbers have continued to grow.

In contrast, as reflected in the legislative documents provided, Ukraine's migration policy does not adequately address the "brain drain" phenomenon<sup>19</sup>. Despite the global shortage of skilled labour, Ukraine lacks a system to attract highly qualified specialists from abroad who could contribute to the innovative development of the national economy. This deficit continues to have negative effects on Ukraine's economy, culture, and politics and has been exacerbated by the full-scale war and the loss of the national labour force. Given these challenges, it is crucial for Ukraine to implement a policy that balances emigration and immigration flows.

As shown by the legislative acts, a first step in this direction includes the 2022 amendments to the Law on Employment that allow foreign students studying in Ukrainian universities to work during and after their studies. However, to attract highly qualified migrants, Ukraine should

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<sup>17</sup> Eurostat. Residence permits – statistics on authorisations to reside and work, 2022. Available at [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Residence\\_permits\\_%E2%80%93\\_statistics\\_on\\_authorisations\\_to\\_reside\\_and\\_work#:~:text=%3A%20Eurostat%20\(migr\\_ressing\),EU%20Blue%20Cards%20issued%20to%20highly%20qualified%20non%20EU%20citizens,to%2029%20000%20in%202021](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Residence_permits_%E2%80%93_statistics_on_authorisations_to_reside_and_work#:~:text=%3A%20Eurostat%20(migr_ressing),EU%20Blue%20Cards%20issued%20to%20highly%20qualified%20non%20EU%20citizens,to%2029%20000%20in%202021)

<sup>18</sup> Kortukova, T. (2021). Pravovi aspekty pratsivlashtuvannya vysokokvalifikovanykh pratsivnykiv-mihrantiv u Yevropeys'komu Soyuzi. *Naukovyy visnyk Natsional'noyi akademiyi vnutrishnikh sprav*, 1, 112-118.

<sup>19</sup> Fohel, Kh.Ye. (2018). Analiz mihratsiyi vysokokvalifikovanykh kadriv i mihratsiynoyi polityky Ukrainy. Kyiv, «Ahentsiya yevropeys'kykh innovatsiy». Available at <https://www.civic-synergy.org.ua/wp-content/uploads/2018/04/Analiz-migratsiyi-i-migratsiynoyi-polityky-Ukrainy.pdf>

develop a methodology for assessing the economy's demand for skilled labour to understand the scale of the deficit better. While a comprehensive understanding of this issue may be difficult to achieve before the end of the war, steps could already be taken. For example, the private, public, and non-profit sectors interested in highly qualified personnel could be allowed to submit proposals to the State Migration Service of Ukraine for setting immigration quotas for skilled workers.

Additionally, it would benefit Ukraine to adopt the EU's Blue Card practice to align its strategies with the EU. This would grant comprehensive socio-economic rights to highly qualified workers employed in Ukraine, which would serve as a strong incentive for immigration to the country.

### ***Illegal migration to the EU and Ukraine: Development of countermeasures***

The problems of illegal migration in the EU and the development of measures to counter it have been highly relevant since the migration transition in Europe from the late 1950s to the early 1960s<sup>20</sup>. In parallel with the development of legal global immigration pathways, initially introduced by national governments and later by the overarching European government, methods and ways for citizens of third countries to enter the EU illegally also evolved. The causes of this phenomenon are discussed in the work of Kazakh researcher K. Sheryazdanova<sup>21</sup>. Gonzalez and J. Koopmans devoted their research to analysing legal paths to the regularisation of illegal migrants in EU member states<sup>22</sup>.

The preconditions, characteristics, and possible consequences of illegal migration in Ukraine were analysed by Z. Smutchak<sup>23</sup>. A common conclusion in all these studies is that illegal migration has become an integral part of global processes in the era of globalisation, driven by the economic and social inequality of global development and the division of

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<sup>20</sup> Malynovska, O. (2018). *Mihratsiyina polityka: hlobalnyy kontekst ta ukrayinski realiyi*. Kyiv, NISD, P. 20.

<sup>21</sup> Sheryazdanova, Kamilla (2015). Illegal Immigration and Fight against Illegal Migration in Member States of the European Union. *Acta Universitatis Sapientiae, European and Regional Studies*. 8. <https://doi.org/10.1515/auseur-2015-0015>.

<sup>22</sup> Gonzalez, Beilfuss M., Koopmans, J. (2021). Legal pathways to regularisation of illegally staying migrants in EU Member States, *ADMIGOV deliverable 2.7*, Barcelona: University of Barcelona. Available at <http://admigov.eu>

<sup>23</sup> Smutchak, Z. (2017). Nelehalna mihratsiya v Ukrayini: peredumovy, osoblyvosti ta mozhlyvi naslidky. *Hlobalni ta natsional'ni problemy ekonomiky*, 16, 609-613.

countries into rich and poor. Armed conflicts the resulting mass displacement of refugees and the resettlement of millions of people often exacerbate the problem of illegal migration. The rise of "migration pressure" is also facilitated by the development of illegal human trafficking schemes. At the same time, as noted by Z. Smutchak, migration and demographic changes, even in prosperous countries, can lead to significant shifts in traditional social structures, causing increased social and political tensions<sup>24</sup>.

The EU has developed several regulatory documents to combat illegal migration that classify these processes as offences and establish penalties for them. In *Table 2*, we summarise some of the documents on which a further comparison of regulatory processes in the EU and Ukraine on this issue can be based.

Thus, we see that both EU legislation and Ukrainian legislation place responsibility for violations not only on illegal migrants themselves but also on employers, carriers, and individuals who facilitate illegal migration. However, mere compliance with legal norms is evidently insufficient, especially in Ukraine, where people are just beginning to change their attitudes toward the state and the law to be more respectful. For the EU, as T. Kartukova and A. Blahodarnyi argue, a strategic factor in reducing risks associated with illegal migration could be strengthening the protection of external borders and enhancing control over the influx of third-country nationals<sup>25</sup>. For Ukraine, this primarily involves ceasing hostilities on its territory and clearly establishing state borders.

EU and Ukraine's Policy on Asylum, Subsidiary, and Temporary Protection. Researchers in the EU and Ukraine have widely explored this topic. This surge in research is related to the Russo-Ukrainian war, which has led to a focus not only on traditional issues such as developing common humanitarian principles among EU member states, formulating asylum regulations, and analysing potential benefits for countries, as well as possible abuses and violations but also on more specific themes.

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<sup>24</sup> Ibid.

<sup>25</sup> Kortukova, T., Blahodarnyi, A. (2023). Organizational and legal mechanism for ensuring EU migration security. *Foreign-trade:economics;finance;law*, 127(2), 34–46. [https://doi.org/10.31617/3.2023\(127\)02](https://doi.org/10.31617/3.2023(127)02).

<b>European Union</b>
<p><b>Directive 2001/51/EC</b><sup>26</sup> establishes the responsibility of carriers transporting third-country nationals into EU member states and imposes financial penalties for violations of this responsibility.</p> <p><b>Directive 2002/90/EC</b><sup>27</sup> obliges states to penalize those who assist illegal migrants in entering and/or residing in the EU, including landlords who rent accommodations to illegal migrants.</p> <p><b>Directive 2009/52/EC</b><sup>28</sup> outlines financial and administrative sanctions and measures against employers who cooperate with illegal migrants.</p>
<b>Ukraine</b>
<p>The <b>Code of Ukraine on Administrative Offenses</b>, paragraph 204<sup>29</sup>, imposes on employers the obligation to obtain a permit from the state employment service to hire a foreigner. This permit serves as the basis for issuing a temporary residence permit to the foreigner in Ukraine. Additionally, the code establishes financial sanctions for employers for violating the procedures for hiring, enrolling in educational institutions, providing housing, registering foreigners, and processing their documents.</p> <p>The <b>Code of Ukraine on Administrative Offenses</b>, paragraph 206<sup>30</sup>, provides for penalties for other individuals who assist in the presence of illegal migrants on the territory of Ukraine.</p>

These include the attitudes of Europeans towards various waves of refugees coming to Europe<sup>31</sup> and the unique status of Ukrainian refugees within the context of the formation of a pan-European migration policy<sup>32</sup>. For instance, D. De Koninck compared Ukrainian and Afghan refugees and the EU's response to their acceptance. Among other things, it was noted that a unique aspect of the EU's response to Ukrainian refugees is that the fear of the aggressor in this conflict (Russia) may play a larger role in the reaction of the European and American public than in other refugee crises<sup>33</sup>. Similar conclusions about the greater sympathy of Europeans

<sup>26</sup> Council Directive 2001/51/EC of 28 June 2001 supplementing the provisions of Article 26 of the Convention implementing the Schengen Agreement of 14 June 1985 Available at <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX%3A32001L0051>.

<sup>27</sup> Council Directive 2002/90/EC of 28 November 2002 defining the facilitation of unauthorised entry, transit and residence Available at <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=celex%3A32002L0090>.

<sup>28</sup> Council Directive 2002/90/EC of 28 November 2002 defining the facilitation of unauthorised entry, transit and residence Available at <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=celex%3A32002L0090>.

<sup>29</sup> Code of Ukraine on administrative offenses, 1984 Available at <https://zakon.rada.gov.ua/laws/show/80731-10#Text>

<sup>30</sup> Ibid.

<sup>31</sup> Carrera, S., Ineli Ciger, M., Vosyliute, L., Brumat, L. (2022). The EU grants temporary protection for people fleeing war in Ukraine : time to rethink unequal solidarity in EU asylum policy, *CEPS Policy Insights*, 2022/09 Available at <https://hdl.handle.net/1814/74394>.

<sup>32</sup> De Coninck, D. (2023). The refugee paradox during wartime in Europe: How Ukrainian and Afghan refugees are (not) alike. *International Migration Review*, 57(2), 578–586. <https://doi.org/10.1177/01979183221116874>.

<sup>33</sup> Ibid.



towards Ukrainian refugees compared to all other refugees were drawn by S Carrera, M. Ineli-Siger, L. Vosiliute, and L. Brumat<sup>34</sup>.

In exploring the activation of temporary protection for Ukrainian refugees - a procedure the EU proposed for this category of people for the first time—they arrive after unequal solidarity in the EU asylum policy and double standards based on whether individuals have European (non-European) origins. At the same time, many European researchers agree that the temporary protection of Ukrainian refugees and the corresponding EU Directive are justified and appropriate measures for protecting against the mass influx of war refugees from Ukraine. This conclusion is characteristic, for example, of the works of J. Fomina and M. Pachocka<sup>35</sup> and H.D. Lafuente<sup>36</sup>.

Agreeing that the activation of temporary protection helps alleviate the burden on the asylum systems of EU host countries, especially those located on the external borders of the EU, it is also worth mentioning the positive economic effects for the receiving countries in the EU in the medium and long term through the integration of migrants into the labour market and society as a whole.

These prospects were described as early as the beginning of 2023 by Ukrainian researchers O. Poharska, O. Tucha, I. Spivak, and O. Bondarenko<sup>37</sup>, and publications in European media validate their assertions. Furthermore, V. Botelyu<sup>38</sup> noted that Ukrainian refugees could help the EU labour market respond to the currently high demand for labour and address the worsening skills shortage, reflecting the general expectations of Europeans in 2022.

Ukrainian researchers, primarily concerned with the development of migration policy in Ukraine and its post-war reconstruction, dedicate their

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<sup>34</sup> Carrera S., Ineli Ciger M., Vosyliute L., Brumat L. (2022). The EU grants temporary protection for people fleeing war in Ukraine : time to rethink unequal solidarity in EU asylum policy, CEPS Policy Insights, 2022/09 URL: <https://hdl.handle.net/1814/74394>.

<sup>35</sup> Fomina, J, Pachocka, M (2024). Polish society's initial responses to the arrival of forced migrants from Ukraine in early 2022. CANADIAN FOREIGN POLICY, Volume30, Issue1, 52-64 <https://doi.org/10.1080/11926422.2024.2310245>

<sup>36</sup> Lafuente, JD (2024). Activating the Temporary Protection Directive as an instrument of migration diplomacy following Russia's invasion of Ukraine. REVISTA UNISCI, 64, 79-93. <https://doi.org/10.31439/UNISCI-191>

<sup>37</sup> Pogarska, O., Tucha, O., Spivak, I., Bondarenko, O. (2023). How Ukrainian migrants affect the economies of European countries, Favailable at <https://cepr.org/voxeu/columns/howukrainian-migrants-affect-economies-european-countries>.

<sup>38</sup> Botelho V. "The impact of the influx of Ukrainian refugees on the euro area labour force", ECB *Economic Bulletin*, 2022, 4. Available at [https://www.ecb.europa.eu/pub/economicbulletin/focus/2022/html/ecb.ebbox202204\\_03~c9ddc08308.en.html](https://www.ecb.europa.eu/pub/economicbulletin/focus/2022/html/ecb.ebbox202204_03~c9ddc08308.en.html)

studies to the consequences of the mass relocation of people from Ukraine. For example, E. Libanova and O. Pozhnyak identified the scale and consequences of the war-induced wave of Ukrainian emigration to Europe<sup>39</sup>, while O. Malynovska attempted to forecast how many Ukrainians would return after the cessation of hostilities to contribute to the post-war reconstruction of their country, drawing parallels with the refugees from the Yugoslav war.

***Basic Legislative Documents of the EU and Ukraine in the Field of Asylum, Subsidiary, and Temporary Protection***

*Table 3* groups the basic legislative documents of the EU and Ukraine concerning the provision of asylum, subsidiary, and temporary protection

Document	Description
<b>Directive 2011/95/EU</b>	Establishes the standards for granting international protection and the rights of beneficiaries.
<b>Regulation (EU) No 604/2013</b>	Establishes the criteria and mechanisms for determining the Member State responsible for examining an application for international protection.
<b>Directive 2001/55/EC</b>	Concerns minimum standards for giving temporary protection in the event of a mass influx of displaced persons.
<b>Directive 2013/32/EU</b>	Relates to procedures for granting and withdrawing international protection.
<b>Law of Ukraine on Refugees and Persons in Need of Additional or Temporary Protection</b>	Governs the legal status and rights of refugees and individuals seeking additional or temporary protection in Ukraine.
<b>Resolution of the Cabinet of Ministers of Ukraine on the Procedure for Granting Temporary Protection</b>	Outlines the specific procedures for granting temporary protection in Ukraine.
<b>Law of Ukraine on Immigration</b>	Establishes the framework for immigration processes and policies in Ukraine.

These documents reflect the legal foundations and frameworks governing the provision of protection to individuals in need in both the EU and Ukraine.

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<sup>39</sup> Libanova, E., Pozhnyak, O. (2023). War-driven wave of Ukrainian emigration to Europe: an attempt to evaluate the scale and consequences (the view of Ukrainian researchers). *A New Role for Statistics: Joint Special Issue*, 257-274, <https://doi.org/10.59170/stattrans-2023-014>

### European Union

- 1) The Treaty on the Functioning of the European Union, p. 78<sup>40</sup>, and the Charter of Fundamental Rights of the EU define compliance with international standards for the right to asylum in the EU, in accordance with the 1951 Geneva Convention Relating to the Status of Refugees and the 1967 New York Protocol.
- 2) The 2011 Qualification Directive<sup>41</sup> establishes the requirements for international protection and related rights for asylum seekers; the 2013 Asylum Procedures Directive<sup>42</sup> pertains to the procedures for granting and revoking international protection; the 2013 Reception Directive<sup>43</sup> regulates the reception of asylum seekers; the 2013 Dublin III Regulation<sup>44</sup> determines the EU member state responsible for examining an asylum application.
- 3) The amended proposal for the 2023 Regulation<sup>45</sup> introduces the principle of mandatory solidarity, under which EU member states independently determine their contribution to the EU asylum system, facilitating resettlement, providing financial contributions, or participating in alternative solidarity measures such as staffing or capacity-building initiatives. At the same time, member states have full autonomy regarding the type of solidarity they provide.
- 4) Directive 2001/55/EC<sup>46</sup> on temporary protection establishes a supranational mechanism for collective response to sudden and massive influxes of displaced persons. EU member states have a shared obligation to undertake coordinated actions in the area of temporary protection, ensuring common levels of rights for potential beneficiaries forced to flee from war.

### Ukraine

The Law "On Refugees and Persons in Need of Additional or Temporary Protection"<sup>47</sup> establishes the statuses of refugees, persons in need of additional protection, and persons in need of temporary protection.

As we can see from the list of basic documents, EU legislation is continually being updated with new regulations as the cases regarding

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<sup>40</sup> Consolidated versions of the Treaty on EU and the Treaty on the Functioning of the EU, Consolidated version of the Treaty on European Union, Protocols Annexes to the Treaty on the Functioning of the EU, Declarations annexed to the Final Act of the Intergovernmental Conference which adopted the Treaty of Lisbon, signed on 13 December 2007 Tables of equivalences. Available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A12016ME%2FTXT>.

<sup>41</sup> Directive 2011/95/EU of the European Parliament and of the Council of 13 December 2011 on standards for the qualification of third-country nationals or stateless persons as beneficiaries of international protection, for a uniform status for refugees or for persons eligible for subsidiary protection, and for the content of the protection granted (recast). Available at: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2011:337:0009:0026:en>.

<sup>42</sup> Directive 2013/32/EU of the European Parliament and of the Council of 26 June 2013 on common procedures for granting and withdrawing international protection (recast). Available at: <http://eur-lex.europa.eu/legal-content/en/ALL/?uri=celex%3A32013L0032>.

<sup>43</sup> Directive 2013/33/EU of the European Parliament and of the Council of 26 June 2013 laying down standards for the reception of applicants for international protection (recast). Available at: <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32013L0033>.

<sup>44</sup> Regulation 604/2013 of the European Parliament and of the Council of 26.06.2013 establishing the criteria and mechanisms for determining the Member State responsible for examining an application for international protection lodged in one of the Member States by a thirdcountry national or a stateless person (recast). Available at: <http://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:32013R0604>.

<sup>45</sup> Amended proposal for a Regulation (2023) of the European Parliament and of the Council establishing a common procedure for international protection in the Union and repealing Directive 2013/32/EU, 2023 Available at: <https://data.consilium.europa.eu/doc/document/ST-10444-2023-INIT/en/pdf>.

<sup>46</sup> Council Directive 2001/55/EC of 20 July 2001 on minimum standards for giving temporary protection in the event of a mass influx of displaced persons and on measures promoting a balance of efforts between Member States in receiving such persons and bearing the consequences thereof Available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32001L0055>.

<sup>47</sup> Verkhovna Rada of Ukraine (2011), The Law of Ukraine "On Refugees and Persons in Need of Additional or Temporary Protection", available at: <https://zakon.rada.gov.ua/laws/show/3671-17#Text>.

asylum or protection for third-country nationals expand. Moreover, changes are driven by the need for EU member states to share these obligations equally. Additionally, since 2021, EU countries have had to respond to numerous provocations and diversions that threaten unauthorised incursions into EU territory by subversive groups and illegal migrants. In this context, it has been proposed to introduce the right to derogate from obligations concerning international protection to ensure security.

After the full-scale invasion of the Russian Federation into Ukraine, which significantly increased the flow of forced migration from Ukraine to the EU, Directive 2001/55/EC on temporary protection was activated in the EU for the first time. This Directive has been extended each year for another year as long as hostilities continue in Ukraine.

Ukrainian legislation does not have such an extensive legal framework concerning asylum and various types of protection; it relies on the Law "On Refugees..." which, like EU legislation, complies with international law regarding the protection of asylum seekers and refugees.

However, in Ukraine, there are isolated cases where asylum seekers face barriers in accessing the application process for asylum. Their rights to family reunification and freedom of movement are violated due to a lack of documents, and they encounter problems accessing employment, education, and medical services. Furthermore, the absence of documentation for asylum seekers in Ukraine limits their access to humanitarian assistance. It should also be noted that refugees face discrimination when trying to access medical services, education, and employment.

This analysis has compared the policies of the EU and Ukraine regarding labor immigration, combating illegal migration, and asylum, additional protection, and temporary protection policies.

As migration issues have been more longstanding in the EU and involve numerous nuances related to various waves of migration and the practices of protecting migrants and asylum seekers, the European Union has a more comprehensive and integrated framework policy. The most pressing issues to address are the development of new legal migration (immigration) pathways, border control, and the regulation of a common asylum system.

Ukraine still has many steps to take to improve and develop its legislative and regulatory framework regarding migration policy. Currently, it is focusing more on regulating migration flows through bilateral agreements.

Given Ukraine's candidate status for EU membership, harmonising its migration policy with that of the EU is pertinent. The successful implementation of EU migration policies in Ukraine will require a phased approach, stakeholder engagement, and ongoing monitoring and evaluation to ensure effectiveness and compliance with EU standards.

The EU and Ukraine favour legal migration to manage migration flows and attract skilled workers. They have implemented policies to facilitate legal pathways for migration, such as visa liberalisation agreements and work permits for foreigners. However, Russia's full-scale invasion has exacerbated the mass emigration of highly skilled and intellectual workers from Ukraine. This situation necessitates the development of a national strategy to attract highly skilled and intellectual migrants to Ukraine, drawing on the EU's experience in this area.

In combating illegal migration, both the EU and Ukraine have intensified border control measures to manage migration flows and ensure the security of their borders. They have implemented various border management tools, such as surveillance systems, border patrols, and visa requirements to regulate the entry of migrants into their territories. At the same time, EU supranational legislation imposes sanctions on employers, carriers, and intermediaries involved in illegal migration, a principle also reflected in Ukrainian legislation.

Regarding protecting refugees and asylum seekers, significant differences remain between the EU and Ukraine's legal frameworks, procedures, and reception conditions. The common EU asylum system provides a coordinated approach among member states, whereas Ukraine operates under its national legislation. EU member states are bound by a common asylum system and share the responsibility for cooperation and ensuring consistent application of asylum standards. As a non-EU country, Ukraine is not obliged to adhere to the EU's common asylum system. However, Ukraine will be required to join this system upon becoming a member of the EU.

## ***1.5. Economic development through the Ukraine-Poland migration processes <sup>1</sup>***

*<https://doi.org/10.36228/PASD24/1/5>*

**Labor resources of Ukraine.** According to the official data<sup>2</sup>, as of January 1, 2022, the population of Ukraine within the borders of 1991 was 42 million people. By August 2023, this number had dropped to 36.3 million people. Of these, 31.5 million people live in the territories controlled by the Ukrainian authorities. According to the UN, about 37 million people lived in Ukraine at the beginning of this year, but by 2100, the country's population will have decreased to 15.3 million.

The growth rate of the population of Ukraine (the difference between the number of births and deaths in proportion to the total population) was -5.8%, in 2000 -7.6%, in 2005 -7.6%, in 2010 - 4.4%, in 2015 -4.2%, in 2019 -6.6% (data of the State Statistics Service of Ukraine). In 2021, the population of Ukraine decreased by 442,000 people, and in January 2022, there were only 39 births per 100 deaths<sup>3</sup>.

The Russian invasion exacerbated the demographic problems that Ukraine had struggled with for three decades of its independence. If in 1991, Ukraine ranked 22nd in the list of the most populous countries in the world, now it ranks 41st and may soon permanently join the group of countries struggling with a population deficit to such an extent that it hinders the reconstruction and comprehensive development of the country. The size and quality of human capital are the basis for the development of any country, as emphasized by numerous institutions (including the World Bank), which emphasize the importance of this factor in creating well-being: it is estimated at 70% in highly developed countries and about 40% in developing countries. Therefore, the dynamics of the post-war reconstruction of Ukraine, its economic, civilizational and social development will depend not only on the level of reconstruction costs but also on the country's population, its age structure, the general level of health and education. Against the background of highly pessimistic forecasts of population decline (up to 30 million people or less,

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<sup>1</sup> The author of the chapter: **Liubov Zharova**, Doctor of Economic Sciences, Professor of University of Economics and Humanities (Bilesko-Biala, Poland)

<sup>2</sup> Population (2021) UN official web-page, Retrieved from <https://population.un.org/wpp/>

<sup>3</sup> Демографічна та соціальна статистика / Населення та міграція, State Statistics Service of Ukraine, Retrieved from [https://www.ukrstat.gov.ua/operativ/menu/menu\\_u/ds.htm](https://www.ukrstat.gov.ua/operativ/menu/menu_u/ds.htm)

see Fig. 1), the demographic factor will limit the country's development prospects. In the long term, in the context of Ukraine's accession to the EU, a massive population reduction will reduce the country's importance in EU institutions, for example, when voting in the Council of the European Union or the European Parliament, where the number of seats allocated to a specific country depends on its population.<sup>4</sup>

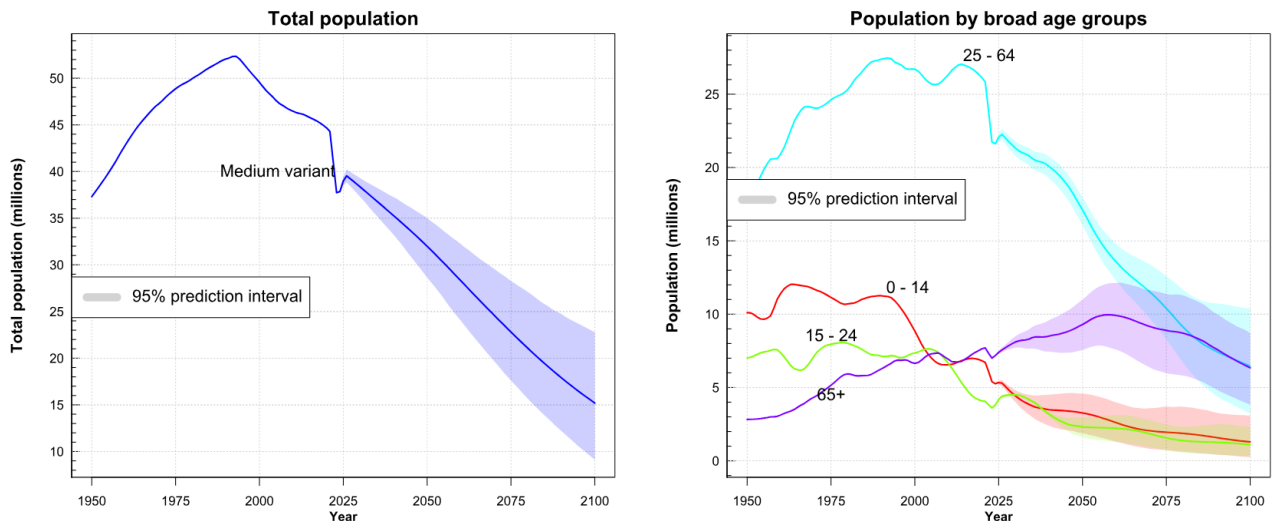


Fig. 1 Dynamics of changes in the population of Ukraine<sup>5</sup>

**Migration trends in war-time.** The latest edition of the Atlas of Migration<sup>6</sup> contains a thematic section on displacement patterns from Ukraine since the beginning of the Russian invasion. It analyzes the scale of displacement from Ukraine to the EU, the distribution of people fleeing Ukraine by member states, and the demographic characteristics of persons receiving temporary protection.

The Temporary Protection Directive (TPD)<sup>7</sup>, which was activated a week after the start of the war, was a key component of the EU's response to Russia's aggression against Ukraine. It gave millions of displaced people fleeing Ukraine immediate access to the labor market, education, health care, and housing. Today, more than four million people benefit from

<sup>4</sup>Jadwiga Rogoża (2023-07-11) Ukraine in the face of a demographic catastrophe, *OSW Commentary* Retrieved from <https://www.osw.waw.pl/en/publikacje/osw-commentary/2023-07-11/ukraine-face-a-demographic-catastrophe>

<sup>5</sup> Population (2023), *UN data*, Retrieved from <https://population.un.org/wpp/Graphs/DemographicProfiles/Line/804>

<sup>6</sup> Atlas of Migration (2023) *European Commission* Retrieved from <https://migration-demography-tools.jrc.ec.europa.eu/atlas-migration>

<sup>7</sup> Temporary Protection Directive(2022), *European Commission* Retrieved from [https://home-affairs.ec.europa.eu/policies/migration-and-asylum/common-european-asylum-system/temporary-protection\\_en](https://home-affairs.ec.europa.eu/policies/migration-and-asylum/common-european-asylum-system/temporary-protection_en)

temporary protection in Europe. More than a third of them are children, whose protection remains the most critical priority.

By the end of 2022, the largest number of EU program participants were registered in Germany and Poland (almost one million each - this is equal to 50% of all participants in the EU) and the Czech Republic (435 thousand - 11%). In all EU countries, more than 50% of temporary protection users are aged between 18 and 65. Approximately 36% are 18 years of age or younger, and 24% are 18 to 34 years of age. Almost 8 out of 10 participants of the temporary protection program over 18 are women.

The economic consequences of population decline are well documented. Countries with aging and shrinking populations will face strain on their pension and healthcare systems. In a 2015 report, the IMF made this very argument, advocating that aging countries bring in immigrants from poorer countries. Although Ukraine receives significant income from remittances, it is not a reliable contribution to GDP. If countries tightened their immigration policies, income from remittances would decrease. Bulgaria faces a similar problem of population decline. From 2011 to 2021, the country's population decreased by 11.5%. As noted by the World Bank, the country faced a persistent poverty trap of rapid growth. While EU membership has primarily driven the country's annual GDP growth, corruption and weak institutions have led to stark income inequality. As a result, many people emigrate to find better jobs in wealthier EU countries. Ukraine must avoid this potential trap.

**The economic dimension of migration after the full-scale invasion.** According to UNHCR statistics, a year after the Russian invasion of Ukraine, a third of the country's population has been forced to flee their homes<sup>8</sup>. Almost 8 million refugees have fled Ukraine, and nearly 6 million people have been displaced within the country's borders. According to the Center of Economic Strategy's calculations<sup>9</sup>, as of the end of June 2023, 5.6–6.7 million Ukrainians are abroad due to the war, which is more than forecast estimates, in particular, due to strikes on the energy system of Ukraine in the winter of 2022–23, increased missile attacks on

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<sup>8</sup> UNHCR (2023) *Officila web-page* Retrieved from <https://donate.unhcr.org/int/en/ukraine-emergency?gclid=CjwKCAiAu5agBhBzEiwAdiR5tP3RYu-FBn6da1rJnG AIAfSCHyFY4RLKMCQYHTfJTQUijFhc2uQebBoCCWwQAvD BwE&gclsrc=aw.ds>

<sup>9</sup> Біженці з України: хто вони, скільки їх та як їх повернути? (2023) *Центр економічної стратегії* Retrieved from <https://ces.org.ua/refugees-from-ukraine-ukr-final-report/>



Ukrainian cities in May, as well as the detonation of the Kakhovskaya HPP in June 6, 2023.

According to the data of the European Statistical Service the largest share of Ukrainian refugees is in Germany (27%) and Poland (24%). Additionally, Poland geographically became a logistical hub for communications between Ukraine and the world in light of the impossibility of air travel and severe restrictions on sea transportation.

The gender profile of refugees is specific and cannot be compared with the previous one. According to Eurostat, data from 2010 showed more male migrants than women in European countries (55% men, 45% women). Even though more recent assessments have shown a shift in gender-based migration patterns, female worker migrants outnumbered males by only 2% (51% against 49%).<sup>10</sup> Today, Ukraine's wave of refugees is different; women and children represent 87% of all family members who left Ukraine, and 13% of family members are older. Among those who traveled accompanied, 5% traveled with unrelated children<sup>11</sup>. Polish profile is even more gender-imbalanced. Moreover, this time, refugees are primarily well-educated women (46% have higher education compared with the average level of 29% for Ukraine and 33% of the EU population) with a child who have worked or owned businesses in Ukraine.

It starts with economic issues and notes that refugees' well-being has generally decreased, which is expected (fig. 2). Notably, 42% have enough money only for food or not enough for food (compared to 12% before the full-scale invasion)<sup>12</sup>. This, on the one hand, motivates people to look for work and, on the other, to spend to ensure a certain level of comfort (albeit minimal).

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<sup>10</sup> Annual report on intra-EU labour mobility, 2., 2021. *European Commission*. Retrieved from [https://migrant-integration.ec.europa.eu/library-document/annual-report-intra-eu-labour-mobility-2020\\_en](https://migrant-integration.ec.europa.eu/library-document/annual-report-intra-eu-labour-mobility-2020_en)

<sup>11</sup> Situation, U. R., 2023. Ukraine Profile UNHCR. Retrieved from <https://data.unhcr.org/en/situations/ukraine>

<sup>12</sup> Ukrainian refugees 1st wave, w. a. t. w. d. t. c. f. a. h. t. r. t., 2022. *Center for Economic Strategy*. Retrieved from <https://ces.org.ua/en/ukrainian-refugees-who-are-they-where-did-they-come-from-and-how-to-return-them/>

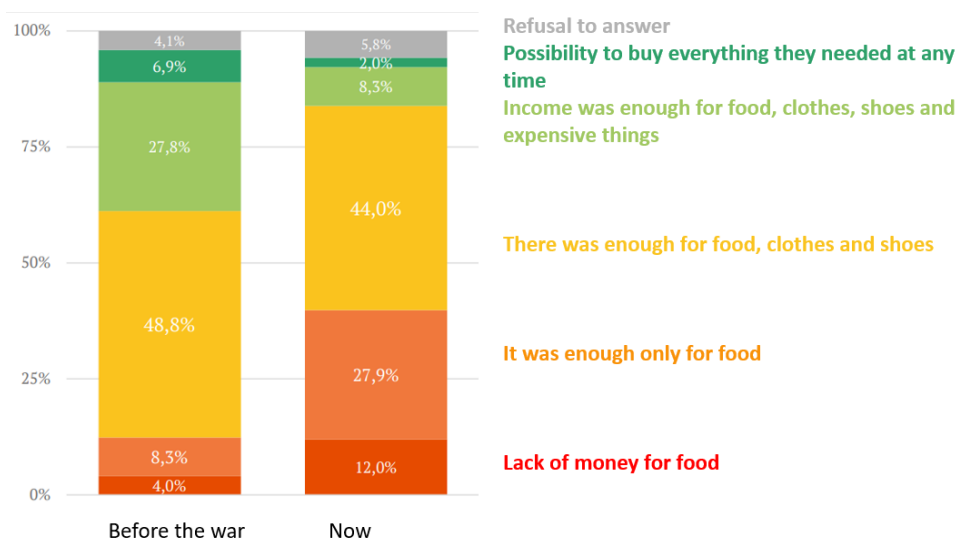


Fig. 2 Assessment of refugees' well-being<sup>13</sup>

The European Investment Bank<sup>14</sup> assessed that a full-scale invasion may reduce real private consumption of the EU by 1.1% due to the inflation channel, primarily in the Central Eastern countries and South-Eastern Europe. However, migrant spending supports private consumption in these countries. In particular, in 2022, Ukrainians' spending abroad will more than triple compared to the previous year - to \$2 billion monthly<sup>15</sup>. Spending on Ukrainian migrants stimulates public consumption, particularly in housing infrastructure, health care, and education systems (considering the significant share of children - from 28% to 44% in different countries).

According to Credit Agricole<sup>16</sup>, the influx of migrants from Ukraine was the main driver of the acceleration of retail sales in Poland in March, which offset the negative impact of inflation and the deterioration of consumer sentiment on household spending. This was evidenced, in particular, by a noticeable increase in sales in the categories "clothing and footwear" (41.9% y/y compared to 2.6% YoY in February) and "furniture,

<sup>13</sup> Ukrainian refugees, h. m. a. t. t. i. & r. p., 2023. *Center for Economic Strategy*. Retrieved from <https://ces.org.ua/en/refugees-from-ukraine-final-report/>

<sup>14</sup> How bad is the Ukraine war for European recovery? (2022) *European Investment Bank* Retrieved from [https://www.eib.org/attachments/publications/how\\_bad\\_is\\_the\\_ukraine\\_war\\_for\\_the\\_european\\_recovery\\_en.pdf](https://www.eib.org/attachments/publications/how_bad_is_the_ukraine_war_for_the_european_recovery_en.pdf)

<sup>15</sup> Impact of Ukrainian migrants on the economies of recipient countries (2022), *National Bank of Ukraine*, December 2022 Retrieved from [https://bank.gov.ua/admin/uploads/-/article/Migration\\_impact\\_2022-12-15.pdf?v=4](https://bank.gov.ua/admin/uploads/-/article/Migration_impact_2022-12-15.pdf?v=4)

<sup>16</sup> The inflow of refugees from Ukraine supports retail sales (2022) *Credit Agricole* Retrieved from <https://www.credit-agricole.pl/przedsiębiorstwa/serwis-ekonomiczny/macropulse/2022/the-inflow-of-refugees-from-ukraine-supports-retail-sales>

electronics, and household appliances" (2.8% y/y compared to -4.4% YoY in February).

In general, numerous studies of the impact of Ukrainian migrants on the economies are very different and based on various assumptions. Still, all come to the same conclusion that this influence is positive. Thus, Strzelecki et al.<sup>17</sup> studied the economic consequences of labor migration of Ukrainians to Poland from 2013 to 2018. The workforce was increasing by about 0.8% per year, and the contribution of Ukrainian migrants to annual GDP growth was 0.5%. Now, they assume that the additional contribution to the annual growth rate of Poland's GDP will be about 1.2 % per year.

A study by Oxford Economics<sup>18</sup> presents different forecasts. If 650,000 Ukrainian migrants remain in Poland, the labor force will increase by an additional 210,000 (1.2%) by 2030 and potential GDP by 1.2% compared to the basic Oxford Economics forecast. Instead, the influx of 1 million migrants will increase the labor force by 370 thousand (2.1%), and the potential GDP - by 2.0% by 2030.

According to Deloitte data<sup>19</sup>, the integration of Ukrainian forced laborers immigrants in Poland can increase Poland's GDP by 0.2–3.5% annually in the first five years, depending on the quality of the country's integration policy. Favorable factors for this are increasing the labor market's flexibility and solving housing market problems.

According to the calculations of the National Bank of Ukraine based on estimates from the IMF study, surveys by the UN and the Razumkov Center, under other constant conditions, thanks to the contribution of Ukrainian migrants, the output of goods and services in Poland in 2026 will be 2.2–2.3% higher than in the base scenario without migration.<sup>20</sup>

This tangible positive impact, however, requires the solution of social issues and integrating Ukrainians, those currently in Poland, and those

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<sup>17</sup> Strzelecki, P., Growiec, J. & Wyszynski, R. (2022) The contribution of immigration from Ukraine to economic growth in Poland. *Rev World Econ* 158, 365–399 Retrieved from <https://doi.org/10.1007/s10290-021-00437-y>

<sup>18</sup> Refugees will lift economy's potential, but challenges remain (2022), *Oxford Economics*, May 2022 Retrieved from [Poland-Refugees-will-lift-economys-potential-but-challenges-remain.pdf \(oxfordeconomics.com\)](https://oxfordeconomics.com/Poland-Refugees-will-lift-economys-potential-but-challenges-remain.pdf)

<sup>19</sup> Uchodźcy z Ukrainy w Polsce (2022). *Deloitte*, Październik 2022 Retrieved from <https://www2.deloitte.com/pl/pl/pages/zarzadzania-procesami-i-strategiczne/articles/Uchodzcy-z-Ukrainy-w-Polsce.html?nc=42>

<sup>20</sup> Impact of Ukrainian migrants on the economies of recipient countries (2022), *National Bank of Ukraine*, December 2022 Retrieved from [https://bank.gov.ua/admin\\_uploads/-article/Migration\\_impact\\_2022-12-15.pdf?v=4](https://bank.gov.ua/admin_uploads/-article/Migration_impact_2022-12-15.pdf?v=4)

who plan to stay (now, it is about 20%, Fig. 3), but as we know, planning the future, for now, for Ukrainian is complicated and ambiguous.

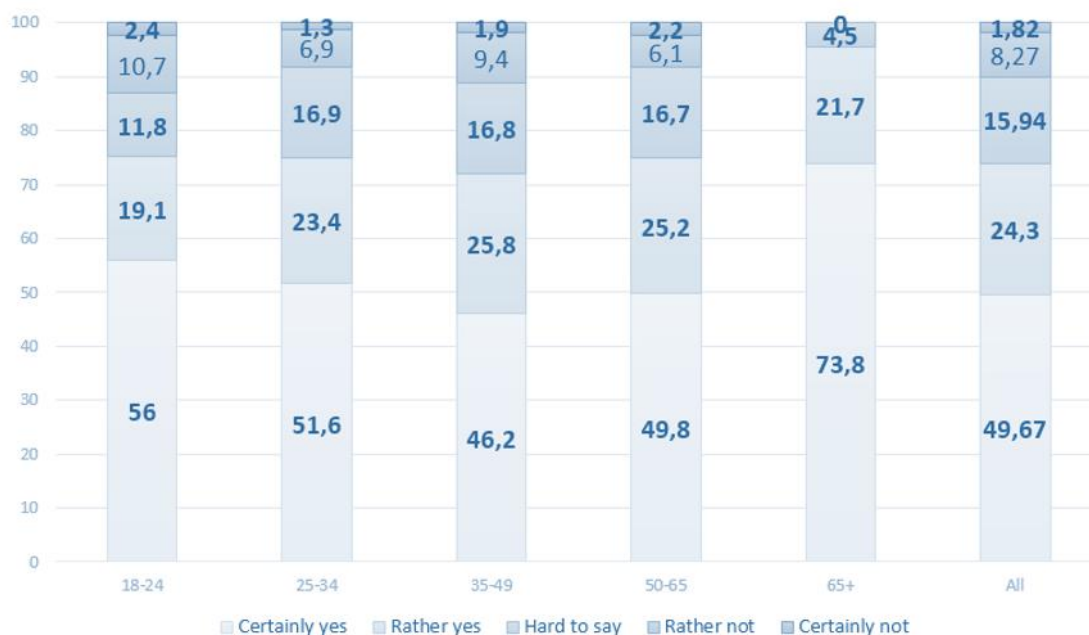


Fig. 3 Distribution by respondents' plans to return to Ukraine<sup>21</sup>

So let's focus on the prerequisites and problems of such integration, which lie in the social sphere. Thus, although 63% of the surveyed migrants worked in Ukraine before the full-scale invasion, only 28% were employed in September.<sup>22</sup> At this point, Poland has the most favorable conditions - so 1.2 million migrants received social insurance numbers, and about half of them found work<sup>23</sup>. For comparison, more than 350,000 Ukrainians looking for a job were registered in Germany in June, but less than 10% found work. However, most migrants worked in areas with a lower level of payment - logistics, industry, agriculture, construction, and hotel business - although a significant part of them had higher qualifications. At the same time, 76.9% of newcomers learn Polish independently, in courses, or with tutors, demonstrating the willingness of Ukrainians to adapt to the language environment. Many Polish employers try to adapt workplaces for women. For example, one of our customers in

<sup>21</sup> Біженці з України: хто вони, скільки їх та як їх повернути? (2023) *Центр економічної стратегії* Retrieved from <https://ces.org.ua/refugees-from-ukraine-ukr-final-report/>

<sup>22</sup> Ukraine Profile (2023) *UNHCR* Retrieved from <https://data.unhcr.org/en/situations/ukraine>

<sup>23</sup> How Displaced Ukrainians in Poland Find Work While Benefiting Its Economy (2022) *VOA News*, October 2022 Retrieved from <https://www.voanews.com/a/how-displaced-ukrainians-in-poland-find-work-while-benefiting-its-economy/6771810.html>

the electronics business reoriented their production. There it was necessary to lift loads plus 15 kg, which is already not allowed for women. Therefore, in the summer, they fully automated the line to automatically raise the goods from the floor to the line. Thus, it was possible to open about 80,000 jobs for women.<sup>24</sup>

However, the full-scale participation of Ukrainian migrants requires the further development of legalization and recognition of education systems for the opportunity to work in a specialty. This will not only improve the situation for refugees (and reduce the burden on the budget by reducing social benefits) but will also allow more efficient use of the potential of the labor force to create Polish GDP.

Among the other possible problems that will intensify will be the real estate market in Poland, which showed signs of scarcity and inflated prices even before the pandemic. The possible forecast is increasing demand without a corresponding increase in affordable housing and a worsening shortage.

Here it is worth reminding again about the specific composition of modern migrants - women with children who need the opportunity to use educational services. Regarding the Ministry of Education and Science of Poland, Polish Radio stated that 187,900 children and teenagers from Ukraine came to Poland after full-scale Russian aggression studying in Polish schools and kindergartens. Most of them are in Warsaw, Wroclaw, and Krakow. 36,900 Ukrainian children attend kindergartens (almost 7,000 more attend various preschools), 116,800 participate in primary school, and 27,200 attend secondary schools. These children, afterward, increased the demand for higher education services, contributing to higher education quality.

At the same time, this structure of migrants makes them vulnerable because children need care and regular services from health institutions. Women, who used to have the opportunity to take care of their children daily and in case of illness (relatives and partners), now have to solve these issues on their own. This, expectedly, complicates their integration and reduces competitiveness in the labor market. At the same time, the need to combine work and childcare (without the possibility of "asking someone") provides opportunities for the development of small towns and

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<sup>24</sup> Робота у Польщі (2023): майже 900 тисяч українських переселенців працевлаштувались 03-09-2023 Retrieved from <https://shorturl.at/wAH12>

communities that are more comfortable due to their territorial compactness. And this will also mean a chance to revitalize their economic and social life.

**Summary for Europe.** Europe can handle a large number of refugees. In less than a year and a half, about 6 million Ukrainians came to Europe.

Allowing refugees to work benefits host countries. Only a year after the invasion, about 40% of Ukrainian refugees in Europe were already employed or self-employed. Not only does this help them integrate into new communities, it also benefits host countries. According to the European Commission, 13% of key workers in the EU in 2020 were migrants. Statistics show that migrants account for 70 percent of the increase in the European labor force over the past ten years, and they paid more in taxes and social contributions than they received in benefits.

Starting their own business, Ukrainians facilitate their adaptation to new societies, particularly in Poland; Ukrainian women have opened more businesses than Polish men over the past 2 years. Also, Ukrainian migrants create opportunities for the expansion of Ukrainian businesses (Rozetka, Nova Post, G-bar, etc.) by creating a layer of loyal consumers, strengthening competition, and improving the quality of services and goods in the EU.

Cross-sectoral participation reduces pressure on host communities. In December 2020, the EU published a new action plan on integration and inclusion, which identified four necessary elements: education, health, employment, and housing. The efforts of European countries to integrate Ukrainian refugees have shown the effectiveness of intersectoral cooperation and joint governance in providing these services.

**Opportunities for Poland.** It is worth underlining that today's migrant from Ukraine is an educated woman aged 35-45 with a child in a civic position who is determined to participate actively in socioeconomic life but needs the help of institutions. In addition, financial support is not always the core; the most important is help in the preparation and legalization of documents, advice on employment and child care, renting an apartment, etc.

82% of Ukrainian citizens who arrived after February 24, 2022, found employment in Poland within a year. This is a colossal indicator that



shows that the citizens of Ukraine are not looking for ways to be under the financial protection of Poland. They try to find work and be independent<sup>25</sup>.

Even though Poland responds quickly to many of these challenges, there is still a long way to go and a lot of work to make these procedures non-discriminatory, transparent, and understandable. Such steps will work for the benefit of Poland even when the Ukrainians return home. But for now, it will allow them to be more actively involved in developing their new home – Poland.

**Challenges for Ukraine.** Ukraine lost more than 10 settlements (cities), which were completely destroyed and are unlikely to be restored. Today, there is almost no population, jobs, or critical infrastructure. These are the cities in Eastern Ukraine: Bakhmut, Maryanka, Popasna, Mariupol, Severodonetsk, Volnovakha, Lyman, Izyum. The number of completely destroyed rural settlements is difficult to count, but hundreds of depopulated settlements exist.

The population of some regions of Ukraine has decreased catastrophically. Until 2014, the population of the Donetsk region was more than 5.5 million people; according to E. Libanova, now the population is within 1 million if we take the administrative borders of the Donetsk region as part of the internationally recognized borders of Ukraine.

A discussion has begun among the authorities and society about the creation of the Ministry for the Return of Refugees. However, this idea is unlikely to be productive due to:

- Adaptation of migrants to the environment of their permanent residence, which is confirmed by the relatively low level of unemployment, namely, about 16% of Ukrainians of working age in Europe are without permanent official employment;
- Reduction of jobs in Ukraine and deterioration of household living conditions (absence of a constant supply of electricity means not only limited access to heating, drinking water, other communal services, etc. but also a reduction in opportunities for the development of any productive activity or additional burdens on the production of goods and services through individual electricity generation using fuel generators);
- The lack of prospects at the end of the war, both for the society within Ukraine and abroad, the formation of the economy of military needs

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<sup>25</sup> Raport (2023) "Uchodźcy wojenni z Ukrainy. Rok w Polsce" 21.02.2023 Retrieved from <https://ewl.com.pl/raport-uchodzczy-wojenni-z-ukrainy-rok-w-polsce/>

(it is the level of income of people who are directly or indirectly related to national security and defense is the basis for the consumption of an increasing number of goods and services, and unlike other types of employment, the material base, i.e., incomes, which are reduced due to rising prices and inflationary processes).



## **SECTION 2**

# **MICROECONOMIC AND FINANCIAL DIMENSIONS OF POST-WAR DEVELOPMENT**

<https://doi.org/10.36228/PASD24/2>

## **2.1. Features of public finance management in Ukraine in the context of wartime<sup>1</sup>**

<https://doi.org/10.36228/PASD24/2/1>

The socio-economic development of the state, the level of public welfare, and the pace of economic reforms and modernisation are contingent upon the efficacy of public finance management, with state and local budgets serving as its primary components. The adequate availability of budgetary funds constitutes the principal source for the development and enhancement of socio-economic life. However, the European prospects for the development, reformation, and modernisation of the Ukrainian economy were halted by the Russian military invasion of Ukraine and subsequent military actions, which have significantly impacted the economy and financial position of the Ukrainian state.

The implementation of budgetary indicators in the third year of the war has undergone substantial reform, considering the necessity to reorganise the budget to meet the needs of the armed forces and to disburse essential social benefits to society. Negative trends are gaining momentum, creating serious problems across all spheres of Ukrainian society, necessitating rapid responses from politicians, scholars, and practitioners. Overall, the negative phenomena observed in all sectors of Ukrainian society in recent years are attributable not only to the war, errors, and miscalculations in the national economy but also to the inefficiency of managerial actions within the public finance system.

The weakening of administrative functions and the low quality of management methods applied in the financial sector indicate that the financial system requires a fundamentally new approach to the utilisation of financial resources in terms of rational distribution and effective use. As Ukraine aspires to become a full-fledged member of European society, founded on democratic principles and a legal and socially-oriented state, the sphere of public finance is a segment of the state that necessitates new approaches to management and the search for novel ways to improve the use of budgetary funds.

In the context of the full-scale military attack on Ukraine, the ability to collect budget revenues has significantly decreased, while expenditures

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<sup>1</sup> The author of the chapter: **Svitlana Verytelnyk**. Doctor of Philosophy in Public Administration and Management, Associate Professor of the Department of Public Administration and Management at Mariupol State University, Kyiv (Ukraine).

have begun to increase rapidly. This has led to a considerable imbalance in public finances and resulted in an increase in the national budget deficit, which must now be covered primarily through external sources. The exacerbation of the problem of accumulating public debt and the search for ways to reduce the debt burden on the state budget of Ukraine render this issue highly relevant and correlate with contemporary realities, requiring attention and coordinated efforts from state authorities. As financial management during wartime requires particular attention to the rational and effective redistribution of financial resources for war needs and must ensure compliance with appropriate social standards of living for the population, the study of the peculiarities of public finance management in the current situation is extremely pertinent.

Therefore, this research aims to examine current trends in public finance management and practical approaches to managing them during wartime. It is based on an analysis of issues related to the interpretation of public finance, the distribution and redistribution of budgetary funds, and elucidating the role of public finance management in the state's financial activities. Additionally, the study seeks to substantiate directions for the rational use of public finances to meet war needs and satisfy basic social needs, while identifying areas for improvement to ensure the sustainability of public finances in wartime.

Russia's full-scale invasion of Ukraine has triggered a large-scale transformation across virtually all spheres of social relations in Ukrainian society. This invasion has led to economic decline, decreased social welfare, deterioration of the economic situation, destruction of infrastructure, and a demographic crisis. To counter these challenges, Ukraine must develop new management approaches under conditions of limited financial resources, focusing on ensuring the state's defense capabilities, supporting the economy and population, and reviewing the foundations of state fund development and adaptive management. The current military reality in Ukraine has exposed a causal contradiction in creating a scientific basis for balancing state functions and roles in GDP distribution and redistribution. This contradiction emphasizes social security and protection of citizens, businesses, and material infrastructure over economic expediency and financial efficiency in the use of centralized and decentralized state funds.

Furthermore, the ongoing war has intensified uncertainty regarding national economic recovery and European integration prospects. This uncertainty complicates the implementation of adaptive public finance management, which involves a complex set of measures aimed at modifying components of the public finance system, their interrelations, and institutional support. These measures are crucial for countering wartime risks and ensuring the resilience of public finances against external threats and internal challenges.

It has been ascertained that the guarantee of progressive development for any state is the effective use of financial resources. An important task for state and local authorities is to create a self-sufficient financial system through effective public finance management. This management should ensure the formation and distribution of centralized and decentralized funds necessary for state bodies and local self-government bodies to perform their functions. In the current situation, Ukraine requires an effective public finance system that is adequate for a market economy and will contribute to achieving societal welfare goals. The development of modern society is inconceivable without the effective functioning of the fiscal system, high living standards, and social standards in society, the restoration of the national economy, and enhancement of its competitiveness. Ultimately, public finance is the means of state intervention in the economic and social spheres and its regulation<sup>2</sup>. It is evident that society must be able to assess the consequences of such intervention by exercising public control. Many countries have been compelled to revise their views on the principles and mechanisms of public finance functioning to ensure that these interventions are understood and assessed by society.

Regarding the establishment and development of the financial system, it is worth noting that this process began to unfold at a rapid pace in the latter half of the 20th century, when significant transformations were observed in this sphere, and finances became a public asset. Essentially, this process is reflected in the fact that the key principles of public finance functioning are regulated by constitutional norms.

Some scholars in this field have identified issues of identification related to state and public finances, whilst others contend that the

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<sup>2</sup> Shainoha, A.E. (2021). *Public finance as a component of the financial system*. Kharkiv, 101, 148-155. <https://doi.org/10.26565/2311-2379-2021-101-15> (In Ukrainian)

composition of public finances is more expansive. For instance, T. Kutsenko notes that in the context of Ukrainian decentralisation reform of power and budgetary decentralisation, it is necessary to distinguish two elements in the structure of public finances corresponding to contemporary Ukrainian practice, namely governmental and local finances. The researcher highlights that certain components of public finances are still in their nascent stages and have not yet fully realized their potential as key elements. These include public finances that establish relations between public-private partnership entities, form the financial component of municipal entities (particularly specific communities), and aim to provide them with the necessary financial autonomy in light of ongoing budgetary decentralisation reforms<sup>3</sup>.

The modernisation of the public finance system and the implementation of new management models are based on the introduction of best practices used in the market sector, i.e., in private business, and the development of the state apparatus in the economy. It is expedient to highlight the key principles of new models in public finance management. These include the restructuring of state power and decentralisation, privatisation and reduction of the public sector's economic share, and programming of state economic policy for regulating institutions and differentiating economic functions. Additionally, these models emphasise personal responsibility of state structure heads for performance results, flexibility in civil servant conditions and remuneration, implementation of business practices in financial resource management, and orientation of state goods and services towards consumer needs<sup>4</sup>.

Therefore, to demonstrate an approach that allows for the analysis of effective financial management, it is necessary, first and foremost, to define the essence of this concept, taking into account scholars' approaches to interpretation. The most common definition is provided by L. Foksha, in which the public finance system is presented as a set of closely interrelated centralised and decentralised funds that maintain relative independence<sup>5</sup>.

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<sup>3</sup> Kutsenko, T.F. (2016). Public finance in Ukraine: content and structure considering modern development trends. *Economy and State*, 6, 62-66.

<sup>4</sup> Musgrave, R. (1959). *The Theory of Public Finance: A Study in Public Economy*. New York: McGraw-Hill Book Company, p. 628.

<sup>5</sup> Foksha L.V. (2014) Publichni fondy: ponyattya, oznaky ta pravova pryroda [Public funds: concepts, features and legal nature]. *Scientific Bulletin of the International Humanities University*, 10(1), 162–164. (In Ukrainian)

However, in our view, doubts may arise regarding the reliability of this definition, as there exist public funds that are not subject to management. M. Karlin presents a generalised interpretation of public finances as a combination of state and local finances, as they are jointly used by the population at both state and local levels<sup>6</sup>.

In our opinion, this understanding of finances is considered overly simplistic, as it does not take into account management aspects that must necessarily be present in the process of formation, distribution, and utilisation of finances. It is worth noting the research of scholars on the role of the state in the use of public finances in the new military reality and the latest paradigm of their fiscal space, considering the factor of security and resilience in the context of external threats and internal challenges to Ukraine<sup>7</sup>. Among foreign authors, one can mention German scholars who defined the essence of finances as a combination of budget revenues and expenditures<sup>8</sup>, whilst J. Stiglitz highlighted the interrelation between state functions, the financial system, and the tax system<sup>9</sup>.

Thus, the interpretation of "public finances" is evolving, as contemporary reality demonstrates. The functions and tasks of the state at local and public macro- and territorial levels are changing, which are associated with the utilisation of financial relations for the execution of functions by state authorities and local self-government bodies in accordance with existing societal realities and scientific hypotheses about the role of the state.

If we perceive public finances as a system of formal institutions for financial support of state functions, without demonstrating the conceptual foundation of financial science heritage in comparison with other socio-philosophical concepts distinct from efficiency and economic expediency, then public finances become a financial institution of another group of politicians in power who influence socio-political decision-making<sup>10</sup>.

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<sup>6</sup> Karlin, M.I. (2021). Local payments in the system of public finances of Ukraine. *Scientific Notes*, 28, p. 112.

<sup>7</sup> Krysovatyi, A. (2023). Military realities of the fiscal space of public finance in Ukraine. *World of Finance*, 1(74), 8-30. <https://doi.org/10.35774/sf2023.01.008> (In Ukrainian)

<sup>8</sup> Zimerman, H. and Henke, K. (1981). *Wissenschaft*. Munich: Vahlen, p. 319. (In German)

<sup>9</sup> Stiglitz, J. (1998). *Economics of the Public Sector* ( transl. from Engl) Kyiv, Osnovy, p. 854. (In Ukrainian)

<sup>10</sup> Khmelkov, A. (2019). Volume of public finances as a subject of control. *Financial and Credit Activity: Problems of Theory and Practice*, 4(31), 311-318. Retrieved from <https://ekhnuir.karazin.ua/items/0c099cb6-ae77-4d2b-980c-ad7bf54ce273> (In Ukrainian)

Consequently, such substantive content of this category should consider the interests of all subjects in the public space, as well as state and social institutions. That is, public finances should be viewed as the art of administrative and financial management aimed at creating conditions for ensuring life safety, reducing inequality in the distribution of material goods in society, and improving the level and quality of public welfare.

It should be noted that the meaning and essence of finances are manifested in the functions they perform. Moreover, they reflect the main objectives and characteristics of finances in state activities. The planning function involves determining tasks and methods for their implementation as a result of the division of powers between authorities at state and local levels. The organisational function, in our view, consists of forming the activities of state and local authorities according to the set tasks and chosen methods for their execution. The stimulation function involves the realisation of set tasks to obtain public goods. The distributive function of public finances consists of allocating financial resources to meet relevant needs, whilst the control function implements set tasks through the development of appropriate standards, leading to the control and evaluation of achieved results.

Ukraine's ability to safeguard its financial stability against existing challenges and military threats remains intact today, largely due to the heroic efforts of its armed forces. The Ukrainian army's valiant actions in repelling enemy attacks, liberating occupied territories, and providing protection from air missile strikes have been instrumental in this regard. Furthermore, these military successes have laid the foundation for stabilising public expectations and societal outlook concerning Ukraine's prospects for EU accession, while also paving the way for the fundamental process of economic recovery after victory<sup>11</sup>. War-induced losses could not but affect public finances from both scientific and practical perspectives. The third year of military aggression demonstrates all the advantages and disadvantages of both the Ukrainian economy in general and public finances in particular.

Many of today's real advantages have resulted from reforms implemented in previous years. Decentralisation and the formation of fiscal federalism foundations have contributed to the stability of the entire financial

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<sup>11</sup> Zatonatska, T., Ljutyj, I., Anisimova, O. (2023). Public finance management under uncertainty. *Finance of Ukraine*, 11, 34-48. <https://doi.org/10.33763/finukr2023.11.034>

system, including the banking sector. Additionally, the Ministry of Finance, the government, and the National Bank have demonstrated their ability to maintain macroeconomic stability under extremely complex conditions, while reformed state-owned enterprises have shown initiative in implementing large-scale innovative projects to support citizens and businesses.

Despite these strengths, certain vulnerabilities have become apparent in the system. Populist actions by many government leaders in recent years, budget revenues from the state treasury, and the desire to spend more on borrowing than planned have left the state budget not only without strategic reserves but also with exorbitant expenses to cover costly debts. For decades, ordinary citizens and company representatives have distrusted the government, so even now they give money to volunteers rather than paying taxes and levies honestly, all of which makes Ukraine's public finances vulnerable and overly dependent on international financial assistance.

The full-scale war that Russia initiated against Ukraine has shaken society, public finances, and the economy. As of 2023, direct losses from the war in Ukraine will amount to \$135.9 billion, including damages from housing destruction at \$52.5 billion, infrastructure at \$35.6 billion, industrial enterprises at \$13 billion, the agro-industrial sector at \$6.6 billion, energy at \$6.8 billion, the education system at \$8.2 billion, and environmental damage at \$14 billion<sup>12</sup>. Thus, the war has further exacerbated the problem of global poverty, forcing society to view differently the issue of globalisation of public finance management systems and the government's responsibility for preparing people for new challenges and threats.

Incidentally, one of the priority areas of reforms implemented in Ukraine over the past few years, and which will continue after the war's conclusion, is the improvement of public finance management. In the academic literature, various approaches exist to defining this concept, the content of which largely depends on the interpretation of the terms 'management' and 'public finances'. Some scholars assert that public finance management should be understood as a type of relationship

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<sup>12</sup> Vyshlinsky, H., Haidai, Y. and Repko, M. (2023). *Ukraine's economy during the war: results of the year*. Retrieved from <https://ces.org.ua/economy-of-ukraine-during-the-war-december-amndhe-results-of-the-year>.



between a specialised apparatus in the state's economic system, which, in the process of interaction, utilises certain methods and technologies within the framework of the current regulatory framework<sup>13</sup>. S. Klimova also considers this concept as a variety of managerial relations, interpreting it as an integral part of economic management, carried out using specific techniques<sup>14</sup>.

Researcher T. Sholkova conceptualises financial management as a method of state financial activity. According to the researcher, it involves the adoption of normative legal acts by competent bodies and the coordination of cash flows and other financial resources. This process encompasses the functioning of centralised and decentralised funds, aiming to achieve specific goals in the sphere of financial activity to satisfy the public interests of the population<sup>15</sup>.

As a result of utilising the methodological tools of modern financial science, we have formed a comprehensive theoretical and methodological approach that allows revealing the essence of public finance management as a multifaceted phenomenon.

1. From the perspective of a dialectical approach: in fact, public fund management is a movement aimed at maximising the satisfaction of public interests and achieving macroeconomic stability; in terms of content, it is the development and implementation of a management theme that influences decision-making related to the theme of finance functioning. Financial management manifests itself in the form of such administrative activities of state bodies and local self-government bodies, and budget managers are responsible for strategic, medium-term and current planning of the process of formation and use of public financial resources.

2. From the perspective of a systems approach: as a set of subsystems, the formation and use of public financial resources is carried out as a result of the interaction of elements, the movements of which are the main subsystems of supervisory financial management, namely the management of state and local budgets and the management of social extra-budgetary

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<sup>13</sup> Blishchuk, K.M. (2021). Strategies for improving public finance management. *Efficiency of Public Administration*, 2(67), 116-131. <https://doi.org/0.33990/2070-4011.67.2021.240248>

<sup>14</sup> Klimova, S.M. (2016). Public finance management as a component of public administration reform in Ukraine. *State and Regions*, 3(53), 84-89.

<sup>15</sup> Sholkova, T.B. (2019). The concept and significance of public finance management. *International Legal Bulletin: Current Issues of Today*, 15, 143-151. Retrieved from: <https://journals.dpu.kyiv.ua/-index.php/law/article/view/196>.

public funds. Each of these subsystems contains interacting elements that are determined by management functions, including strategic planning, organisation, accounting, and control over the implementation of development plans. These functions encompass strategic, medium-term, and current planning of the process of forming, deploying, and managing public financial resources, as well as organising the implementation of developed plans and maintaining accounting and control over their redirection.

3. From the perspective of a process approach: as a process that influences the subject of management through the use of financial products and technologies for making managerial decisions, ensuring the performance of functions of state bodies and local self-government and maximising the satisfaction of public interests.

Considering that the components of public finances are state funds, components of the local budget and social extra-budgetary public funds, public financial resources include: funds from the state and local budgets and funds from the Pension Fund of Ukraine and the Compulsory State Social Insurance Fund of Ukraine for Unemployment. To influence, state financial management bodies use financial instruments, namely revenues, taxes, fees, loans, non-tax revenues, service charges, transfers from intergovernmental and foreign governments, etc. Management procedures involve consideration of formal and informal rules, management principles and appropriate methods.

Effective financial management largely depends on the consideration of management principles in the activities of state bodies and local self-government authorities, as well as budget administrators. Given Ukraine's commitment to integration with the European Union, the primary administrative requirements, particularly in the realm of general and financial management, are being developed by Sigma experts through management support programmes and management improvement initiatives with EU financial backing, which merit attention and implementation. The OECD Deputy Secretary-General emphasises this point, noting that as the EU accession process often necessitates fundamental reforms under conditions of limited financial resources, the principle of administration is not merely a set of requirements, but also an aid in shaping the vision of administrative reform and an assistant to key

decision-makers<sup>16</sup>.

The necessity of exploring potential avenues for improving the public finance system and adhering to European Union requirements, fiscal policy, and medium-term budget planning in the current situation depends on the effective functioning of the public financial system for the country's ability to efficiently perform its functions. The contemporary reality is such that numerous complaints arise among the population due to ineffective management of public finances in the formation, distribution, and utilisation of funds from centralised sources. The primary concerns include significant tax burdens, the predominance of the fiscal function of the tax system at the expense of the stimulation function, insufficient levels of social equity in the tax system, inefficient allocation of budgetary resources, and very low levels of social security and public life for vulnerable segments of the population.

Consequently, the issue of optimising the functioning and management of public finances gains relevance. The implementation of these measures will enable the creation of a reliable financial base for the state, sufficient for the effective execution of its functions. This, in turn, will stimulate the development of entrepreneurial activity, contribute to raising living standards, and improve the quality of public services. Consequently, these actions will help achieve social harmony in society, while naturally adhering to international standards in this field and aligning with the chosen vector towards European integration<sup>17</sup>.

Incidentally, Ukraine has recently adopted a positive course towards integration with EU countries. This indicates the need to improve public finances in accordance with European Union requirements. It will be important to examine the current state of finances and directions for further development. We need to implement structural reforms, improve budget planning, and find ways to increase expenditure efficiency. The study of building an effective, socially-oriented financial system is one of the most pertinent issues in Ukraine. Only in this way can the goals set by the state be achieved. Therefore, its examination takes into account the country's socio-economic condition, the level and pace of economic

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<sup>16</sup> Hill, K. (2017). Principles of public administration. *Sigma*. Retrieved from <https://www.sigmaxweb.org/publications/Principles-of-Public-Administration-Overview-2017-Ukrainian.pdf>.

<sup>17</sup> Hnydiuk, I.V. and Skladaniuk, M.S. (2023). Problems and prospects of public sector finance development in the context of European integration. *Economy and Society*, 43.

growth, maintaining a high level in the future, and ensuring social harmony in society.

In Ukraine, it is necessary to create a system of public finances that operates efficiently and without deficiencies. This will help elevate our country to a new stage of development, raise the living standards of its citizens, achieve desired societal welfare goals, restore the national economy, and make it more competitive compared to more developed countries. The modern development of the state and its citizens is impossible without the success of the financial system; therefore, much attention should be paid to this field and research conducted<sup>18</sup>.

However, the war that has been ongoing in Ukraine for the third year is causing a decline in GDP, a demographic crisis, a decrease in the population's welfare, deterioration of the economic situation, destruction of infrastructure and logistical problems, and significantly affects the functioning of public finances. Ukraine's aspiration for the need for recovery, ensuring macroeconomic stability, and combating wartime risks is the reason for reviewing the foundations and priorities of the state's fiscal policy, increased need for financial resources, their more effective use, and efficient management of public finances. The recommendations of the OECD Council on Budgetary Governance, systematised according to ten principles of effective budgeting, are of immense importance for financial management entities, as effective budgeting has gained particular significance in modern realities. According to the recommendations of the Organisation for Economic Co-operation and Development (OECD), the principles of effective budgeting include:

1. Managing the budget within an open, reliable and predictable fiscal policy framework;
2. Aligning the budget with the government's medium-term strategic priorities;
3. Developing a capital budgeting framework that is economically efficient and consistently meets national development needs;
4. Ensuring openness, transparency and accessibility of budgetary documents and data;
5. Facilitating comprehensive, collaborative and realistic discussions on budgetary choices;

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<sup>18</sup> Honcharenko, M.V. (2016). European standards of anti-crisis management of public finances. *Current Issues of Public Administration*, 2, 1-6. (In Ukrainian)

6. Presenting a comprehensive, accurate and reliable account of public finances;

7. Planning, managing and monitoring budget execution;

8. Ensuring that performance, evaluation and value for money are integral parts of the budget process;

9. Identifying, assessing and prudently managing long-term sustainability and other fiscal risks;

10. Promoting the integrity and quality of budgetary forecasts, fiscal plans and budget execution through rigorous quality assurance, including independent audits.

These OECD principles of effective budgeting and Sigma's financial management principles form the basis for modernising the administrative system based on international standards and best practices, and for creating a modern administrative system with robust institutions suitable for EU integration. Thus, sound, accountable and transparent management of finances, procurement and infrastructure management is key to successful restructuring<sup>19</sup>.

Contemporary challenges and threats necessitate a fresh perspective on the role of the state and its financial products in ensuring national security, establishing effective local self-governance, stabilising socio-economic development in the region, and addressing issues related to upholding principles of social justice. The material resources redistributed through the financial system bear significant responsibility for their effective management. The problem of finding the right financial management instrument has become particularly acute in conditions such as economic instability, financial imbalance and debt crises. The response to these depends on both the depth and duration of the crisis, as well as the possibility of its rapid resolution, restoration of economic growth, ensuring a stable and balanced nature, and improving the welfare of the state<sup>20</sup>. In the context of the ongoing war, the main risks to the functioning of public finances remain:

1. Threats to maintaining macroeconomic stability;

2. Declining economic growth rates and insufficient funds

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<sup>19</sup> OECD (2023). 'The current assessment for 2023 looks at recent domestic policy developments, and policy responses to Russia's war of aggression in Ukraine'. Retrieved from <https://www.oecd.org/en/regions/eurasia-region.html>.

<sup>20</sup> Yefymenko, T.I. (2021). *Improving public finance management and reforming the tax system of Ukraine*. Kyiv, Academy of Financial Management, p. 446.

accumulated in the budget for proper execution of state functions;

3. Growing need for financial resources due to the necessity of increasing defence funding, restoring production capacities and addressing social issues;

4. Challenges in fully utilising programme-oriented, participatory and gender-oriented budgeting, reduced quality of budget planning due to violations of financial discipline by budget process participants and increased government expenditures;

5. Decreased solvency of state and local budgets, the budget of the Pension Fund of Ukraine, temporary cash gaps, insufficiently effective liquidity management of the Ministry of Finance's single account, etc.

We concur with the analytical cautions of some scholars that it is crucial to prevent the worst-case scenario of economic development: when state finances become entirely dependent on foreign finances, primarily budgetary aid<sup>21</sup>. Therefore, in our view, the development of adaptive financial management is a necessary prerequisite for ensuring financial sustainability in wartime conditions. It is based on accounting for key management principles, the ability to respond promptly to changes in external and internal factors affecting the functioning of finances, through coordination of the management system and improving the interrelation between components of this system.

Adaptive management of public finances involves implementing measures aimed at modifying management subjects, objectives, and the financial instruments and technologies used for decision-making. These changes focus on the formation and expenditure of public financial resources, as well as the tools used for monitoring their movement. Moreover, the primary goals of this adaptive approach are to counter wartime risks and ensure financial resilience in the face of external threats and internal challenges<sup>22</sup>.

Given the current military realities, the significance of timely and multi-faceted decision-making by national governments, particularly in the management of public funds, has become increasingly evident. Ultimately, they bear responsibility for people in sovereign territory. The war

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<sup>21</sup> Ministry of Finance of Ukraine (2023). *Debt statistics of the Ministry of Finance of Ukraine*. Retrieved from <https://mof.gov.ua/uk/borgovi-pokazniki-st>.

<sup>22</sup> Melnyk, S.I. (2022). Adaptive management of financial security of the enterprise. *Efficient Economy*, 5. Retrieved from: <http://www.economy.nayka.com.ua/?op=1&z=10271>. (In Ukrainian)

confirms the high significance of global aspects of international assistance on the path to a European future<sup>23</sup>.

Violations of budgetary legislation, including misappropriation and inefficient use of funds during planning, indicate that breaches and deficiencies in managing the revenue side of the state budget (45.9 billion UAH) were caused by delays and incomplete transfers of mandatory payments to the budget, amounting to 37.3 billion UAH. The percentage of such violations was significantly lower: inadequate control by executive authorities over the timeliness, accuracy, and completeness of tax and fee calculations – 7 billion UAH<sup>24</sup>.

The Budget Code of Ukraine addresses the issue of ensuring effective expenditure of budgetary funds and substantiates the expediency and necessity of evaluating and monitoring this process. However, the responsibility of budget process participants for budgetary offences arises in cases of improper (and ineffective) use of budgetary funds, violation of legislative requirements, budgetary obligations of budget fund managers, etc<sup>25</sup>. In light of this, it is recommended that the Budget Code of Ukraine provide for measures of influence in cases of inefficient use of budgetary resources. This is possible in the context of implementing the programme-target method at all budget levels and allows for the evaluation of budgetary programme effectiveness. However, since 2018, the mandatory introduction of programme-oriented budgeting in the budgetary process at state and local levels, despite its continuous improvement, currently faces numerous challenges, exacerbated by restrictions imposed by martial law, which require resolution. In particular, it is recommended to resume the preparation of a forecast document for medium-term budget planning and ensure consistency with the strategic plan<sup>26</sup>.

It is worth noting that the objectives defined by the Strategy for Reforming the Public Finance Management System for 2022-2025 remain relevant:

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<sup>23</sup> Lobodina, Z., Demianyshyn, V., Kizyma, T., Lushnei, Y., & Lobodin, R. (2024). Public finance management in the context of countering wartime risks. *Herald of Economics*, 4, 8-28. <https://doi.org/10.35774/visnyk2023.04.008> (In Ukrainian)

<sup>24</sup> State web portal of the budget for citizens 'Open budget' (2023). Retrieved from <https://openbudget.gov.ua>

<sup>25</sup> Budget Code of Ukraine (2023). 3278-IX. Retrieved from <https://zakon.rada.gov.ua/laws/show/2456-17#Text>.

<sup>26</sup> Lobodina, Z. (2018). *Budget mechanism: conceptual foundations and prospects for modernisation*. Ternopil, p. 412. (In Ukrainian)

1. Implementation of medium-term budget plans is associated with strategic planning, which allows for the allocation of public resources considering certain state priorities and the predictability of budgetary policy;

2. Enhance the efficiency of public expenditures and improve the quality of public services through regular audits of state budget expenditures and strengthening the responsibility of the main budget fund manager for rational use to achieve operational objectives;

3. Strengthen control over the assessment of the impact on budgetary resources of new initiatives by executive authorities to ensure budgetary balance and prevent the adoption of financially unjustified decisions;

4. Ensure timely identification of financial risks and implementation of measures to minimise negative impacts on public finances;

5. Improve the quality and efficiency of tax and fee management, as well as strengthen the corporate capacity of corporations in implementing tax and tariff policies;

6. Further support the process of budgetary decentralisation by ensuring a clear distribution of relevant powers and resources and enhancing the financial viability of local authorities;

7. Implement a policy of rational debt management at state and local levels and introduce modern liquidity management models;

8. Ensure further digital development of an effective and transparent financial management system;

9. Improve the expertise and skills of personnel working within the financial system<sup>27</sup>.

As noted above, the process of public finance management and control over their utilisation has its peculiarities during wartime. Under peacetime budgetary legislation, changes in expenditure and revenue volumes required amendments to the relevant normative acts, a process that could take from several days to several months. However, to ensure the functioning of the national economy under martial law, it is necessary to implement a series of extraordinary measures, such as expanding the powers of local authorities, adopting appropriate normative acts, and redistributing public finances according to application priorities.

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<sup>27</sup> On approval of the Strategy for reforming the public finance management system for 2022-2025 and the action plan for its implementation No. 1805-r (2021). Retrieved from <https://zakon.rada.gov.ua/laws/show/1805-2021-p#Text>.



The redistribution of budgetary funds during wartime does not require a parliamentary decision; thus, the Budget Law grants the government the authority to allocate funds at its discretion and direct them towards the most pressing needs. Consequently, based on the necessity for rapid and effective responses to current circumstances, Ukrainian authorities have adopted a series of operational decisions since the war's onset to ensure the proper utilisation of public finances.

In 2022, the Cabinet of Ministers of Ukraine approved Resolution No. 420 "On Amendments to the Procedure for Exercising Powers by the State Treasury Service in a Special Regime under Martial Law". The changes emphasise the priority of general fund expenditures and, during the period of martial law, include:

1. Payment for services of advocates providing free secondary legal aid and reimbursement of their expenses;
2. Payment for services, namely the production and distribution of informational products, as well as services for publishing information in mass media;
3. Procurement of antiseptic and disinfectant substances for water disinfection in centralised drinking water supply and sewerage systems;
4. Organisation, execution, and provision of special flights on civil aircraft with the letters "A" or "K" for top state officials;
5. Procurement of goods for honorary titles and awards;
6. Acquisition of plastic products for packaging waste and personal hygiene items, and payment for medical examinations of drivers and civil and legal liability insurance services in accordance with Ukrainian laws;
7. Payment or reimbursement of funds for obtaining information from foreign databases and registers<sup>28</sup>.

It should be emphasised that the aforementioned resolution alters the procedure for repaying debts on loans provided to cover temporary funding deficits of local budgets (if there is debt on such loans) and repayment of local debt. General funds of local budgets in settlements located in territories where martial law has been introduced are partially

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<sup>28</sup> Resolution No. 420 (2022). On approval of the Procedure for exercising powers by the State Treasury Service in a special regime under martial law. Retrieved from <https://zakon.rada.gov.ua/laws/show/420-2022-%D0%BF#Text>.

allocated for repayment, only 80% of revenues<sup>29</sup>. The issue of taxes for filling the main budget items at national and local levels should be considered separately. Given that Ukrainian businesses are particularly vulnerable during wartime, the state has implemented a series of initiatives to support entrepreneurs, including taxation of entrepreneurs, reducing tax pressure, and simplifying and improving the tax system during martial law. All these tax changes are necessary to support individuals and legal entities during wartime and have a significant impact on the execution of budgets at various levels and the overall situation in Ukraine's financial sector.

On 11 March 2022, in response to the initiated conflict, the Ukrainian government adopted Resolution No. 252, titled "Certain Issues of Formation and Execution of Local Budgets During Martial Law". This resolution outlines the procedures for compiling local budgets and ensuring the uninterrupted functioning of institutions and entities in the budgetary sphere and municipal enterprises. Furthermore, the resolution stipulates that these processes shall be carried out in accordance with the budget law, while taking into account several specific considerations:

1. Local self-government, their executive bodies, local administrations, and military and civil administration bodies continue to exercise their budgetary powers;

2. Executive committees of local councils, local and military administrations manage finances in accordance with martial law requirements;

3. Local authorities ensure the preparation of proposals for the local budget in accordance with the requirements of the Law on the Budget of Ukraine;

4. The State Treasury Service provides cash and payment services for local budgets and reports on their execution through electronic media;

5. State control does not conduct audits of local budget execution until the cancellation of martial law, and ongoing inspections are suspended<sup>30</sup>.

Regarding cash expenditures from the general fund of the State Budget for January-June 2023, the total amount is 1,408.3 billion UAH. In

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<sup>29</sup> Resolution No. 420 (2022). On approval of the Procedure for exercising powers by the State Treasury Service in a special regime under martial law. Retrieved from <https://zakon.rada.gov.ua/laws/show/420-2022-%D0%BF#Text>.

<sup>30</sup> Resolution No. 252 (2022). Some issues of formation and execution of local budgets during martial law. Retrieved from: <https://zakon.rada.gov.ua/laws/show/252-2022-%D0%BF#Text>.

June, expenditures amounted to 265.1 billion UAH. This is evidenced by the monthly reporting data of the Ministry of Finance of Ukraine as of 14 July 2023. From the perspective of expenditure structure, the largest areas are: 569.4 billion UAH (98.7 billion UAH in June) allocated for salary payments with all accruals, which constitutes 40.4% of all expenditures in January-June 2023. Specifically, 441.9 billion UAH (75.5 billion UAH in June) was allocated for military personnel remuneration; 341.1 billion UAH (60.7 billion UAH in June) was spent on payments for goods and services, accounting for 24.2% of total expenditures, of which 230.3 billion UAH was spent on supporting the Armed Forces of Ukraine. This includes procurement of military equipment, weapons, ammunition, defence products, personal protective equipment (helmets, body armour, and other special means), fuel and lubricants, and food; the National Health Service of Ukraine contributed 67.4 billion UAH for the implementation of the public health care programme. Also, 264.3 billion UAH (42.5 billion UAH in June) was allocated for social payments (pensions, benefits, and scholarships), constituting 18.8% of all expenditures, specifically: 135.9 billion UAH transferred to the Pension Fund for pension payments, pension increases, and benefits; 93.3 billion UAH transferred to the Ministry of Social Policy for social protection of children and families, protection of citizens in difficult life situations, and support for low-income families. Finally, 84.4 billion UAH (22.4 billion UAH in June) was transferred to local budgets, which is 6% of the total volume; 116.8 billion UAH (33 billion UAH in June) allocated for public debt repayment, which constitutes 8.3% of the total volume<sup>31</sup>.

Thus, the war has introduced significant adjustments to public finance management, with the situation changing dramatically, resulting in defence expenditures becoming the largest item of state budget expenditures. Specifically, according to the latest data, the deficit of the general and special accounts of the State Budget of Ukraine in February of the current year amounted to approximately 67 billion UAH. This is equivalent to approximately 1.84 billion USD. Overall, this indicator is significantly better than the monthly deficit of 3.1 billion USD envisaged during State Budget planning.

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<sup>31</sup> *Ministry of Finance* (2023). Expenditures of the general fund of the state budget. Retrieved from: [https://www.mof.gov.ua/uk/news/minfin\\_vidatki\\_zagalnogo\\_fondu\\_derzhbiudzhetu\\_u\\_serpni\\_stanovili\\_2484\\_mlrd\\_grn-4195](https://www.mof.gov.ua/uk/news/minfin_vidatki_zagalnogo_fondu_derzhbiudzhetu_u_serpni_stanovili_2484_mlrd_grn-4195).

Naturally, once domestic financial resources are depleted, the sole remaining option is to seek financial assistance from international allies. The press service of the Ministry of Finance reported that, in the period from January to June 2023, Ukraine received international assistance in the form of grants amounting to 269.6 billion UAH. The largest donor country of non-repayable assistance in January-June 2023 was the United States (263 billion UAH). Ukraine also received non-repayable funds from Germany, Spain, Finland, Ireland, Switzerland, Belgium, and Iceland totalling 6.6 billion UAH. These funds were transferred to the State Budget of Ukraine through the World Bank Trust Fund within the framework of the PEACE project<sup>32</sup>.

As Ukraine enters its tenth year of conflict with Russia, it faces the immense task of rebuilding and modernising its economy and state institutions following a complex process of reforms and political changes. A crucial aspect of this is the effective management of public finances, including reconstruction funds. The United Kingdom, for instance, is developing a military risk insurance scheme to persuade companies to participate in Ukraine's restoration. In this manner, it hopes to encourage investment, technology, energy, and defence companies to support the public finances of reconstruction. In June, the United Kingdom hosted a conference on Ukraine's reconstruction, aiming to secure support from world leaders and politicians regarding proposals for financing the rebuilding efforts. Discussions between the UK and its Ukrainian allies prior to the conference focused on ways to encourage investments through public funding of war risk insurance. According to agency sources, the UK aims to attract both private investments and public funds for restoration. Japan also seeks to play a significant role in financing and reconstruction, drawing on its experience following natural disasters<sup>33</sup>.

Under martial law conditions, the state cautiously and prudently expends funds from national and local budgets. Defence expenditures are prioritised, whilst expenditures that could be directed towards capital construction and development are reduced and allocated to reserves. Funding for development expenditures is also suspended, and financing for

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<sup>32</sup> <sup>32</sup> *Ministry of Finance* (2023). Ukraine received international assistance in the form of grants in the first half of the year. Retrieved from: <https://minfin.com.ua/ua/2023/07/04/108416230/>.

<sup>33</sup> Bloomberg (2023). Britain is developing a war risk insurance scheme to attract private business to the reconstruction of Ukraine. Retrieved from <https://www.bloomberg.com/subscriptions/-what-you-get/>.

current and protective expenditures (civil servants' salaries, utility payments, procurement of energy resources and medicines, repayment of state and local debt) is sharply restricted. This means that funds are directed towards defence, pension payments, salaries for public sector employees, and state debt repayment.

Given the current situation, to further finance budgetary expenditures under martial law conditions, attention must be paid to the following areas. Firstly, the government needs to continue emphasising domestic borrowing through the issuance of domestic government bonds (DGB) as war bonds. Through this instrument, 1.6 billion UAH was raised in August 2023, providing substantial support to the domestic economy and armed forces. In principle, war bonds have the same structure as ordinary government bonds that Ukrainians could purchase before the full-scale invasion. In practice, they represent promissory notes. Investors purchase bonds, and the state promises to return the money and pay interest within a certain period.

Bonds are issued for terms ranging from three months to two years. This means that the money invested in a bond will be returned upon the expiration of this term. Interest on short-term bonds is paid along with the repayment of the principal amount, whilst for long-term bonds, it is paid every six months. The yield on government bonds ranges from 10% to 16% per annum. The same principles apply as with deposits. The longer the term of the government bond, the higher the interest rate. The price of government bonds starts from 900 UAH. Government bonds are distinguished by their redemption period of up to 18 months, interest rates from 11% to 16% per annum, and names originate from temporarily occupied cities or territories<sup>34</sup>.

Secondly, to finance a significant portion of government expenditures, the government must rely on foreign aid in the form of grants and external borrowing. Thirdly, due to insufficient assistance from international partners and the prolonged operational phase of the war, the government must, under difficult conditions, make undesirable but necessary decisions on how to finance the state budget through the National Bank of Ukraine. This direction for further financing of budgetary expenditures under

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<sup>34</sup> Verkhovna Rada of Ukraine (2022). On amendments to the Tax Code of Ukraine and other legislative acts of Ukraine regarding the peculiarities of taxation and reporting during martial law: Law of Ukraine No. 2118-IX. Retrieved from <http://www.economy.nayka.com.ua/?op=1&z=10271>.

martial law conditions is highly risky, as the NBU will be forced to purchase government bonds, and such an increase may cause a serious inflationary explosion in Ukrainian society, ultimately undermining the economy. Therefore, it is evident that this instrument is demanding and should be used with extreme caution.

Thus, one of the most pressing tasks facing Ukraine's public finances today is finding ways to maximise budget revenues at all levels. In particular, state authorities and local communities must stimulate small and medium-sized businesses to return to work, pay taxes, and fulfil budgets according to their powers and capabilities. It should also be emphasised that Ukraine is obligated to repay its external debt, which greatly complicates the situation during wartime and may lead to default in case of payment delays. Therefore, measures to control the use of public finances should be based on a balance between internal expenditures and the cost of external borrowing.

In this context, Ukraine's debt image in the international arena plays a crucial role. This is because timely debt repayment allows Ukraine to rely on the fulfilment of obligations by foreign partners and the allocation of grants and financial assistance for the development of the Ukrainian state in the post-war period. However, it is worth noting that despite the continuation of military actions, in January-June of the current year, state debt repayment amounted to 246.1 billion UAH (96.6% of the planned amount), whilst servicing payments amounted to 116.8 billion UAH (89.2% of the planned amount)<sup>35</sup>.

This tendency must continue, as deviating from debt obligations is a path to default. Simultaneously, it should be acknowledged that improving Ukraine's credit rating is a primary priority for the government. This will allow Ukraine to access cheaper loans and reduce future debt servicing costs.

The matter of taxation, crucial for funding key budget categories at both national and local levels, warrants distinct consideration. Given that jobs in Ukraine were particularly vulnerable during the war, the state should simplify and improve the tax system, especially for the period of martial law, related to the taxation of entrepreneurs:

1. An entrepreneur, under martial law conditions, who cannot pay

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<sup>35</sup> Resolution No. 252 (2022). Some issues of formation and execution of local budgets during martial law. Retrieved from: <https://zakon.rada.gov.ua/laws/show/252-2022-%D0%BF#Text>.

taxes and fees on time, submit reports and register accounts for taxes and excise duties, does not bear financial or administrative responsibility, but after the end of martial law, the entrepreneur must fulfil these obligations within 3 months;

2. Tax audits of activities do not commence during the period of martial law, and initiated audits must be suspended;

3. Operations providing charitable assistance to the Armed Forces of Ukraine, territorial defence, civil protection forces, hospitals, and reimbursement of fuel costs spent on transporting such assistance are not taxed;

4. Regarding individuals, those who made charitable donations during 2022 are entitled to tax deductions in the amount of expenses not exceeding 16% of the total annual taxable income. Furthermore, the provision of charitable assistance to persons residing in areas of military action or relocating due to them is not included in the annual taxable income of individuals<sup>36</sup>.

All these tax changes, necessary to support individuals and legal entities during the war, have significantly impacted budget execution at various levels and the overall situation in Ukraine's public finance sphere. Thus, it should be noted that in the context of war, filling both local and national budgets becomes problematic. Loss of land, collapse of enterprises, and physical destruction have made it impossible to cover the revenue side of the budget. If before the war, the level of achieving planned revenue indicators was almost 107%, in 2023, due to insufficient coverage of the revenue side and allocation of funds for military needs, the state budget expenditure plan was executed only at 65%. However, rapid reallocation of resources to priority expenditures, support from international partners, and adherence to budgetary discipline allowed the prevention of a budgetary crisis during the war period in public finances at both central and local levels<sup>37</sup>.

In other words, the Russian military invasion has placed the Ukrainian state in a difficult situation, severely affecting the budgetary sector. The

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<sup>36</sup> Verkhovna Rada of Ukraine (2022). On amendments to the Tax Code of Ukraine and other legislative acts of Ukraine regarding the peculiarities of taxation and reporting during martial law: Law of Ukraine No. 2118-IX. Retrieved from <http://www.economy.nayka.com.ua/?op=1&z=10271>.

<sup>37</sup> Uliutin, D. (2024). *The public finance management system has demonstrated its resilience even in wartime conditions*. Retrieved from <https://www.kmu.gov.ua/news/systema-upravlinnia-derzhavnymy-finansamy-prodemonstruvava-svoiu-stiikist-navit-v-umovakh-viiny-denys-uliutin>.

redistribution of financial resources has changed significantly, priority budget expenditure items have shifted, and revenues to budgets at various levels have sharply decreased. The pre-war budget was executed according to plan, and at the beginning of 2022, a budget surplus was observed; however, in March of the same year, the unplanned budget deficit increased sharply. Consequently, the vector of attracting financial resources has changed, dominated by external borrowing. Given the strengthening of international financial support for Ukraine and the prospects for deepening cooperation between the Ukrainian state and its foreign partners, it is crucial to maintain a positive debt image. Therefore, the complex situation in which Ukrainian society finds itself requires decisive, rapid, and economically justified decisions from the state and local authorities to ensure effective distribution and redistribution of public finances.

Conclusions. This study has investigated the unique characteristics of public finance management and current trends in controlling their use during the period of martial law. The research has highlighted the significant impact these factors have on the state's capacity to effectively carry out its functions. Furthermore, it has demonstrated how these aspects influence the state's ability to stimulate economic growth and achieve societal welfare objectives.

It has been determined that the modernisation of the public finance system and the implementation of new management models are based on the adoption of best practices used in the market sector, i.e., private business, and the development of the state apparatus in the economy. Key principles of new models in public finance management have been identified. These include the restructuring of state power and decentralisation of authority, privatisation and reduction of the public sector's economic share, and programming of state economic policy for regulating institutions and differentiating economic functions. Additionally, these models emphasise personal responsibility of state structure heads for performance results, flexibility in civil servant conditions and remuneration, implementation of business practices in financial resource management, and orientation of state goods and services towards consumer needs. The interpretation of the concept of 'public finances' has evolved, taking into account various scholarly approaches and current realities. This evolution reflects changes in the



functions and tasks of the state at local and public levels, which involve the use of financial relations by state authorities and local self-government bodies to execute their functions in accordance with existing societal conditions and scientific hypotheses about the state's role.

A scientific approach has been developed to reveal the essence of the concepts 'public finance management' and 'adaptive public finance management', which characterise the components of public finance management as a system and process. In conditions of war and economic crisis, the issue of applying adaptive financial management to ensure financial stability is particularly important in terms of countering wartime risks and increasing the efficiency of public financial resource utilisation. To this end, programme-object budgeting is used at state and local levels in the budget process, and other measures are implemented in accordance with the Strategy for Reforming the Financial Management System for 2022-2025.

Moreover, the conceptual framework for improving public finance management has been outlined in this study. Emphasis has been placed on the necessity of reviewing strategic priorities for socio-economic development to ensure sustainable and comprehensive growth in Ukraine. Additionally, recommendations have been proposed for enhancing the level of financial security, specifically taking into account the current wartime conditions.

The Organisation for Economic Co-operation and Development has put forth recommendations for effective budgeting principles, while Sigma has proposed principles for public finance management. These principles collectively serve as a foundation for establishing robust institutions and modern administrative systems, which are not only suitable for EU integration but also instrumental in modernising administrative systems in accordance with international standards and best practices.

It has been ascertained that the war has introduced significant adjustments to public finance management, with the situation changing dramatically, resulting in defence expenditures becoming the largest item of state budget expenditures. This includes the procurement of military equipment, weapons, ammunition, defence products, personal protective equipment (helmets, body armour, and other special means), fuel and lubricants, and food supplies.

The role of Ukraine's debt image in the international arena has been

analysed, and it has been established that timely debt repayment allows Ukraine to rely on the fulfilment of obligations by foreign partners and the allocation of grants and financial assistance for the development of the Ukrainian state. This trend must continue, as deviating from debt obligations is a path to default. Simultaneously, it should be acknowledged that improving Ukraine's credit rating is a primary priority for the government. This will allow Ukraine to access cheaper loans and reduce future debt servicing costs.

The renewal of the practice of adopting a three-year Budget Declaration and considering the budgetary policy objectives defined therein when formulating proposals for the state budget and local budget forecasts has been proposed. Additionally, ensuring the expenditure of public financial resources in accordance with state policy priorities through optimisation of the budget programme has been suggested, as well as the need to improve the effectiveness indicators of the budget programme and the methodology for evaluating the effectiveness of the budget programme, which is carried out by the main budget fund managers.

Finally, the research has uncovered that external threats, internal structural changes, and escalating destructive processes have led to the deterioration of the national economy. This economic decline has been found to have adverse effects on the operation of the financial system, with public finances - a crucial element of this systemkov - being particularly impacted. In further scientific research, it is desirable to focus attention on demonstrating the latest paradigm of public finance management in the context of Ukraine's post-war recovery.

## ***2.2. State financial support as a component of the construction and development of the country***<sup>1</sup>

*<https://doi.org/10.36228/PASD24/2/2>*

The United Nations (UN) General Assembly established the UN Commission on Sustainable Development, which in 1996 developed and published sustainable development indicators. The new concept of sustainable development systematically combined the three main components of society's development: economic, ecological and social. The concept of sustainable development has formed a new paradigm for defining the constituent elements, especially the environmental and social components.

Since 2000, the international community has been working hard to implement the Sustainable Development Strategy at the global level. In the Millennium Declaration of the United Nations, approved in New York at the Millennium Summit by 189 countries and 28 UN members, attention is directed to improving the quality of life of the population as a whole on planet Earth and preserving the environment around the world. First of all, it is planned to focus efforts on developing economies and on the most problematic areas at the time (overcoming poverty; ensuring quality education throughout life; ensuring gender equality; reducing infant mortality; improving maternal health; limiting the spread of HIV infection / AIDS, malaria and other diseases; sustainable development of the environment; global partnership for development), which were outlined in the so-called Millennium Development Goals<sup>2</sup>. Ukraine also took an active part in the implementation of this program to achieve the goals, which made a significant contribution to the implementation of the global strategy of sustainable development for most of the development goals. Some tasks remained unresolved, in particular: the situation with gender equality has hardly changed for the better; the indicator of the share of the rural population that has access to centralized water supply did not undergo positive changes; failed to overcome poverty. The last indicator has even significantly worsened compared to previous years as a result of the complication of the political and financial and economic situation, a

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<sup>2</sup> United Nations Millennium Declaration, 2000, p.51. Retrieved from [http://www.un.org/ru/documents/decl\\_conv/declarations/summitdecl.shtml](http://www.un.org/ru/documents/decl_conv/declarations/summitdecl.shtml) (accessed on 05/27/2024).

sharp and significant weakening of the national currency rate, a decrease in population employment, etc<sup>3</sup>.

The new global strategy "Transforming our world: an agenda for sustainable development until 2030"<sup>4</sup>, which was approved in September 2015 in New York at the United Nations Summit, became a document that set new guidelines for human development. Nations The main task of the goals of sustainable development was defined as "...the transformation of the world in order to meet human needs and requirements for economic transformation and at the same time aimed at protecting the natural environment, ensuring peace and realizing human rights"<sup>5</sup>.

Since modern development covers a large number of complex and difficult to implement issues, they require the introduction of serious mechanisms for their achievement. With this in mind, when forming new sustainable development goals, special attention is paid to their implementation mechanisms (financial, institutional, legal, etc.)<sup>6</sup>.

A necessary condition for the successful implementation of long-term national strategies for sustainable development and strategies for sustainable development of cities is the creation of an appropriate system of financial support. With this in mind, the development of state financial regulation is constantly in the area of attention of scientists and practitioners who investigate various aspects of attracting financing for sustainable development in the context of achieving the goals of sustainable development. Note that almost all development goals require the creation or modernization of economic and social infrastructure. In this situation, it is very important to prioritize investment projects that are important for the infrastructural development of the territory, and to determine the sources and mechanisms of their financing. There are

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<sup>3</sup> Millennium Development Goals. Ukraine: 2000–2015. Retrieved from <http://www.idss.org.ua/monografii/2015%20MDG%20Ukr%20Report%20DRAFT.pdf> (access date: 05/27/2024 )

<sup>4</sup> Lukyanenko, I.H., Vit, D., Primeryova, O.K. et al. (2017). Systemic analysis of state policy formation in conditions of macroeconomic destabilization. Kyiv, NaUKMA Retrieved from <http://ekmair.ukma.edu.ua/handle/123456789/12348> (date of application: 05/27/2024)

<sup>5</sup> Skrypnychenko, M.I., Korablin, S.O., Zhalilo, Y.A. et al. (2018). Factors and trends of economic growth in Ukraine: quantity. Kyiv: State University "Institute of Economics and Forecasting of the National Academy of Sciences of Ukraine" 386 p.

<sup>6</sup> Maryanovych, M.E. (2016). Target indicators of sustainable development strategies (P. 48–49). In: Development of the economy in conditions of macroeconomic instability: global and Ukrainian practice: materials of the International . science and practice conf . (Kyiv, January 27, 2016) Kyiv, NaUKMA.

several main sources of financing infrastructure projects : at the expense of capital expenditures of state and local budgets, at the expense of borrowing from international financial organizations under state or municipal guarantees; with the funds of private investors under the terms of public-private partnership<sup>7</sup>.

The impossibility of ensuring the creation (modernization) of infrastructure critical to achieving the goals of sustainable development only at the expense of budget funds and official assistance for development purposes (given the fact that the annual needs to achieve this goal reach hundreds of billions of dollars) indicates the importance of involving the private sector in this process business: its financial resources, competencies, institutional capacity. This circumstance is taken into account when defining the tasks of goal 17 "Global partnership for development".

The national report within the framework of the implementation of goal 17 provides for the following tasks<sup>8</sup>:

- 1) mobilize additional financial resources on the basis of encouraging investments by foreign and domestic investors;
- 2) consistently reduce the debt burden on the economy;
- 3) to develop partnership relations between government and business to achieve the goals of sustainable development.

Indicators of the above-mentioned goal are defined as: the number of public-private partnership projects ; the ratio of gross external debt to the export of goods and services in annual terms; net inflow of foreign direct investment; the ratio of the volume of private remittances from abroad to GDP. In particular, by 2030, it is planned to increase the ratio of the volume of private remittances from abroad to GDP (GDP) from 5.75% to 6% and the net inflow of foreign direct investment (according to the balance of payments) by almost 6 times. It is also envisaged to reduce the debt burden on the economy by 4 times and increase the number of public-private partnership projects by 9 times from 5 in 2015 to 45 in 2032. But Russian aggression in 2022 interfered with these plans.

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<sup>7</sup> Maryanovych, M.E. (2020). State financial support for sustainable development of Ukraine. Dissertation for obtaining the scientific degree of candidate of economic sciences, specialty 08.00.08 - money, finance and credit. National University "Kyiv-Mohyla Academy". Kyiv National University of Trade and Economics. Kyiv, 2020. P.31

<sup>8</sup> National report "Sustainable Development Goals: Ukraine". 2017. Retrieved from [http://www.un.org.ua/images/SDGs\\_NationalReportUA\\_Web\\_1.pdf](http://www.un.org.ua/images/SDGs_NationalReportUA_Web_1.pdf) (access date: 05/24/2024).

Most of the indicators are subject to quantitative measurement, and therefore require sufficient capabilities of the national statistical system, however, as stated in the National Report, "the analysis of the information base available in Ukraine for monitoring global indicators of achieving the goals of sustainable development shows that currently the state statistics authorities collect information on 96 indicators. At the same time, information is collected and developed: according to 52 indicators – in full compliance with existing international standards; according to 44 indicators - in incomplete (partial) compliance with existing international standards"<sup>9</sup>. Another 35 indicators are not subject to quantitative measurement. And other indicators remain uncertain and require further clarifications and consultations. Achieving the set tasks is complicated by the lack of an information base; methodologies and methods of calculating a number of indicators; imperfection of legislation.

At the same time, targeted studies on the question of to what extent the indicators determined by Ukraine correspond to those approved by the UN were not conducted. The National Report also does not define the system and procedure for monitoring the achievement of these indicators, which significantly weakens the effectiveness of the implementation of this document. It should also be noted that the body responsible for achieving the goals of sustainable development in Ukraine is the Ministry of Economic Development, Trade and Agriculture of Ukraine (Ministry of Economic Development). In this ministry, the relevant department takes care of the issues of sustainable development goals. This does not make it possible to properly coordinate the implementation of activities in the field of achieving goals. The Ministry's ability to control and monitor the situation in this area is limited. The national parliament - Verkhovna Rada of Ukraine, as well as control and audit bodies, for example, such as the Accounting Chamber of Ukraine, are not involved in this process. The government, as well as the ministry responsible for achieving the goals of sustainable development, are not obliged to report to them on the fulfillment of the tasks set within the framework of the national goals and on the financial resources spent on the relevant goals.

This state of affairs with the institutional structure of managing the achievement of sustainable development goals in Ukraine is largely due to

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<sup>9</sup> National report "Sustainable Development Goals: Ukraine". 2017. Retrieved from [http://www.un.org.ua/images/SDGs\\_NationalReportUA\\_Web\\_1.pdf](http://www.un.org.ua/images/SDGs_NationalReportUA_Web_1.pdf) (access date: 05/24/2024).

the uncertainty of the legal nature of such a document as the National Report "Sustainable Development Goals: Ukraine". A document that is not approved by law or acts of the Cabinet of Ministers of Ukraine (CMU). For all state and local authorities, it has a purely advisory nature, in fact, it is almost not taken into account in the program and strategic documents approved at the sectoral or local level. Moreover, not all authorities, especially on the ground, even know about the existence of this document<sup>10</sup>.

Under these conditions, it is difficult to ensure the achievement of national indicators of achieving the goals of sustainable development within the time frames established by the UN, as well as to actively involve the State Statistics Service (State Statistics Service) in this process. The State Statistics Service and the Ministry of Economic Development developed the first Monitoring Report "Sustainable Development Goals - Ukraine. 2019" (Monitoring Report)<sup>11</sup>, which highlights information on national indicators for 17 goals. Thus, the process of monitoring the implementation of Ukraine's sustainable development goals was started.

It is important to ensure the development of sustainable development strategies at the regional or city level in accordance with sustainable development goal 11 "Sustainable development of cities and communities". Among the tasks of this goal, in particular, are defined: ensuring the development and implementation of local development strategies, housing affordability, preservation of cultural and natural heritage, reduction of the negative impact of pollutants.

In the pre-war period, Ukrainian cities actively worked in the direction of developing strategies for building smart cities and implementing the measures envisaged by them. The creation of a smart city begins with planning, the main component of which is the definition of goals and directions for their implementation. Therefore, a necessary prerequisite for the creation of a smart city is the development of a sustainable development strategy and indicators for assessing the tasks set.

Ukraine already had some experience in the implementation of smart city strategies, which was generally based on the approaches introduced

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<sup>10</sup> Maryanovych, M.E. (2019). National indicators of achieving the Sustainable Development Goals and their role in the UN agenda until 2030 (P. 137). *Innovative economy*, 5-6. P. 133-138.

<sup>11</sup> Goals of sustainable development. Ukraine (2019). Monitoring report. Retrieved from [http://www.ukrstat.gov.ua/menu/st\\_rozv/publ/SDGsMonitoringReport\\_v08\\_24.09.2019.pdf](http://www.ukrstat.gov.ua/menu/st_rozv/publ/SDGsMonitoringReport_v08_24.09.2019.pdf) (access date: 19.06.2024).

by the UN for the purpose of transforming cities into steel and smart ones. Among the big cities that actively worked in this direction were: Kyiv, Kharkiv, Vinnytsia, Ternopil. These cities have achieved some success in building a smart sustainable city and can already share their experience of implementing successful innovative solutions that make the lives of residents safe and comfortable, and city management processes open and transparent. Kyiv became the first city in Ukraine, which began the wide implementation of so-called "smart" technologies, and which is actively creating urban digital infrastructure. The creation of smart infrastructure in Kyiv began in 2015<sup>12</sup>.

Kharkiv took the leadership positions of the pre-war period in the field of digital development. In 2018, at the forum "Kyiv Smart City Forum 2018" the city of Kharkiv was recognized as the leader in the nomination "The best innovative city"<sup>13</sup>. Innovative solutions were implemented in such spheres of life of the city as:

- transport infrastructure (innovative rail laying system, transport arrival board, e-ticket in public transport, contactless electric vehicle authorization system, smart traffic light);

- ecology (waste processing plant for waste sorting and processing, improvement of the sludge management system at the city's treatment facilities);

- public administration (e-government, portal of electronic services of administrative services), etc.<sup>14</sup>

Also, such regions as: Ivano-Frankivsk<sup>15</sup>, Odesa<sup>16</sup>, Lviv<sup>17</sup>, Kharkiv<sup>18</sup>.

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<sup>12</sup> Kyiv Smart City Hub. Retrieved from <https://www.kyivsmartcity.com/projects/> (access date: 10.06.2024).

<sup>13</sup> Within Kyiv Smart City Forum 2018 saw the awarding of the best projects of Ukrainian cities. Retrieved from <https://www.kyivsmartcity.com/news/forum-rewarding/> (access date: 05/19/2024).

<sup>14</sup> Official website of the Kharkiv City Council. Retrieved from <https://www.city.kharkov.ua/uk/> (access date: 06/15/2024).

<sup>15</sup> Plan of measures to implement the Development Strategy of the Ivano-Frankivsk Region for 2021-2023. Retrieved from <https://orada.if.ua/decision/1381-34/> (access date: 05/25/2024); Development strategy of the Ivano-Frankivsk region for 2021-2027. Retrieved from <https://new.dfrf.minregion.gov.ua/storage/app/sites/2/uploadedfiles/Ivano-FrankivskOblasDevelopmentStrategyfor2021-2027.pdf> (access date: 05/25/2024).

<sup>16</sup> Plan of measures for the implementation in 2021-2023 of the Odesa Oblast Development Strategy for the period 2021-2027. Retrieved from <https://oda.odessa.gov.ua/en/social-economic/strategy21-27> (access date: 05/25/2024); Development strategy of the Odesa region for the period 2021-2027. Retrieved from <https://oda.odessa.gov.ua/en/social-economic/strategy21-27> (access date: 05/25/2024).



In 2020, the "Green City" Action Plan for Lviv was presented at a session of the Lviv City Council<sup>19</sup>. This plan was prepared by the city with the assistance of the EBRD as part of the "Green Cities" program<sup>20</sup>. It contained detailed indicators of its implementation; a list of investment projects related to the development of infrastructure favorable for improving the environment, which were mainly financed by loans from the European Bank for Reconstruction and Development; as well as the mechanism of monitoring and control of the implementation of this strategic document, including by the public, was prescribed in detail. This document could serve as an example for other cities in developing their strategies, in particular those that have expressed their interest in participating in the European Bank for Reconstruction and Development (EBRD) "Green Cities" program (Kyiv, Mariupol, Kryvyi Rih, Khmelnytskyi).

Considering the limited potential of the state and local budgets of Ukraine and the relatively small amounts of capital expenditures included in their composition, the introduction of prioritization is extremely urgent projects financed from budget funds.

In the current conditions of war, Ukraine cannot join the process of reporting on issues of sustainable development in the context of achieving the goals as required by the UN. The situation is complicated by the fact that the last population census was conducted in Ukraine back in 2000, that is, almost 25 years ago. Under such conditions, especially taking into account the processes of internal and external migration of Ukrainians from 2013 to the present, as well as the situation with Crimea and Donbas. Even in the case of ensuring compliance of national indicators with those approved by the UN, it will be impossible to provide reliable information on this issue.

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<sup>17</sup> Plan of measures for the implementation in 2021-2023 of the Development Strategy of the Lviv region for the period 2021-2027. Retrieved from [https://loda.gov.ua/upload/-users\\_files/22/upload/Plan%20zahodiv%202021-2023\\_NEW.pdf](https://loda.gov.ua/upload/-users_files/22/upload/Plan%20zahodiv%202021-2023_NEW.pdf) (access date: 05/25/2024); Development strategy of the Lviv region for the period 2021-2027. Retrieved from [https://loda.gov.ua/upload/users\\_files/22/upload/948\\_Strategija.pdf](https://loda.gov.ua/upload/users_files/22/upload/948_Strategija.pdf) (access date: 25.05.2024)

<sup>18</sup> Plan of measures for its implementation of the Development Strategy of the Kharkiv Region for 2021-2023. Retrieved from <http://strategy.kharkiv.ua/27-02.html> (access date: 05/25/2024); Development strategy of the Kharkiv region for 2021-2027. Retrieved from <http://strategy.kharkiv.ua/27-02.html> (access date: 05/25/2024).

<sup>19</sup> At the session of the Lviv City Council, the "Green City" Action Plan for Lviv was presented. Retrieved from <https://city-adm.lviv.ua/news/science-and-health/ecology/276127-na-sesii-lvivskoi-miskoi-rady-prezentuvaly-plan-zakhodiv-zelenoho-mista-dlia-lvova> (access date: 25.05.2024).

<sup>20</sup> Green cities - 2. Retrieved from <https://50440r.pdf> (access date: 05/17/2024).

The importance of involving private business to achieve the goals of sustainable development as part of the implementation of projects for the creation (modernization) of infrastructure critical to the achievement of development goals under the conditions of public-private partnership was announced at the United Nations Summit, where the goals of sustainable development were adopted.

public-private partnership projects in the world; different mechanisms of their financing have been worked out, depending on the economic situation in the countries and the state of their infrastructure sphere. This mechanism is actively developing even now due to the need to stimulate private business to participate in projects aimed at achieving goals. Recently, the European Economic Commission of the UN has developed a new model of public-private partnership - "Public-private partnerships aimed at people" ( People First PPPs ), the purpose of which is to stimulate business to invest in socially significant projects , the result of which is the improvement of the environment and the quality of life of people. The application of this model requires increased attention to the analysis of the long-term obligations of the state in terms of ensuring the possibility of providing for such projects the application of availability fees (fees for operational readiness), as well as a high professional level of civil servants and the availability of mechanisms for monitoring fiscal risks in public-private projects partnerships

In the post-war period, to ensure sustainable economic development of territories (countries, regions, cities) on the basis of sustainable development goals, the state should plan and implement the following measures: define national development goals; develop a long-term sustainable development strategy, the target indicators of which correspond to national goals; to implement an effective system for monitoring the achievement of these target indicators; ensure the prioritization of infrastructure projects planned for implementation with the use of state budget funds, borrowings from international financial organizations under state guarantees and under the conditions of public-private partnership; promote the involvement of society in the process of planning and implementation of sustainable development strategies at the state and city level.

One of the important tools and one that needs serious attention is financial mechanisms for ensuring sustainable development. Taking into

account the complexity and complexity of the tasks to achieve the goals of sustainable development, states should apply a systematic approach to financing infrastructure projects and introduce incentive mechanisms aimed at increasing the efficiency of the use of budget funds and funds received by the country as part of international technical assistance for development purposes, as well as to create favorable conditions for the involvement of private business on the basis of public-private partnership to solve relevant tasks.

The implementation of sustainable development strategies requires the effective use of all mechanisms available in one or another country. This will also apply to Ukraine after the war.

The main sources of funding for infrastructure development projects are: energy (construction of high-voltage overhead lines, reconstruction of main gas pipelines); transport (construction of roads, metro); communal (modernization of heat and water supply and drainage systems) in our country today can be:

- capital expenditures of state and local budgets;
- funds raised by the state from international financial organizations, foreign states and banks;
- private business funds raised under the terms of a public-private partnership.

International financial organizations use various forms of cooperation in their relations with Ukraine, in particular, they provide technical assistance and credit funds, which are involved for the implementation of various projects . The terms of granting loans from international financial organizations, namely the interest rate, repayment term, and grace period are determined by cooperation programs between Ukraine and these international financial organizations. At the same time, such conditions are, in many respects, much better than loans obtained from other sources.

The main task when receiving and using loans from international organizations is to ensure the national interests of the country as a borrower as much as possible, taking into account the interests of lenders, defending state-building interests through the appropriate strategy and tactics of the country's government and business circles. When attracting funds from international financial organizations Ukraine should take into account not only the commercial side of obtaining income to repay the

loan, but also the social significance of the projects financed with these funds.

Today, the main and largest international creditors financing infrastructure projects in Ukraine are the International Bank for Reconstruction and Development (IBRD), the European Bank for Reconstruction and Development, and the European Investment Bank.

Public-private partnership is an instrument of state economic, in particular, budgetary, policy and is increasingly used by developed countries for the construction and conversion of infrastructure facilities. In addition, "public-private partnership is defined as a rather important element of critical infrastructure protection and should become a mutually beneficial factor that will contribute to mutual integration processes"<sup>21</sup>.

Having analyzed the foreign experience of implementing projects under the conditions of public-private partnership, the following signs of public-private partnership were determined: implementation of large-scale, national or international, socially significant projects ; interaction between the state and private business, primarily in infrastructure sectors; exclusive coordination of the interests of public and private partners for the purpose of mutual benefit, fair distribution between public and private partners of risks associated with the execution of contracts, creation of public-private partnership centers<sup>22</sup>.

Public-private partnership allows integrating business models into the public sphere, as well as offering solutions to the most acute problems of public policy. Interest in such partnerships is observed in most countries of the world, it is due to the need to implement long-term investment projects in various social and economic spheres, which require large expenditures of budget funds<sup>23</sup>.

public-private partnership projects in the world ; various financing mechanisms for such projects have been developed depending on the economic situation in the countries and the infrastructure sphere<sup>24</sup>.

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<sup>21</sup> Yermenchuk, O.P. (2018). *Basic approaches to the organization of critical infrastructure protection in European countries: experience for Ukraine*. Dnipro: DDUVS, p. 148. (In Ukrainian)

<sup>22</sup> Slobodyaniuk, N.O. (2018). Foreign experience of strategic public-private partnership in the investment sphere (p.53). *Investments: practice and experience*. 13, 49-53.

<sup>23</sup> Vovk, S.M. (2019). Mechanisms of state management of systemic changes in the field of health care: thesis . for obtaining sciences. degree of doctor of sciences control : 25.00.02. Mariupol, 492 p, p.323.

<sup>24</sup> Mazalova, A.O. (2018). Public-private partnership: place in the system of relations between the state and business (p.47). *Problems of legality*. 143, 108–117.

Existing experience is a good basis for analysis and borrowing. The practice of using public-private partnership in individual countries shows that this mechanism is used where the state and business have complementary interests, but at the same time are unable to act completely independently and independently of each other<sup>25</sup>.

After the end of the war, Ukraine will need significant financial resources to restore and modernize the infrastructure that was destroyed as a result of the military actions of Russian aggression. The state budget, the funds of international financial organizations or international aid will not be able to cover the needs of our country in financial resources for the development of its infrastructure. Under such conditions, public-private partnership could become an effective financial mechanism for accelerating infrastructural development.

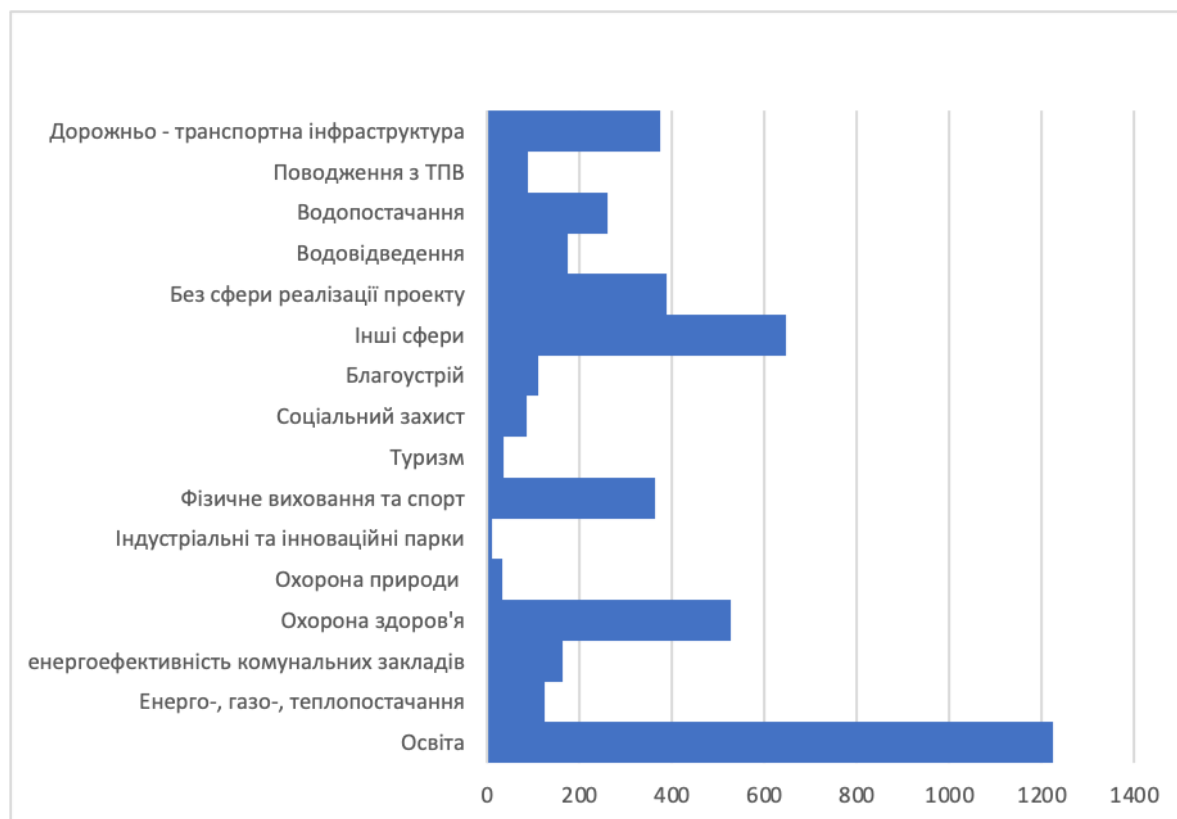
Also, the involvement of international financial organizations in public-private partnership projects will reduce political risk and increase the rating of projects, which will contribute to attracting investments on more favorable terms. At the same time, the preparation of public-private partnership projects will require painstaking work, close cooperation of the private and public sectors, a high-quality legislative basis, a stable economic situation, high qualifications of the public authorities, and a full understanding of the project implementation procedure by all participants in the process. For Ukraine, it will also become an effective mechanism of state support.

Thus, the main sources of funding for energy development projects (construction of high-voltage overhead lines, reconstruction of main gas pipelines); transport (construction of roads, metro); communal (modernization of heat and water supply and drainage systems) infrastructure in Ukraine, in the post-war period, may become: capital expenditures; special budget funds of targeted direction, such as the State Fund for Regional Development, the State Road Fund, the State Fund for the Development of Water Management; funds raised by the state from international financial organizations, foreign states and banks. In addition, the legislation already provides for the financing of infrastructure projects at the expense of funds raised under the terms of public-private partnership.

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<sup>25</sup> Olentsevich, N.V., Kovaleva, O.V. (2021). Public-private partnership in developed countries of the world: experience for Ukraine (p.141). *Economic analysis*, 15(1), 134–143.

Evaluating the priority of providing state support for the development of territories (which was carried out before the war) at the expense of the State Fund for Regional Development, based on the number of financed projects, the current situation is given in fig. 1.



**Figure 1 - Distribution of the number of projects financed in Ukraine at the expense of the State Fund for Regional Development in the pre-war period**

The largest number of projects was implemented in the field of education, which is classified as "Without the scope of project implementation". This is followed by projects in the field of road and transport infrastructure, health care, water supply, physical education and sports.

The cost of the State Regional Development Fund was not fully spent: against the planned 7.17 billion hryvnias. in fact, 5.486 billion hryvnias were spent, that is, only 76.5% of what was provided for in the State Budget (table 1).

**Table 1 – The use of funds of the state regional development fund  
in the pre-war period**

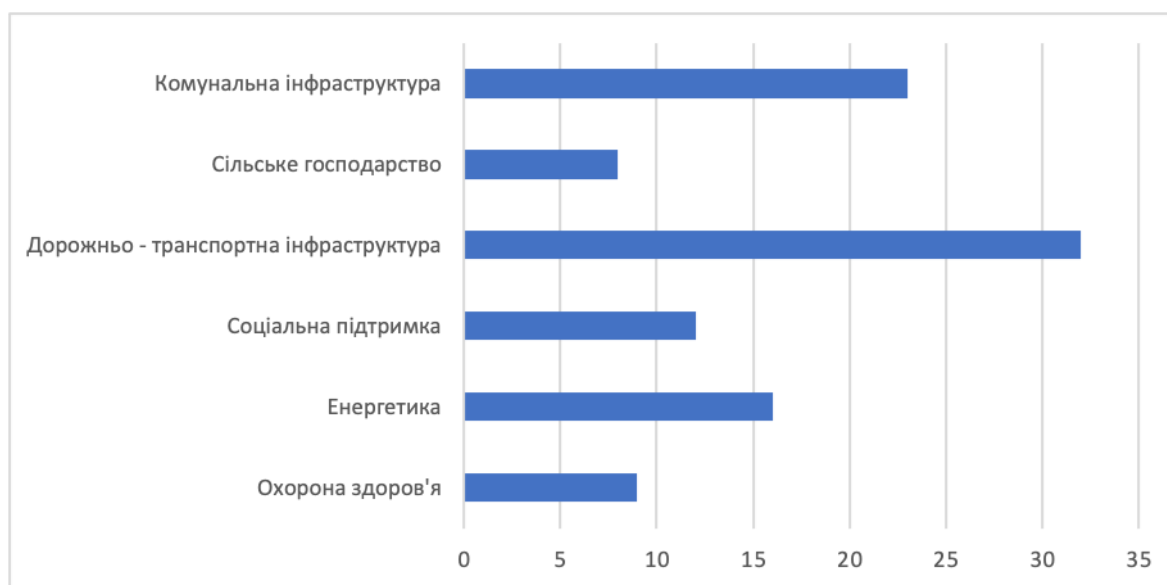
Name of the region	Thousand hryvnias	
	Plan	Fact
Vinnitsia region	212502517.00	187842230.24
Volyn region	220224758.00	175806818.89
Dnipropetrovsk region	43657857.00	314171549.23
Donetsk region	754595294.00	519187162.61
Zhytomyr Region	259817150.00	214109538.88
Transcarpathian region	267167884.00	234151030.70
Zaporozhye region	232303710.00	149377973.41
Ivano-Frankivsk Region	292019491.00	275625871.77
Kyiv region	235553018.00	152328613.56
Kirovohrad region	128829754.00	115535629.46
Luhansk region	453751202.00	371299739.67
Lviv region	343042938.00	326467034.02
Mykolayiv region	153993214.00	104577321.16
Odesa region	323563352.00	188850947.52
Poltava region	190687942.00	107221461.44
Rivne region	246146142.00	235694691.10
Sumy region	230262475.00	167289907.02
Ternopilsk region	222475031.00	212248014.08
Kharkiv region	339714634.00	277476009.13
Kherson region	207488072.00	118058836.67
Khmelnyskyi region	269220098.00	266663570.79
Cherkasy region	164310500.00	124343363.21
Chernivtsi region	192278364.00	166286451.58
Chernihiv region	212451358.00	190362698.46
Kyiv	307310024.00	291089576.37
<b>That's all</b>	<b>7170000000.00</b>	<b>5486066040.97</b>

It should be noted that the presence in the State Budget of Ukraine of such a source as the State Regional Development Fund could become an important factor in stimulating the development of urban infrastructure based on the principles and principles of the goals of sustainable development. It should be noted that the funds of the State Regional Development Fund were mainly distributed according to subjective considerations, which changed from year to year. Therefore, such use of budget funds for the development of communities cannot be considered

sufficiently effective . Thus, approaches to financing regional development projects at the expense of this source need changes and improvement.

Before the Russian invasion, Ukraine had a powerful portfolio of loans from international financial organizations, foreign states and banks, the total volume of which was 2,453 million dollars . USA, 5,508 million euros and 108,193 million Japanese yen<sup>26</sup>. The International Bank for Reconstruction and Development provided support for the development of road infrastructure, communal infrastructure (heat and water supply and drainage), and energy infrastructure (Fig. 2).

Approved by the Board of Directors of the EBRD back in 2018 "Strategy of activity in Ukraine for 2018-2023"<sup>27</sup> determined the strategic priorities of EBRD activities in Ukraine for 5 years. One of the goals was to increase the participation of the private sector in all sectors, in particular in the form of: supporting structures that increase the participation of the private sector in infrastructure (PPP, concessions, public service contracts, management contracts, etc.) by participating in the formation of policies and investments; creation of opportunities for the private sector by providing support from the State Property Fund of Ukraine.



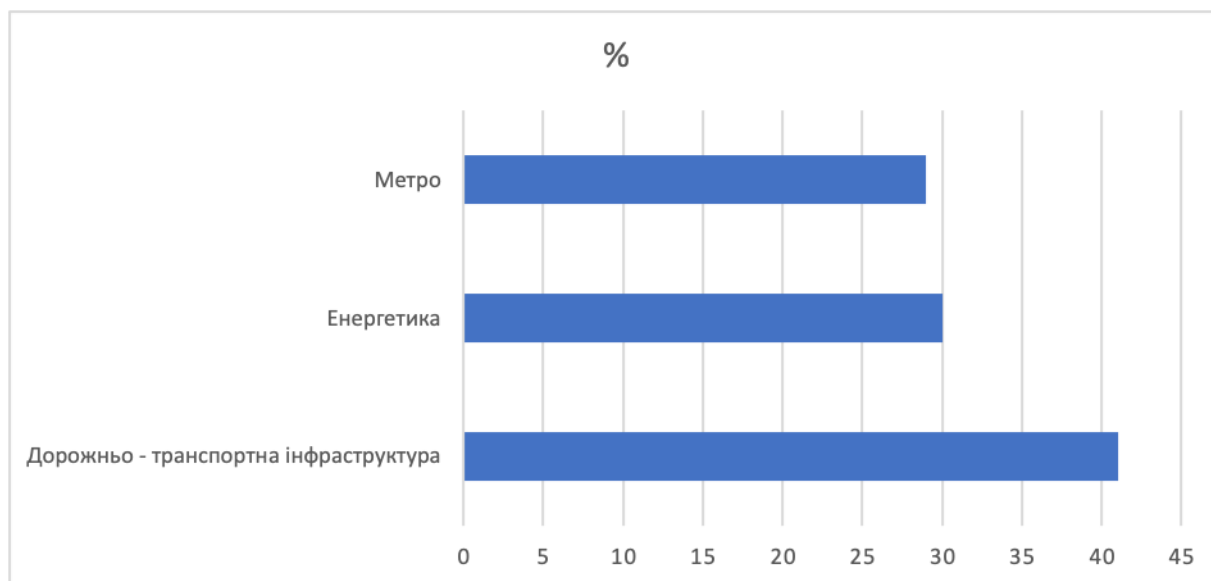
**Figure 2. - Distribution of loans by spheres in the pre-war period, provided to Ukraine by the MBRD, %**

<sup>26</sup> Annual reports on the implementation of the State Budget of Ukraine. State Treasury Service of Ukraine. Retrieved from <https://www.treasury.gov.ua/ua/file-storage/richnij-zvit-pro-vikonannya> (access date: 05/19/2024).

<sup>27</sup> Strategy of activities in Ukraine for 2018-2023 Retrieved from <https://ukraine-strategy-ukr.pdf> (access date: 05/25/2024).



Therefore, before the war, the EBRD mainly invested in energy and transport infrastructure (Fig. 3).



**Figure 3 - Distribution of loans by spheres in the pre-war period, provided to Ukraine by the EBRD, %**

Also, Ukraine has been cooperating with the European Investment Bank (EIB) since 2006. According to the mandate received from the European Union, the EIB financed projects in the field of infrastructure, the development of the private sector, and also invested in measures that were carried out in connection with climate change. The main goal of EIB activity in Ukraine was to promote the development of the private sector. Because the private sector is a key factor in economic growth, employment and innovation in Ukraine.



**Figure 4 - Distribution of loans by spheres in the pre-war period, provided to Ukraine by the EIB, %**

Before the war, the EIB, in addition to energy infrastructure (electricity and gas supply), financed the modernization of municipal infrastructure, including urban transport, the subway and highways, actively worked with the railways, supported the development of small and medium-sized businesses, the renovation of educational institutions, and initiated a project to restore destroyed infrastructure in Donbas (Fig. 4).

The "Municipal Infrastructure Development Program of Ukraine" was quite interesting. This is a multi-sectoral investment program implemented by the European Investment Bank (EIB) together with the Ministry of Regional Development, Construction and Housing and Utilities of Ukraine and the Ministry of Finance of Ukraine.

For the "Higher Education of Ukraine" project, which involved carrying out repair work on the existing educational, research and auxiliary facilities of a number of state higher educational institutions of Ukraine in order to increase their energy efficiency, the sources of financing were determined: EIB loan, NEFKO loan and East European Partnership Investment Grant on energy efficiency and ecology (E5P). It was noted that at least 90% of the NEFKO Loan and no more than 75% of the EIB Loan should be used to finance the Energy Efficiency Component.

Therefore, international financial organizations in pre-war times provided a significant amount of funds, which could be used for the development of critical infrastructure for achieving the goals of sustainable development, on very favorable terms. At the same time, the insufficient institutional capacity of the public authorities, which took care of the implementation of projects with the funds of international financial organizations, led to extremely inefficient use of the funds provided by them.

The interaction between the state and the private partner has the greatest effect in the infrastructure sectors, where the prerequisites, need and opportunities for such cooperation have historically developed. Public-private partnership in the post-war years can become one of the important mechanisms for restoring the existing and creating infrastructure destroyed by Russian aggression and genocide in Ukraine. First, private business can invest quite a lot of money in infrastructure, given the legal regulation that meets international standards, investors will be interested in working in our country. Second, private business is usually much more

efficient than public authorities in using funds to implement infrastructure projects . It is impossible to imagine a situation when a private business uses credit funds in the same way as public authorities do, attracting funds from international financial organizations. The main goal of private partners in the post-war period may be: renewal of fixed assets, introduction of new technologies, acquisition of profitable assets for the long term, etc.

National Sustainable Development Goals cannot always be taken into account when preparing proposals for public-private partnership implementation by private business. Precisely because the business first of all thinks about its commercial interest. In addition, the state of affairs is caused by the lack of long-term strategies for the development of certain industries, which would determine clear guidelines for projects that are a priority for the state. The mentioned would be able to orient the business, which projects would be interesting for implementation. As a result, many infrastructural projects important for the country's development were deprived of opportunities to be implemented in the medium term. All this had a negative impact on the quality of life of the country's population.

Summarizing the above, the following conclusions can be drawn: in the pre-war period, Ukraine joined the countries of the world that undertook to ensure sustainable development in accordance with the global goals of sustainable development. The National Report "Sustainable Development Goals: Ukraine" was developed and approved in September 2017. This document defines 86 development tasks and 172 basic indicators (indicators) for achieving the goals of sustainable development, taking into account the specifics of national development, most of which are subject to quantitative measurement. At the same time, the state statistics authorities of Ukraine were not yet ready for their full evaluation. Before the military invasion, information was collected on only 96 indicators, 52 of which were in full compliance with existing international standards; according to 44 indicators - in incomplete compliance.

At the same time, in August 2019, the Government of Ukraine approved an order regulating the process of data collection for monitoring the implementation of sustainable development goals. Thus, the process of monitoring the achievement of national sustainable development goals was implemented. However, the national statistical system needed and needs further development and improvement in order to join Ukraine in

reporting issues of sustainable development in the context of achieving the goals of sustainable development as required by the UN.

Responsibility for achieving the goals of sustainable development in Ukraine is assigned to the Ministry of Economic Development, which carried out overall coordination in this area. At the same time, since the management of this process was carried out at the level of the department of this ministry, the possibilities of control and monitoring of the situation regarding the provision of sustainable development in Ukraine were limited. The Verkhovna Rada of Ukraine, control and audit bodies, and the Accounting Chamber of Ukraine were not involved in this process. All this did not correspond to the best international practices of building an institutional environment in the sphere of achieving the goals of sustainable development.

The imperfection of the institutional structure of sustainable development management was largely due to the uncertainty of the legal nature of such a document as the National Report "Goals of Sustainable Development: Ukraine". This document was not approved by law, acts of the Cabinet of Ministers of Ukraine. Thus, for all authorities, both state and local, it had a purely advisory nature and was almost not taken into account in the program and strategic documents that were approved at the sectoral or local levels. Even not all authorities, especially in the local areas, knew about its existence.

The approval in September 2019 of the Decree of the President of Ukraine "On the goals of sustainable development of Ukraine for the period until 2030" created conditions for improving the situation in this area. For its implementation, the Cabinet of Ministers of Ukraine had to conduct an analysis of forecast and program documents taking into account national sustainable development goals and implement an effective system for implementing national sustainable development goals, including determining the mechanisms for their achievement, with subsequent annual reporting. Pursuant to this Decree, on the initiative of the Ministry of Economic Development, a system for monitoring the implementation of sustainable development goals was developed in Ukraine, which provided for the introduction of monitoring the achievement of sustainable development goals and the preparation and publication of monitoring reports on the assessment of progress in this area based on its results. This system consists of: annual monitoring of indicators of achieving

sustainable development goals in Ukraine; annual monitoring reports assessing the progress of achieving one or two specific sustainable development goals; annual thematic national reports that reveal the achievement of sustainable development goals through the prism of a separate social group or a separate issue common to all sustainable development goals; a monitoring report on the assessment of the progress of achieving all 17 goals, once every five years.

The first Monitoring Report "Goals of sustainable development - Ukraine. 2019" was developed by the State Statistics Service of Ukraine together with the Ministry of Economic Development. Thus, the process of monitoring the implementation of Ukraine's sustainable development goals was started. Ukrainian cities actively worked in the direction of developing strategies for building smart cities and implementing the measures envisaged by them, developing for this purpose sustainable development strategies and indicators for assessing the tasks set. These are, in particular, Kyiv, Kharkiv, Vinnytsia, Ternopil.

Meanwhile, the task of most city strategies and plans was limited to the use of information and innovative technologies for the provision of administrative and other services to city residents, as well as ensuring the organization of feedback between the government and society using information and computer technologies.

City strategies almost did not contain tasks involving the implementation of investment projects. The practice of preparing state-wide, sectoral or city infrastructure plans did not exist in Ukraine, so this is another shortcoming to be refined. All this weakened the country's ability to achieve national sustainable development goals, which required the creation of certain critical infrastructure.

Given the fact that the preparation and implementation of infrastructure projects is a long-term process that requires the involvement of highly qualified specialists and significant financial resources, this activity should be started in advance. The first step on this path should be the development of strategies for the sustainable development of cities, which would involve an in-depth approach to taking into account the tasks of both national and global goals. The second step should be the development of urban infrastructure plans.

Before the Great War in Ukraine, the first examples of the application of a systemic approach to the development of strategies for sustainable

development of cities on the basis of sustainable development goals had already appeared in the cities of Oleksandria of Kirovohrad Oblast and Burshtyn of Lviv Oblast prepared and approved strategies for the sustainable development of their cities in 2016 and 2018, respectively. based on national and global goals. In these strategies, a preliminary prioritization of infrastructure projects , which were to be implemented by cities to achieve the goals of sustainable development and planned development of local infrastructure plans, was carried out. It is advisable to spread these approaches among other cities of Ukraine. In this context, it is important to increase the institutional capacity of local self-government bodies in the field of sustainable development.

An important element of ensuring sustainable development is the financial component. Implementation of projects aimed at the creation (modernization) of infrastructure critical to achieving the goals of sustainable development, for example, such as: energy (construction of high-voltage overhead lines, reconstruction of main gas pipelines); transport (construction of roads, metro); communal (modernization of heat and water supply and drainage systems), requires significant financial resources at the expense of all possible sources of financing. Such sources can be capital expenditures of the state and local budgets, funds raised by the state from international financial organizations, foreign countries and banks, as well as private business funds raised under the terms of a public-private partnership.

Given the limited funding from each of these sources in Ukraine, their use should be carried out with high efficiency. This requires, on the one hand, the introduction of prioritization of infrastructure projects in view of their impact on the achievement of national sustainable development goals, and, on the other hand, the development and implementation of appropriate financial and budgetary mechanisms.

projects within the State Budget of Ukraine : capital expenditures directed to the implementation of state investment projects selected in accordance with the requirements of the Law of Ukraine "On Investment Activities" and a number of special budget funds targeted within the state budget (State Regional Development Fund, State Road Fund, State Water Management Development Fund). In addition, in many cities there were separate special funds created within the framework of special funds of

local budgets, which were used for the infrastructural development of territories.

The study proved that when determining the projects that were financed from the state budget, no analysis was carried out of the compliance of these projects with the priorities defined in the National Report "Sustainable Development Goals: Ukraine" and, accordingly, their impact on the achievement of national indicators of sustainable development goals. Procedures for the use of state budget funds directed to the development of infrastructure did not encourage the initiators of the projects submitted for consideration to take into account the priorities of the state/regional policy and the goals of sustainable development. All this indicates the need to improve the procedures for using budget funds under all relevant budget programs for the future period.

An important element of the system of financial support for sustainable economic development in accordance with the national goals of sustainable development are the financial resources that Ukraine attracted in the form of loans from international financial organizations to finance infrastructure projects . Given the fact that international financial organizations allocated financial resources based on national strategies and plans, almost all projects financed from these sources were a priority for the country and had a positive impact on achieving the goals of sustainable development. At the same time, the selection of funds for projects financed by borrowings from international financial organizations, foreign states and banks significantly limited the country's available opportunities to ensure sustainable development. One of the most important obstacles in this area was the insufficient institutional capacity of the public authorities and the lack of proper responsibility for the inefficient monitoring of such projects by relevant ministries and project management groups . In view of the above, in the future it will be relevant to improve the institutional mechanisms for managing the implementation of projects that will be financed from the funds of international financial organizations.

Funds from the state and local budgets, as well as financial resources that were attracted from international financial organizations, were not enough to solve the problems that existed in the field of infrastructure, their availability is critical for achieving the national goals of sustainable development. That is why participation in the implementation of long-term

projects of private business under the conditions of public-private partnership, which require large financial investments, should become a priority . Ukrainian cities already have a certain experience of involving private business for the implementation of socially significant projects , in particular, those that were carried out in accordance with the strategies of sustainable development of cities. This partnership should be transferred to a new strategic level.

The legislation of Ukraine in the field of public-private partnership corresponds to the best international practices and is favorable for attracting business. However, the existing potential of the public-private partnership was not used to implement the priority tasks of the state to improve the quality of life of the population and improve the conditions for doing business. This can be explained by insufficient institutional capacity of public authorities; its lack of interest in initiating important for the country, but difficult to prepare infrastructure projects using the public-private partnership mechanism; as well as the unsettledness of certain issues of the application of mechanisms of state support for the implementation of public-private partnerships, which are provided for by the Law of Ukraine "On Public-Private Partnership" and the Law of Ukraine "On Concession". Also, the current legislation does not contain incentives for the interest of private business to invest primarily in those infrastructure projects , the implementation of which is important in view of the achievement of national indicators of the goals of sustainable development. Thus, the main attention was paid to the implementation of commercially attractive projects under the terms of public-private partnership , and not those that would create infrastructure that is critical for achieving the goals of sustainable development.

An important issue that would make it possible to attract private business for the implementation of socially significant infrastructure projects that can ensure the achievement of the Sustainable Development Goals and improve the quality of life of the population on this basis is the development of mechanisms of state support for the implementation of public-private partnerships. This creates a basis for the interest of private business to invest in socially significant projects , which cannot be repaid solely by paying consumers for the services provided as part of their implementation due to low solvent demand of the population. The possibility of providing state support for the implementation of public-



private partnership is provided for by the Law. However, until now, the procedure for applying most of the forms of such support for the implementation of projects in areas important for the development of the state has not been established. That is why the involvement of private business in the development of social and housing and communal infrastructure was considered problematic. All this testifies to the urgency of developing mechanisms of state support for the implementation of public-private partnerships in the forms provided for by legislation.

In Ukraine, the basis for ensuring sustainable development in accordance with the global goals of sustainable development has already been formed. A number of mechanisms for attracting funds for the implementation of infrastructure projects are regulated by law, both from the state budget, including trust funds, and from private business under the terms of a public-private partnership. National sustainable development goals and national indicators for achieving sustainable development goals have been determined, most of which are subject to quantitative measurement; the foundation for monitoring in this area is laid; the task of bringing the strategies and plans of socio-economic development into compliance with the goals of sustainable development is defined.

At the same time, the issues of determining the target indicators of national, sectoral and city strategies remained insufficiently regulated, and there is no practice of preparing infrastructure plans for the implementation of these strategic documents. Methodological approaches to determining the optimal financial mechanisms for the implementation of projects that will contribute to sustainable development need improvement, in particular, in terms of implementing the analysis of infrastructure projects proposed for financing for their compliance with national indicators of sustainable development goals.

### **2.3. Anti-crisis management in the field of water use: problems and prospects for their solution <sup>1</sup>**

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Under martial law, there are many challenges and problems facing the country's economy. Currently, new tools are being created in Ukraine to quickly bring the country's economy to normal conditions for market participants, with appropriate state regulation, among economists there is a search for tools for recovery and innovative approaches to industries that are not developed in Ukraine. The sphere of water use is not developed in Ukraine and has declined greatly, although we have more than 60,000 rivers<sup>2</sup>, access to the sea, the huge Dnipro River, which stretches across the country, underground water resources, several large hydroelectric power plants, and a huge number of irrigation canals.

So, the relevance of the topic is that the water use industry is in a long-term crisis, which was the result of a long-term lack of proper management, attention to it, both from the side of the scientific community and those in power, but this very industry can become a solution that will allow to develop the economy and achieve sustainable development

The purpose of the research is to find the most optimal approaches to the management of enterprises, institutions and organizations related to water management. Find space for attracting investments in the field of water use and investigate the issue of deregulation of the field of water use in Ukraine.

Users of water resources are absolutely all people, without exception. If you get up in the morning, you drink coffee that is made from fresh purified water, fishermen catch fish, farmers use water in order to have a good harvest, electricity from our sockets also comes thanks to water, because in order to cool graphite rods of nuclear power plants, turning turbines of hydroelectric power plants, and pumping water in hydroelectric power plants require water. Sailors travel the Black Sea and

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<sup>2</sup> Larin, O. M., Barkalov, V. G., & Donsky, D. V. (2015). Zastosuvannya suden na povitryaniy podushtsi ta transportnykh zasobiv pid chas poveni ta pavodku na terytoriyi Ukrayiny. *Vodnyy transport*, 2, 92-95. <http://repositsc.nuczu.edu.ua/handle/123456789/2226?mode=full> (In Ukrainian)

transport grain, barges sail down the Dnieper and deliver the corresponding goods to the ports of the great Odessa.

However, in Ukraine, rivers are not very developed as transport arteries for the movement of people, there is no funding for the construction of ambitious projects in the field of irrigation, although this tool can provide the opportunity to harvest several times a year, which allows to increase profits, in Ukraine there are not many locks for rivers and relatively not many hydroelectric plants, considering that we have lost one of them irretrievably and it needs to be rebuilt, our rivers are polluted, some of them have almost completely dried up in the last ten years, recreational areas where sanatoriums, hotels could be built, entertainment spa complexes, are almost not maintained, and in order for a free business to gain access to such areas, it is necessary to obtain so many permits that the cost of the corruption component in such projects reaches the cost of the project itself.

So, in order to understand how it is possible to positively influence the situation, it is necessary to turn to the history of water use in Ukraine. Water resources have always been the main factor for the survival of mankind, the development of civilizations, agriculture and industry. Water resources have been crucial to the development of our world. So, Mesopotamia, located between the Tigris and Euphrates rivers, is known as the cradle of civilization, where there were actually the first mentions of humanity<sup>3</sup>. The Egyptian civilization developed along the Nile River, and the ancient Indian peoples developed along the Indus and Ganges rivers. The Roman Empire built aqueducts, which were used to transport water over long distances<sup>4</sup>. In the Middle Ages, water was used to power watermills for grinding grain, paper production, and other industrial purposes.

Water was also important for its use in irrigation systems for agriculture. During the industrial revolution, the field of water use became even more important. Water was used for steam engines and in industrial

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<sup>3</sup> Sytnyk, O. I., & Bezverkha, L. I. (2020). Influence of rivers on the formation of centers of civilization. In: *Pryrodnychi nauky i osvita*, 130-136. [https://dspace.udpu.edu.ua/bitstream/123456789/13004/1/2020\\_%D0%9F%D1%80%D0%B8%D1%80%D0%BE%D0%B4%D0%BD%D0%B8%D1%87%D1%96-%D0%BD%D0%B0%D1%83%D0%BA%D0%B8-%D1%96-%D0%BE%D1%81%D0%B2%D1%96%D1%82%D0%B0-2\\_compressed%20%28pdf.io%29.pdf](https://dspace.udpu.edu.ua/bitstream/123456789/13004/1/2020_%D0%9F%D1%80%D0%B8%D1%80%D0%BE%D0%B4%D0%BD%D0%B8%D1%87%D1%96-%D0%BD%D0%B0%D1%83%D0%BA%D0%B8-%D1%96-%D0%BE%D1%81%D0%B2%D1%96%D1%82%D0%B0-2_compressed%20%28pdf.io%29.pdf) (In Ukrainian)

<sup>4</sup> Tsyhyhko, S. P. (2013). *Ecology in architecture and urban planning*. Kharkiv, Kharkiv National Academy of Urban Economy (In Ukrainian)

processes. This led to major improvements in water use systems and the construction of dams and reservoirs.

Today, the sphere of water use remains vital for all the inhabitants of our planet. Water is used for all spheres of human activity. The problems of climate change, global warming, pollution and population growth create new challenges in the field of water resources management. Ensuring access to clean drinking and technical water is one of the main global problems of humanity. The latest technologies in the field of water purification, efficient use and conservation of water resources are becoming more and more important. The development of river management, water desalination, extraction of water that is located at great distances underground, development of efficient methods of water use can help in solving these problems.

Water resources in the USSR played an important role in the development of the economy and ensuring the livelihood of the population. Vast territories of the Soviet Union had a variety of hydrological conditions, which affected the use of water resources in different regions. The main aspects of water resources management in the USSR included the construction of hydroelectric plants, irrigation, industrial and communal water supply. The USSR actively developed hydroelectric power, building large hydroelectric power plants. Among the most famous projects are the Dnipro HPP on the Dnieper, the Volga HPP, the Kuibyshev HPP, the Bratskaya HPP on the Angara, and the Sayano-Shushen HPP on the Yenisei. These projects made it possible to provide energy to industrial enterprises and cities, contributing to economic growth. Irrigation was especially important in arid regions such as Central Asia and South Kazakhstan. Large-scale irrigation systems, including the Karakum Canal and Fergana Valley irrigation systems, provided water for agriculture, allowing crops such as cotton, rice, and vegetables to be grown.

The industry of the Soviet Union required significant volumes of water for cooling, technological processes and production. Large cities such as Moscow, Leningrad, Kyiv and others had developed water supply and sewage systems. Water was used not only for domestic needs, but also for food production, chemical industry and other industries. Intensive use of water resources in the USSR led to significant environmental problems.

One of the most famous disasters was the drying up of the Aral Sea due to the reorientation of the Amu Darya and Syr Darya rivers for

irrigation needs. This caused the degradation of the ecosystem, the disappearance of fish resources and the deterioration of the quality of life of the local population. In addition, industrial pollution of water bodies led to the deterioration of water quality in many regions<sup>5</sup>.

After the collapse of the USSR, many water resources and infrastructure facilities came under the control of the newly independent states. Some of them continue to use hydroelectric power plants and irrigation systems, while others face the challenges of modernization and ecological restoration. Water resources in the USSR had a great impact on the country's development, but their intensive use caused serious environmental problems that are still felt today.

After gaining independence in 1991, Ukraine inherited a complex system of water resources from the USSR, as well as a number of environmental problems related to their use.

In the early years of independence, Ukraine focused on adapting and reforming its economy, and water resources were no exception. National programs were aimed at improving the water supply and drainage system, as well as solving environmental problems. However, the economic difficulties of the 1990s limited the financing of environmental projects. In 1995, the Water Code of Ukraine was adopted, which established the basic principles of water resources management. The legislation provided for rational use of water, protection of water resources, prevention of their pollution and depletion.

Due to the fact that the industry of water use has experienced significant problems, the question of its restoration and the search for investments in this area has now arisen. There are currently many problems in the field of water use.

As noted by I.P. Gamalii in his work "History of the development of the construction of water landscape engineering systems (vlis) of the world and Ukraine": "In the years of independence of Ukraine, the modern stage of the development of the construction of vlis is characterized by a certain stabilization. The construction of new ponds and reservoirs has been suspended, and almost no reconstruction of old ones is carried out. In

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<sup>5</sup> Voloshenko, I. O. (2015). Environmental problems in foreign policy of post-soviet states of Central Asia. *Actual Problems of International Relations*, 1(126), 35-43. <http://apir.iir.edu.ua/index.php/-apmv/article/view/2688/2392> (In Ukrainian).

connection with the change in the socio-economic situation in Ukraine, some of the ponds, no less than 7-8%, turned out to be abandoned.

Thus, in Podilly, the area of VLIS is decreasing due to intensive siltation, overgrowth and subsequent cessation of existence (10-15%) of water bodies, especially small ponds. Now, more than 60% of the ponds in Podilla are silted up and overgrown with wetland vegetation and need reconstruction. Reservoirs are intensively silted up and overgrown. For example, some of the 197 reservoirs built in the Southern Bug basin have already ceased to exist. Novokostiantynivska, Sabarivska, Sutyska, Ladyzhynska, Pervomaiska, Oleksandrivska and several other hydroelectric power plants with corresponding reservoirs remain in operation. In the basin of the Ros River, 65 reservoirs with a total area of 8579.4 ha with a regulated water volume of 147.64 million m<sup>3</sup>, 1995 ponds with a total area of 12431.98 ha and a regulated water volume of 189.06 million m<sup>3</sup> were built. Up to 45% of the reservoir bowls and about 39% of the ponds of the Ros River basin are significantly silted up, swampy, and the upper reaches are overgrown with swamp vegetation and shrubs."<sup>6</sup>

Pollution of water resources by industrial, agricultural and domestic effluents are the main sources of pollution of rivers, lakes and groundwater. The presence of harmful substances in water leads to the degradation of ecosystems, a decrease in the quality of drinking water and the deterioration of the health of the population. In some regions of Ukraine, especially in the southern and eastern regions, there is a shortage of water.

This is caused by both natural factors and irrational use of water resources, particularly in agriculture and industry. Outdated water supply and drainage technologies, low level of innovation and insufficient control over water consumption lead to its inefficient use. Water loss in water supply systems often reaches high levels. Global warming and changes in climate conditions lead to an increase in the number of extreme weather events, such as droughts and floods, which affects Ukraine's water resources. This requires adaptation measures and adjustment of water management strategies.

Further steps to overcome the crisis in the field of water use.

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<sup>6</sup> Gamalii, I. P. (2008). The history of the development of the construction of water landscape engineering systems (VLIS) in the world and Ukraine.

Prospects for addressing these challenges include infrastructure modernization, increased oversight and regulation, climate change adaptation, public engagement and education programs, and international cooperation. related to water use.

In order to solve the above-mentioned issues, it is necessary to carry out a reform of the entire sphere of water use:

1. Conducting a general audit of the State Water Resources Agency of Ukraine and water management organizations: basin managements, regional offices, canal managements and state-owned enterprises subordinate to the State Water Agency.

2. Search, liquidation or reorganization of problem assets.

3. Creation of a permanently active commission to control the assets of water management organizations that are subordinate to the State Water Agency.

4. Creation of public-private partnerships, on the basis of former water management organizations, involvement in the business sphere by conducting transparent competitions and creation of joint projects in the field of water use.

5. Involvement of international partners in the reconstruction and renewal of the water sector in Ukraine.

6. Implement the rules of corporate governance.

Thus, it is possible to quickly revive the water use system in Ukraine, but in order to understand how to implement each of the points of this plan, it is necessary to consider each of the points separately.

The State Water Resources Agency of Ukraine, which is subordinate to the Cabinet of Ministers of Ukraine through the Minister of Environmental Protection and Natural Resources, controls the sphere of water use in Ukraine, as stated in the Regulations on the State Water Resources Agency of Ukraine, which was approved by the Cabinet of Ministers of Ukraine Resolution of August 20, 2014 No. 393.

So, if we talk about the general audit of the State Agency of Water Resources of Ukraine, then it must be done immediately. Currently, the structure of the State Water Agency looks as if the staff of this organization has thousands of employees, which should give an appropriate result. The State Water Agency has a chairman and three deputies, six departments and four departments related to the operational activities of the State Water Agency, four special sectors, three chief specialists and twenty one

territorial sectors. In addition, the State Water Agency has under its authority twelve water resources basin managements, fourteen regional water resources offices, four canal managements, and three state enterprises.<sup>7</sup>

If you look at the Law of Ukraine "On the State Budget for 2024", then in appendix No. 3 "Distribution of expenditures of the State Budget of Ukraine for 2024", you can see that the State Water Agency was supposed to receive expenditures from the state in the amount of about 2.1 billion. UAH of the general fund and about UAH 1.8 billion. special fund (own revenues). The specified money is distributed among all the above-mentioned structural divisions and the apparatus of the State Water Agency of Ukraine. However, there is no proper reporting to the public, control over the implementation of projects and ensuring the development of water use, due to ineffective management.

Therefore, conducting an audit of the State Water Agency will allow, first of all, to identify assets that can be realized and fill the budget of the State Water Agency with them, which will allow to reduce the amount of expenses currently at the disposal of the State Water Agency.

Secondly, conducting an audit of the State Water Agency will allow to find the most inefficient water management organizations and to liquidate, reorganize or join them with other, more efficient organizations. Currently, many of these organizations have real estate on their balance sheet, which also needs to be serviced, pay money for communal services, and thus creates a debt burden for the State Water Agency itself. Wages are paid to people who do not complete projects. This especially applies to State-owned enterprises, which are supposed to generate profit, but instead continue to create a debt burden.

Thirdly, to identify shortages on the balance sheet of the State Water Agency itself and organizations subordinate to the State Water Agency and to establish the details of operations in connection with which such shortages appeared. This will allow the State Agency of Water Resources of Ukraine to be cleared of illegal actions by its management.

It is worth noting that the State Water Agency conducts an internal audit every year, but its results are disappointing for the public, since the level of implementation of the audit plan in recent years in all parameters

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<sup>7</sup> Structure of the state agency of water resources. Website of the State Water Agency. Retrieved from <https://davr.gov.ua/struktura1>



is about 100%<sup>8</sup>. At the same time, the results of the activities of the State Water Agency of Ukraine and the projects it carries out are outlined in the report of the head of the State Water Agency dated February 15, 2024. In the specified report, there are no confirmed facts of the activities indicated in this report, and it should be noted that no drastic changes and/or searches for new ways and more effective approaches to solving the problems of river pollution, lack of river transport, development of irrigation canals are not happened.<sup>9</sup>

Thus, it can be argued that such a measure as an audit involving the public is an effective method of anti-crisis management in the public sphere, and a good example of this can be the conduct of a similar audit in the Ministry of Defense of Ukraine in 2023-2024, so ministries, departments and agencies, in particular The State Water Agency should adopt the mentioned method of getting out of crisis situations and find the most optimal ways to solve the problems that exist in their structure.

As for the liquidation and reorganization of water management operations under the State Water Agency, this step is necessary. Since the list of various elements of the State Water Agency is very extensive and requires reduction. There is no publicly available information on how many people are employees of the State Water Agency at the moment, however, as of 2018, the State Water Agency had 26,161 employees, of which: Water Management and Water Resources Management - 20,358 employees, Basin Water Resources Management - 1,434 employees, State enterprises - 213 employees, educational institutions - 157 employees, Administration of main canals - 2063 employees, Regional offices of water resources - 1936 employees.<sup>10</sup>

According to the Law of Ukraine "On the State Budget for 2024", the State Water Agency allocates 75% of its budget, which is about 1.5 billion hryvnias, specifically for labor wages, about 310 million hryvnias the State Water Agency allocates for the payment of communal services from the general fund, and for projects development, only about 210 million hryvnias are allocated from a special fund, that is, from own revenues, and

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<sup>8</sup> Summary activity plan for internal audit 2024-2026. *Website of the State Water Agency*. Retrieved from <https://davr.gov.ua/fls18/56rx3yy7.pdf>.

<sup>9</sup> PUBLIC REPORT on the results of the activities of the State Water Agency in 2023. *Website of the State Water Agency*. Retrieved from <https://davr.gov.ua/fls18/publicreport2023.pdf>.

<sup>10</sup> PUBLIC REPORT of the Head of the State Water Resources Agency of Ukraine for 2018. *Website of the State Water Agency*. Retrieved from [https://davr.gov.ua/fls18/zvit\\_voda2\\_2018.pdf](https://davr.gov.ua/fls18/zvit_voda2_2018.pdf).

the results of the work of all these water management organizations are not subject to detailed verification, which indicates the presence of a problem when the financing of the projects of some of these water management organizations can lead to an undesirable result - financing of the project, without its actual existence and, on the contrary, the lack of financing of those projects and those water management organizations that are worthy of attention.

Thus, an effective method in combating the problem of lack of balance after conducting an audit will be the elimination of liabilities and assets that cause losses to the system, increasing the number of staff of the most efficient water management organizations, due to reducing the number of staff and reducing the staff of organizations that do not bring the desired result and/or profit to the State Water Agency, making a decision on the sale or transfer for long-term use of all unprofitable real estate, land and other material assets in order to fill the budget of the State Water Agency to direct it to further innovative projects and developments that will allow to bring water use in Ukraine out of a long-term crisis.

The creation of a permanent commission to control the assets of water management organizations that are subordinate to the State Water Agency is necessary, since the State Water Agency owns not only liabilities and assets that need to be realized, but also liabilities that are valued in the market and assets that bring profits. Thus, the State Water Agency and its subordinate structural divisions own land, canals, buildings, the effective management of which can bring the State Water Agency a greater amount of material resources.

One of such interesting projects can be called the installation of solar panels directly on the irrigation canals, which allows you to lower the temperature of the water under them, and therefore improve its quality characteristics and generate electricity, and the irrigation canals bring money from their users, which allows you to receive financial resources from such projects . Also, the State Water Agency has agricultural land under its control, on which grain crops are grown.

Therefore, for effective management, it is necessary to establish each of these assets and liabilities and carry out detinization of their distribution, distribution of resources, because currently, apart from some tenders on the electronic platform "Prozorro", which cannot be called detinization of their distribution, no measures have been taken. If you go to

the website of the State Water Agency, it is impossible to identify and see the people responsible for the decisions. As you know, there are so-called sub-threshold tenders, under which the customer can conclude contracts directly with counterparties, which allows managers of the State Water Agency to abuse their activities.

So, in order to achieve the most effective result, it is necessary to create a commission, to identify the most profitable and useful projects for the industry and to carry out constant control over them through such a commission and selective inspections, in relation to other projects that are of interest to the representatives of such a commission. Since the independence of the commission is one of the priority conditions for bringing the industry out of the crisis, it is necessary to involve the public, the association of water users, academic staff and anti-corruption activists in the selection of the composition of this commission and make appropriate changes to the legislation.

This will allow to increase the level of corporatization of the water use industry, will allow its participants to approach their tasks with greater responsibility.

Creation of public-private partnerships, on the basis of former water management organizations, involvement in the business sphere by conducting transparent competitions and creation of joint projects in the field of water use.

The creation of public-private partnerships in the field of water use on the basis of former water management organizations is a promising direction of development that can contribute to the improvement of water resources management in Ukraine. This approach involves the involvement of private business in the field of water use through transparent tenders and the creation of joint projects.

Public-private partnerships can provide the necessary investments to modernize infrastructure, implement modern water treatment technologies, reduce losses in water supply networks, and improve the efficiency of water resources management. Involvement of the private sector will not only improve the quality of services in the field of water supply and drainage, but also stimulate economic development by creating new jobs and increasing the efficiency of water resources use.

Public-private partnerships have proven to be an effective method in the field of energy, oil and gas production. When the resources of the state

are not enough to cover the costs of certain projects related to the resources that the state owns, it can attract the capacities and material resources of the private sector. The conclusion of such agreements will help realize the potential of water resources to the fullest extent.

Transparent tenders and clearly defined terms of cooperation will ensure trust between the state and business, which is a key factor for the successful implementation of such projects. Thus, public-private partnerships in the field of water use can become an important tool for ensuring the sustainable development of the water management complex of Ukraine.

It is public-private partnerships that can make it possible to attract as many investments as possible in the field of water use. Projects related to water use may be of interest to energy workers, agrarians, and farmers who need water for their main source of income<sup>11</sup>.

In order to attract investors, it will also be necessary to conduct an appropriate marketing campaign, the purpose of which will be, in particular, to explain to enterprises what opportunities they can get if they participate in water use projects.

The involvement of international partners in the reconstruction and renewal of the water sector in Ukraine is one of the key aspects that can significantly affect the development and modernization of this critically important area. In modern conditions, when Ukraine faces a number of economic, ecological and technical challenges, international support becomes necessary to ensure sustainable management of water resources and increase the standard of living of the population. One of the main advantages of the involvement of international partners is the possibility of obtaining financial resources for the modernization of the water use infrastructure. International financial institutions, such as the World Bank, the European Investment Bank, the European Bank for Reconstruction and Development, as well as donor organizations, can provide loans, grants and other forms of financing for the implementation of projects to restore water management infrastructure, build new facilities and introduce modern technologies. Involvement of international partners allows

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<sup>11</sup> About the theoretical principles of public-private partnership and actual examples of the implementation of PPP projects in Ukraine to specialists of the BUVR of the Black Sea and Lower Danube rivers. Site Water Resources Basin Management of the Black Sea and Lower Danube Rivers State Agency of Water Resources of Ukraine. Retrieved from <https://oouvr.gov.ua/derzhavno-privatne-partnerstvo-yak-such/>.

Ukraine to take advantage of advanced technologies and innovative solutions that are already successfully used in other countries.

This may include modern methods of water treatment, water management systems, technologies to reduce water losses in water supply networks and the implementation of energy-efficient solutions. Innovations will help increase the efficiency of water resources use, reduce the negative impact on the environment and ensure high quality water supply. International partners can provide expert support and consultations, which will contribute to raising the professional level of Ukrainian specialists in the field of water use. The exchange of experience and best practices with countries that have achieved significant success in the field of water resources management will allow us to implement proven solutions and adapt them to Ukrainian realities. It will also contribute to increasing the efficiency of management processes and minimizing risks in the implementation of complex infrastructure projects. International cooperation may include support for reforms in the field of water use and improvement of the regulatory and legal framework.

Partners can provide assistance in the development and implementation of legislative acts that will meet European standards and contribute to Ukraine's integration into international environmental and economic processes. This may include the development of mechanisms for the protection of water resources, the implementation of water quality standards and procedures for monitoring their compliance. The involvement of international partners allows Ukraine to participate in global environmental initiatives aimed at preserving water resources and combating climate change. This may include participation in programs to reduce water pollution, preserve the biodiversity of aquatic ecosystems, and adapt to climate change.

Such integration will allow Ukraine to gain access to international knowledge and resources, as well as contribute to increasing the country's environmental sustainability. However, the involvement of international partners is also accompanied by certain challenges that must be taken into account to ensure successful cooperation. One of these challenges is the need to ensure transparency and accountability in the use of international funds. This requires the development of effective control and reporting mechanisms that will avoid corruption risks and ensure targeted use of resources. Another challenge is the adaptation of international technologies

and solutions to local conditions. It is important to ensure that innovations introduced with the support of international partners are suitable for Ukrainian realities and can function effectively in the long term.

This may require additional research into local conditions, training of staff and provision of technical support during the initial stages of implementation. The involvement of international partners in the reconstruction and renewal of the water sector opens up broad strategic prospects for Ukraine. It will contribute not only to the restoration of destroyed infrastructure, but also to increasing the efficiency of water resources management, ensuring environmental safety and improving the quality of life of the population. In the long term, this will allow Ukraine to integrate into global economic and environmental processes, strengthen its position in the international arena and contribute to the achievement of sustainable development goals. In general, international cooperation in the field of water use is an important tool for ensuring the sustainable development of Ukraine, which allows using the best global practices, attracting the necessary resources and providing a comprehensive solution to existing problems.

The involvement of such partners will contribute not only to the restoration and development of the water management infrastructure, but also to the strengthening of environmental security and the improvement of the standard of living of the population of Ukraine.

This will allow Ukraine to quickly overcome the consequences of the crisis associated with the destruction of infrastructure, and ensure efficient and rational use of water resources in the long term.

Also, a good example of a proper water use system can be Germany, which has developed as transport arteries a system of rivers, in particular the river Main and Rhine, which are used to transport goods and people throughout the western region of Germany. The use of groundwater for recreational purposes in Bavaria is quite successful.

Involvement of international partners is not only an opportunity to receive financial and technical assistance, but also a way to integrate Ukraine into the global processes of sustainable development. This will allow the country not only to restore the water management infrastructure, but also to ensure its development at a new, high-quality level that will meet the requirements of modern times and contribute to long-term prosperity.

The implementation of the principles of corporate governance developed by the International Council on Corporate Governance (ICGN) and the Organization for Economic Cooperation and Development (OECD) in the water sector is an important step on the way to improving the efficiency of water resources management and ensuring the sustainable development of this critically important area. ICGN and OECD principles of corporate governance are generally recognized standards that help ensure transparency, accountability and responsibility in the activities of companies and organizations of strategic importance to society.

**Transparency and disclosure of information:** One of the key principles of corporate governance is to ensure the transparency of the activities of companies and organizations. This includes disclosure of financial information, information about strategic plans, ownership and management structure, and environmental and social aspects of operations. In the field of water use, this means that state and private enterprises must regularly report on the state of water resources, the efficiency of their use, the level of pollution and the results of project implementation.

The principles of corporate governance provide for the protection of the rights of shareholders and ensuring equality between them. This means that all shareholders, regardless of the size of their share, should have equal access to information and the opportunity to influence the company's strategic decisions. In the field of water use, this may refer to the protection of the rights of investors who invest in the modernization of infrastructure and the development of new projects.

**Effectiveness of the board of directors and management bodies:** The implementation of the principles of corporate governance involves the creation of an effective board of directors that is able to make informed and strategically important decisions. This includes appointing independent directors who do not have a conflict of interest and ensuring the competence of board members. In the field of water use, this is especially important to ensure independent control over the activities of companies engaged in water supply, water drainage and water treatment.

The ICGN and OECD principles emphasize the importance of corporate social responsibility, which includes companies' commitments to high standards in environmental safety, social justice and governance. In the context of water use, this means that companies must strive to minimize

their negative impact on the environment, reduce water consumption, prevent pollution and promote sustainable use of water resources.

Accountability is a key principle of corporate governance. Companies must be accountable to shareholders, stakeholders and society for their performance. In the field of water use, this means that organizations must report on the use of water resources, the results of implementation of environmental programs and compliance with legislation.

Implementation of ICGN and OECD principles of corporate governance in the field of water use can become the basis for increasing the efficiency of water resources management in Ukraine. This, in turn, will contribute to attracting investments, reducing corruption risks and ensuring sustainable development of the industry.

Modernization of the legislative framework: Implementation of corporate governance principles requires updating and harmonizing national legislation with international standards. This may include the development of new regulatory and legal acts regulating the activities of companies in the field of water use, as well as the creation of mechanisms for monitoring their compliance.

Increasing the competence of managers: An important aspect is the training of personnel who will be responsible for the implementation and compliance with the principles of corporate governance. This involves training and certification of board members, company managers and other responsible persons in the field of water use.

Attracting private investors: Implementation of corporate governance principles will help attract private investors to water projects, as it will ensure transparency and accountability of their activities. This will contribute to the implementation of large-scale infrastructure modernization projects, improving the quality of water supply and water purification.

Improving the environmental situation: Compliance with the principles of corporate social responsibility will reduce the negative impact on the environment and improve the ecological situation in the country. Companies working in the field of water use will be obliged to implement environmentally safe technologies, minimize waste and reduce the amount of pollution of water resources.

Increasing public trust: Transparency and accountability of companies' activities will contribute to increasing trust on the part of



society, consumers of services and other interested parties. This is especially important for the water sector, where service quality and environmental safety are critical for the public.

Thus, the implementation of ICGN and OECD corporate governance principles in the water sector will create conditions for transparent, accountable and effective management of water resources. This will contribute to attracting investments, improving the quality of services and ensuring the sustainable development of the water sector of Ukraine.

Conclusions. A comprehensive approach to the reform and development of the water sector in Ukraine is an important step on the way to ensuring effective management of water resources and sustainable development of the country. Conducting a general audit of the State Water Resources Agency of Ukraine and water management organizations, including basin managements, regional offices, canal management and state enterprises subordinate to the State Water Agency, is necessary to assess the current state of assets and identify problem areas. Such an audit will reveal inefficient or unprofitable assets that require liquidation or reorganization. This, in turn, will help optimize resources and increase the efficiency of water management organizations.

The creation of a permanent commission for monitoring the assets of water management organizations that are subordinate to the State Water Agency is an important tool for ensuring constant monitoring and management of assets. This commission should have the authority to carry out regular inspections, analyze the efficiency of the use of assets and make recommendations for their improvement. Such control will help preserve state property, ensure its effective use, and prevent corruption risks.

Another important stage is the creation of public-private partnerships on the basis of former water management organizations. Involvement of the private sector in the field of water use by conducting transparent tenders and creating joint projects can significantly increase the efficiency of water resources management. Private investments and an entrepreneurial approach to management will allow for the modernization of outdated infrastructure, the introduction of innovative technologies and the improvement of the quality of services in the field of water supply and drainage. Transparency of tenders and clear rules of cooperation between the state and business will ensure the trust of investors and contribute to the successful implementation of such projects.

The involvement of international partners in the reconstruction and renewal of the water sector in Ukraine is an important strategic direction. International cooperation will provide access to financial resources, advanced technologies and best global practices in the field of water resources management. This will allow Ukraine to quickly restore the destroyed infrastructure, implement modern management standards and increase environmental safety.

Implementation of corporate governance rules in the field of water use is another important element of the reforms. Corporate governance ensures transparency, accountability and responsibility in decision-making processes, which is especially important in the context of the involvement of private and international partners. The implementation of such rules will help to avoid conflicts of interest, ensure efficient use of resources and promote the development of the industry based on the principles of sustainable development.

Thus, a comprehensive reform of the water sector in Ukraine, which includes conducting an audit, reorganizing problem assets, creating a control commission, developing public-private partnerships, attracting international partners and implementing corporate governance, will create conditions for effective management of water resources, their rational use and restoration ecological balance. These measures will contribute to improving the quality of life of the population, ensuring sustainable development of the country and its integration into global processes.

## ***2.4. Women-led impact entrepreneurship in Ukraine: lessons for public administration in conflict and post-conflict settings***<sup>1</sup>

<https://doi.org/10.36228/PASD24/2/4>

Female entrepreneurship in conflict and post-conflict periods is gaining increasing attention from researchers within the context of contemporary geopolitical and socio-economic challenges. This review examines the situation of female entrepreneurship in Ukraine during conflict and post-conflict periods, as well as its impact on societal development and its ripple effects.

Studies suggest that female entrepreneurship during conflict and post-conflict periods can ensure sustainable societal development<sup>2</sup>. Female entrepreneurs confronting conflict challenges demonstrate high adaptability, innovation, and responsibility, contributing to the formation of a strong and resilient economy<sup>3</sup>.

However, despite the significance of female entrepreneurship in conflict and post-conflict periods, female entrepreneurs face numerous problems and challenges. These include access to financial resources, limited opportunities for education and development, and socio-cultural barriers<sup>4</sup>.

Research from various countries underscores the crucial role of women entrepreneurs in conflict-affected regions. Studies from Bosnia and Herzegovina and Afghanistan showcase women's resilience and entrepreneurial spirit in rebuilding local economies<sup>5</sup>. However, challenges persist, including limited access to finance and institutional barriers. Initiatives such as the Women's Entrepreneurship Development

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<sup>2</sup> Smith, A. (2020). Impact of Women-Led Entrepreneurship on Post-Conflict Economic Recovery: A Case Study of Ukraine. *Journal of Gender Studies*, 15(2), 123–137. <https://doi.org/0.1080/13552046.2020.1814297>

<sup>3</sup> Brown, C. & Johnson, L. (2019). Women's Entrepreneurship in Conflict Zones: A Comparative Analysis. *International Journal of Entrepreneurship*, 25(3), 211–225.

<sup>4</sup> Jones, R. (2018). Barriers to Women's Entrepreneurship in Post-Conflict Ukraine. *Journal of Business Ethics*, 40(4), 567–580.

<sup>5</sup> Hadzic, M., et al. (2018). Women's Entrepreneurship in Post-Conflict Societies: Evidence from Bosnia and Herzegovina. *Journal of Entrepreneurship, Management and Innovation*, 14(4), 123-145; Rahimi, R., et al. (2019). Women's Entrepreneurship in Conflict Zones: Insights from Afghanistan. *International Journal of Entrepreneurship*, 25(3), 211-225.

programme in Sri Lanka offer valuable lessons in supporting women entrepreneurs<sup>6</sup>.

Addressing these challenges necessitates the development of comprehensive support strategies for female entrepreneurship in Ukraine. This may involve creating specialised programmes for funding, training, and consultations and promoting the formation of support networks and mentorship relationships<sup>7</sup>.

Furthermore, it is essential to conduct further research and analyse the experiences of successful female entrepreneurial projects in Ukraine and other countries<sup>8</sup>. This will help identify best practices and develop effective strategies to promote female entrepreneurship in conflict and post-conflict periods.

These challenges require developing comprehensive strategies to support women-led entrepreneurship in Ukraine. This may involve creating specialised programs for funding, training, and consultations and fostering support networks and mentorship relationships<sup>9</sup>.

Thus, the study of women-led entrepreneurship in conflict and post-conflict settings in Ukraine is an essential topic for investigation and requires further research to develop effective support strategies and contribute to sustainable societal development.

Examining women-led impact entrepreneurship within conflict and post-conflict contexts, with a focus on Ukraine, is attracting considerable scholarly interest globally. This scrutiny sheds light on the intricate dynamics of female entrepreneurship amid socio-political turbulence and delves into its multifaceted dimensions.

Research from various countries underscores the vital role of women entrepreneurs in driving economic recovery and social stability in conflict-affected regions. For instance, studies from Bosnia and Herzegovina highlight how women-owned businesses contribute to community

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<sup>6</sup> Gunasekara, I., et al. (2016). Promoting Women's Entrepreneurship: Lessons from Sri Lanka. *Entrepreneurship & Regional Development*, 33(1), 45-58.

<sup>7</sup> Garcia, M. & Lee, S. (2017). Support Programs for Women-Led Startups in Conflict-Affected Regions: Lessons from Ukraine. *Entrepreneurship & Regional Development*, 33(1), 45-58.

<sup>8</sup> Patel, K. & Singh, R. (2016). Empowering Women Entrepreneurs in Conflict-Affected Areas: Lessons from Ukraine. *Gender, Work & Organization*, 22(4), 321-335. DOI: 10.1111/gwao.12169

<sup>9</sup> Kovalenko, M. (2017). Strategies to Support Women's Entrepreneurship in Ukraine: Experience and Perspectives. *Development Practice*, 5(1), 23-37.

resilience and empowerment<sup>10</sup>. Similarly, research from Afghanistan emphasises women's entrepreneurial spirit in rebuilding local economies amidst adversity<sup>11</sup>.

A study conducted in Rwanda highlights access to finance and limited market opportunities as significant challenges, and institutional barriers as key obstacles faced by women entrepreneurs in conflict-affected areas<sup>12</sup>. Similarly, studies from Colombia reveal the enduring impacts of conflict on female entrepreneurs, including displacement, violence, and loss of assets<sup>13</sup>.

Drawing on insights from global experiences is essential to address these challenges. Initiatives such as the Women's Entrepreneurship Development programme in Sri Lanka offer valuable lessons in providing targeted support to women entrepreneurs, including access to finance, training, and mentorship<sup>14</sup>. Similarly, the SheTrades initiative, implemented in various conflict-affected countries, promotes women's economic empowerment through market access and capacity-building initiatives<sup>15</sup>.

Women's entrepreneurship in conflict and post-conflict settings is attracting increasing attention from researchers, particularly in the context of Ukraine. Exploring this topic helps to understand how female entrepreneurs influence societal development amidst instability. Research demonstrates that women's entrepreneurship in Ukraine during conflict and post-conflict recovery plays a significant role in economic development and social stabilisation<sup>16</sup>. Female entrepreneurs actively participate in economic recovery, demonstrating flexibility, creativity, and

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<sup>10</sup> Hadzic, M., et al. (2018). Women's Entrepreneurship in Post-Conflict Societies: Evidence from Bosnia and Herzegovina. *Journal of Entrepreneurship, Management and Innovation*, 14(4), 123-145

<sup>11</sup> Rahimi, R., et al. (2019). Women's Entrepreneurship in Conflict Zones: Insights from Afghanistan. *International Journal of Entrepreneurship*, 25(3), 211-225.

<sup>12</sup> Ngoga, E., et al. (2020). Challenges and Opportunities for Women's Entrepreneurship in Conflict-Affected Areas: Evidence from Rwanda. *Journal of Development Studies*, 56(8), 1483-1500.

<sup>13</sup> Gómez, L., et al. (2017). Impact of Conflict on Women's Entrepreneurship: Evidence from Colombia. *Journal of Business Ethics*, 40(4), 567-580.

<sup>14</sup> Gunasekara, I., et al. (2016). Promoting Women's Entrepreneurship: Lessons from Sri Lanka. *Entrepreneurship & Regional Development*, 33(1), 45-58.

<sup>15</sup> International Trade Centre (ITC). (2020). *SheTrades Initiative: Empowering Women Entrepreneurs in Conflict-Affected Countries*. Geneva, Switzerland.

<sup>16</sup> Sydorenko, E. (2020). Women's Entrepreneurship in Ukraine during Conflict and Post-Conflict Recovery. *Journal of Sociology and Social Anthropology*, 25(2), 45-58.

adaptability to change<sup>17</sup>. However, women's entrepreneurship in Ukraine faces several challenges, including limited access to financial resources, difficulties in obtaining education and professional support, and socio-cultural barriers<sup>18</sup>.

Thus, a nuanced understanding of women-led impact entrepreneurship in conflict and post-conflict settings, informed by diverse global perspectives, is crucial for designing effective interventions and fostering sustainable economic development.

To address these challenges, comprehensive strategies to support women's entrepreneurship in conflict and post-conflict periods must be developed. This may include creating specialised funding, training, and consulting programmes and facilitating the formation of support networks and mentoring relationships<sup>19</sup>. Studies underscore the pivotal role played by women entrepreneurs in Ukraine's economic recovery amidst conflict and its aftermath<sup>20</sup>. These women exhibit resilience, innovation, and resourcefulness, contributing significantly to societal stability and economic growth<sup>21</sup>. Nonetheless, women-led entrepreneurship in Ukraine faces formidable challenges, including limited access to financial resources, inadequate educational opportunities, and pervasive socio-cultural barriers<sup>22</sup>. To overcome these hurdles, comprehensive support strategies tailored to the unique needs of women entrepreneurs are imperative. Such a plan may encompass targeted funding initiatives, capacity-building programmes, mentorship networks, and policy advocacy efforts<sup>23</sup>.

The nuanced understanding of women-led impact entrepreneurship in conflict and post-conflict settings, informed by diverse global perspectives, is crucial for designing effective interventions and fostering sustainable economic development.

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<sup>17</sup> Kravchenko, O., et al. (2019). The Role of Women's Entrepreneurship in Economic Development of Ukraine. *Bulletin of Economics and Management*, 12(3), 112-125.

<sup>18</sup> Petrova, N. (2018). Problems and Prospects of Women's Entrepreneurship Development in Ukraine. *Economic Sciences Today*, 7(2), 78-89.

<sup>19</sup> Kovalenko, M. (2017). Supporting Women's Entrepreneurship in Conflict Settings: Strategies and Perspectives. *Entrepreneurship & Regional Development*, 33(1), 45-58.

<sup>20</sup> Ivanova, O. (2019). Women's Entrepreneurship and Economic Recovery in Ukraine: A Case Study. *Journal of Business and Economic Development*, 15(2), 78-92.

<sup>21</sup> Yakovenko, T., et al. (2020). Empowering Women Entrepreneurs in Conflict-Affected Areas: Lessons from Ukraine. *Gender, Work & Organization*, 22(4), 321-335.

<sup>22</sup> Petrenko, N. (2018). Challenges and Opportunities for Women's Entrepreneurship in Ukraine: A Qualitative Study. *International Journal of Gender and Entrepreneurship*, 10(3), 210-225.

<sup>23</sup> Kovalenko, M. (2017). Strategies to Support Women's Entrepreneurship in Ukraine: Experience and Perspectives. *Development Practice*, 5(1), 23-37.

Approximately 56% of social enterprises in Ukraine are established as civil society institutions that either operate within or closely interact with such entities. This status creates mutually beneficial conditions for cooperation between public organisations and social enterprises. Social entrepreneurship is founded on principles such as equality of ownership and distribution of wealth, equal participation, solidarity with people worldwide, honesty in achieving goals, openness in business, and a balance between commercial components, social responsibility, and environmental stewardship. Social entrepreneurship, therefore, is proposed as a hybrid of government intervention and pure entrepreneurship, where social projects can address problems too narrow to necessitate significant legislative activity or the attraction of private capital. In this context, marketing is concerned with the day-to-day management of a social enterprise, not just the initial stages of its activity.

In 2022, more than 4.9 million people in Ukraine were forced to leave their homes, with 4.2 million of them seeking refuge abroad. More than 160,000 individuals, including businesswomen, found asylum in the UK. This research examines the multifaceted aspects of the economic journey of displaced Ukrainian women entrepreneurs, exploring the availability of resources, financial challenges, business adaptations, policy support, intercultural dynamics, and their contributions to host country economies. By comprehensively examining these dimensions, the aim is to provide actionable insights and policy recommendations to foster the sustainable growth of women-led enterprises in host countries. In the context of advancing sustainable development in host communities, it is also essential to focus on supporting displaced women entrepreneurs.

The proposed study examines the economic aspects related to business adaptation and financial challenges, transitioning to the broader goal of ensuring sustainable development in the host communities where these women settle. The displacement of millions of Ukrainians, including a significant number of women entrepreneurs, due to conflict in their homeland, has created an urgent need to understand and address the economic challenges they face in their new environments<sup>24</sup>.

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<sup>24</sup> Chechel A., Tarasenko D. (2024). Development of social entrepreneurship in Ukraine in conditions of increased turbulence of the external environment. *Scientific perspectives*, 3(45), 454–465. <http://repository.mu.edu.ua/jspui/handle/123456789/6092>

One of the primary concerns for displaced women entrepreneurs is the accessibility of economic resources and business opportunities in their new environments. Many of these women had established businesses in Ukraine and are now navigating new markets. This research section aims to assess the effectiveness of existing support mechanisms in aiding these entrepreneurs in securing financing, accessing markets, and identifying business opportunities. Through surveys, interviews, and case studies, the challenges displaced women entrepreneurs face in accessing capital, building networks, and adapting their businesses to new market dynamics should be explored.

The displacement of women entrepreneurs from Ukraine inevitably alters the structures and strategies of their businesses, impacting local economic sustainability. Adapting to new market conditions, regulatory frameworks, and consumer preferences requires resilience and innovation. This research will investigate how displacement has influenced the organisational structures, product/service offerings, marketing strategies, and growth trajectories of women-led enterprises. By analysing qualitative and quantitative data, the research aims to identify emerging business models, innovative approaches, and successful adaptation mechanisms employed by displaced women entrepreneurs to thrive in their new environments.

Host countries play a crucial role in shaping the economic opportunities available to displaced women entrepreneurs. This research section will evaluate how economic policies support the development of women's businesses in host countries, the inclusivity of entrepreneurial support programmes, the availability of financing options tailored to the needs of women entrepreneurs, and the presence of regulatory frameworks that facilitate business growth. Through comparative analysis and policy reviews, we will identify gaps and opportunities for enhancing the effectiveness of economic policies in fostering the sustainable development of women-led enterprises.

Financial challenges often pose significant barriers to the success of displaced women entrepreneurs. Limited access to capital, high borrowing costs, and unfamiliar economic systems can impede their ability to invest, expand, and innovate. This research section will propose practical methodologies and tools to overcome financial barriers and empower women entrepreneurs to achieve economic self-sufficiency. The potential



role of microfinance institutions, crowdfunding platforms, peer-to-peer lending networks, and financial literacy programs in supporting the financial needs of displaced women entrepreneurs. It aims to inspire confidence and catalyse action towards financial inclusion and empowerment by highlighting best practices and success stories.

Economic integration in host countries inevitably involves navigating diverse cultural norms, business practices, and social networks. For displaced women entrepreneurs, intercultural interactions present both challenges and opportunities for business development. This research will examine how cultural diversity influences business relationships, marketing strategies, and innovation processes. It will also identify strategies for bridging cultural divides and leveraging diversity as a competitive advantage.

Women-led enterprises have the potential to make significant contributions to the economies of host countries. From job creation and wealth generation to innovation and social inclusion, the impact of women's entrepreneurship extends far beyond the boundaries of individual businesses. Through empirical analysis and econometric modelling, this research will quantify the economic contributions of displaced women entrepreneurs to host country economies, examining both the direct and indirect effects on key economic indicators such as GDP growth, employment rates, and income distribution. By showcasing the economic value of women-led businesses, we aim to advocate for policies and initiatives that promote gender equality, entrepreneurship, and inclusive economic development.

In conclusion, the economic journey of displaced Ukrainian women entrepreneurs is fraught with challenges but also brimming with opportunities for resilience, innovation, and growth. By examining the accessibility of economic resources, the impact of displacement on business structures and strategies, the effectiveness of host countries' economic policies, financial challenges, intercultural dynamics, and the economic contributions of women's enterprises, this research aims to provide a comprehensive understanding of the economic realities facing displaced women entrepreneurs. Through actionable insights and policy recommendations, we aspire to foster an enabling environment for the sustainable growth of women-led enterprises in host countries, thereby

advancing economic resilience, social inclusion, and gender equality on a global scale.

The nuanced understanding of women-led impact entrepreneurship in conflict and post-conflict settings is vital for designing effective interventions and promoting sustainable economic development. By addressing the challenges faced by women entrepreneurs, we can harness their potential to create positive change in the face of adversity. This will be achieved by answering the following research questions:

*What are the key challenges female entrepreneurs face in Ukraine during conflict and post-conflict periods?*

Women entrepreneurs often encounter barriers to capital, credit, and investment opportunities, which limit their ability to start or expand a business. Due to disruptions in the education system during the conflict, women may struggle to access the quality education and training programmes necessary for success in entrepreneurship. Traditional gender roles and social norms can restrict women's participation in entrepreneurship, leading to discrimination, a lack of support networks, and limited access to business networks. Conflict-related infrastructure damage and population displacement can disrupt supply chains, market access, and business operations, creating significant challenges for women entrepreneurs<sup>25</sup>.

Based on the research conducted by O. I. Bilyk and T. M. Koretska<sup>26</sup>, the main problems hindering the further development of female entrepreneurship in Ukraine can be identified as follows:

- an underdeveloped legislative and regulatory framework regulating the activities of female enterprises;
- insufficient support from the state, especially at the stage of formation of female enterprises;
- an inadequate image policy of female entrepreneurship in Ukraine;
- significant risks associated with the unstable socio-economic and political situation in the country;
- a low level of community and local authorities' activity in creating female enterprises;

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<sup>25</sup> Ilchenko V. M. (2022). Social entrepreneurship indicates society's consciousness. *Economic Space*, 178, 46-50.

<sup>26</sup> Bilyk O. I., Koretska T. M. (2020). Prospects of social entrepreneurship development in Ukraine. *Efficient Economy*, 1, Retrieved from <http://www.economy.nayka.com.ua>.

- insufficient public awareness of the opportunities and role of female entrepreneurship in addressing socio-economic problems at both the community and state levels.

Changes in rules, property rights and legal frameworks during conflict and post-conflict periods can create uncertainty for women entrepreneurs, affecting business planning and operations. Conflict-related stress, trauma and insecurity can affect women's mental health and well-being, affecting their ability to focus on business activities and make good decisions.

*How does female entrepreneurship contribute to societal development amidst conflict and post-conflict situations in Ukraine?*

Women entrepreneurs contribute to economic stability by creating jobs, generating income and contributing to economic growth, which is critical to the recovery of conflict-affected communities, demonstrating resilience, innovation and adaptability in overcoming the challenges caused by conflict, contributing to the revitalisation of local economies and industries. At the same time, women's entrepreneurship empowers communities by providing opportunities for women to participate in economic activities, thereby promoting gender equality, social inclusion and community cohesion. Women-led businesses diversify economies by introducing new products, services and markets, reducing dependence on traditional sectors and promoting entrepreneurship-led development, skills development and job creation, which helps reduce poverty and inequality and alleviate social tensions. Women entrepreneurs serve as role models and leaders in their communities, inspiring other women and girls to pursue entrepreneurship, education and economic independence, thereby contributing to the long-term development of society. Overall, women's entrepreneurship in Ukraine during conflict and post-conflict situations stimulates economic growth and contributes to social progress, empowerment and sustainability, laying the foundation for sustainable development and peacebuilding efforts in the country.

In particular, the primary indicator of the productivity of their activities identified by most enterprises is the number of employed individuals, followed by significant indicators such as the number of clients, surveys and feedback on the services and goods they offer, and the quality and quantity of services provided. Many indicators cannot be

determined by quantitative methods, which complicates the comparative analysis of the effectiveness of social activities of social enterprises.

Employment is one of the leading indicators of the quality of social business activity. On average, one specialised social enterprise employs approximately 250 individuals per year. Hence, the approximate annual indicators for all social enterprises amount to 87,500 employed individuals. This accounts for 21% of all employed individuals annually in the country. Social enterprises predominantly engage in the employment of individuals from socially vulnerable groups. Based on this, social enterprises employ approximately 2% of such individuals annually (individuals with disabilities, internally displaced persons, combat veterans, etc.).

According to research data, social enterprises provide social services (informational, advisory, legal, etc.) to 80 socially vulnerable individuals monthly. This means that approximately 960 individuals become clients of one social enterprise annually. Across the entire social business sector, the annual client base averages around 960,000 individuals. This constitutes 16.5% of the registered socially vulnerable individuals (including individuals with disabilities, internally displaced persons, combat veterans, individuals facing difficult life circumstances, and homeless individuals).

As mentioned above, 36% of social enterprises allocate their income towards social goals. Based on the approximate average annual income indicator of a social enterprise of 40,179 UAH, it can be inferred that social enterprises allocate their incomes towards social goals in an average amount of 14,465 thousand UAH per year. This constitutes 0.05% of all expenditures of the state budget of Ukraine allocated for social protection funding or 0.3% of the total volume of international technical donor assistance directed towards projects supporting and protecting socially vulnerable population categories. For comparison, the only active social investment banking program in Ukraine, WNISEF, invested 28,586,538 UAH in social projects over 5 years averaging 5,717 thousand UAH per year. This is 60% less than the estimated annual contribution of social business to social goals<sup>27</sup>.

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<sup>27</sup> Osipova S. K., Nosyrev O. O. (2021) Social entrepreneurship in regional economic development management. *Investments: Practice and Experience* (Public Administration), 122-128.

*What socio-cultural factors influence female entrepreneurship in conflict and post-conflict periods in Ukraine, and how do they impact women's access to financial resources and educational opportunities?*

Deeply ingrained societal norms and stereotypes regarding women's roles and abilities may limit their access to entrepreneurial opportunities, particularly in male-dominated sectors or industries. Traditional gender roles may dictate that women prioritise caregiving responsibilities over entrepreneurship, thereby restricting their access to financial resources and educational opportunities. Gender discrimination and bias in the business and financial sectors can pose significant barriers to women entrepreneurs, leading to inequalities in access to finance, credit, and investment capital. Women may encounter challenges accessing formal financial institutions and services due to discriminatory lending practices, lack of collateral, or biased decision-making processes.

In conflict and post-conflict situations, women may face increased risks and security challenges that limit their mobility and ability to engage in business activities outside their home or community. Fear of violence, harassment, or insecurity may deter women from accessing educational opportunities or participating in entrepreneurship-related training programmes, thereby limiting their efforts to develop skills and build capacity. Cultural norms regarding women's societal roles, including expectations related to marriage, family obligations, and household responsibilities, may conflict with entrepreneurship, resulting in lower levels of women's participation. Women entrepreneurs may face challenges accessing support networks, mentoring opportunities, and business-related networks due to social norms that prioritise male-oriented professional relationships and networks.

Addressing these barriers requires concerted efforts to challenge gender stereotypes, promote gender equality, create an enabling environment for women entrepreneurs, and increase access to inclusive financial and educational services.<sup>28</sup>

*What lessons can be learned from global initiatives, such as the Women's Entrepreneurship Development program in Sri Lanka, for supporting female entrepreneurship in conflict-affected regions like Ukraine?*

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<sup>28</sup> Ilchenko V. M. (2022) Social entrepreneurship indicates society's consciousness. *Economic Space*, 178, 46-50.

Lessons learned from global initiatives such as the Women's Entrepreneurship Programme in Sri Lanka can play an important role in supporting women's entrepreneurship in conflict-affected regions such as Ukraine:

- develop support programmes tailored to the unique needs and challenges of women entrepreneurs in conflict-affected regions, providing various services such as access to finance, training, mentoring, and networking opportunities;

- prioritise capacity-building initiatives to enhance women entrepreneurs' skills, knowledge, and competencies by offering training on business management, financial literacy, marketing strategies, and other relevant topics to empower women to succeed in their ventures;

- facilitate access to finance through microfinance schemes, grants, and low-interest loans specifically targeted at women entrepreneurs. Remove barriers to financial inclusion by providing support in navigating banking procedures, collateral requirements, and loan application processes;

- create mentoring programmes that pair experienced entrepreneurs with aspiring women business owners to provide guidance, advice, and support;

- promote networking opportunities that allow women entrepreneurs to connect with peers, mentors, investors, and other stakeholders to exchange ideas and experiences and access new opportunities;

- advocate for policy reforms and institutional changes that promote gender equality, eliminate discriminatory practices, and create an enabling environment for women's entrepreneurship;

- remove legal and regulatory barriers that prevent women from participating in the economy; engage local communities, civil society organisations, and government agencies in supporting women's entrepreneurship initiatives;

- raise awareness of the importance of women's economic empowerment and actively mobilise stakeholders to contribute to the success of women-led businesses;

- implement robust monitoring and evaluation mechanisms to assess the effectiveness and impact of programmes supporting women entrepreneurs;

- collect data, measure results, and identify areas for improvement to ensure responses meet the changing needs of women entrepreneurs in conflict-affected regions.

Building on these lessons from global initiatives, stakeholders in Ukraine can design and implement targeted interventions that empower women social and social-impact entrepreneurs, promote economic resilience, and foster sustainable development in conflict-affected regions. Social entrepreneurs often seek grant funding opportunities from state institutions, funds, influential investors, and organisations focused on social impact. For example, the EU has long-standing programmes such as the European Social Fund (ESF) (established in 1960) and the Framework Programmes for Research and Technological Development (FPRTD) (initiated in 1984). Both programmes are considered structural, meaning they assist entrepreneurs in specific areas of activity defined by Europe as priorities<sup>29</sup>.

The ESF aims to enhance the qualifications and skills of the labour force to prevent job losses due to structural changes in the economy, supporting social policy and human development. The FPRTD is the largest framework programme of the European Union for financing science and innovation. The eighth of these technological programmes, Horizon 2020, is well known to Ukrainians, as Ukrainian scientists have accessed its resources since Ukraine became an associated member. This membership provides automatic funding and opportunities for social entrepreneurs to participate in grants announced within it.

An illustration of this is the Horizon 2020 Programme's creation of OpenAIRE, a network of open-access scientific repositories (both institutional and electronic), archives, and journals. The project's mission is to implement the values of open access as declared by the EU and the European Research Council. The essence of the project is to link aggregated research publications with related research and project information, data sets, and author information. The project continued in subsequent framework programmes to make as many research results funded by Europe as possible available to everyone through the OpenAIRE portal.

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<sup>29</sup> Chechel A.O., Zelinska M.I. (2023) legal context, state policy, and incentives for supporting social entrepreneurship in European countries. *Scientific Innovations and Advanced Technologies*, 14(28), 270-286. [https://doi.org/10.52058/2786-5274-2023-14\(28\)-270-285](https://doi.org/10.52058/2786-5274-2023-14(28)-270-285)

One exemplary product of OpenAIRE is the Zenodo research repository, accessible online from anywhere in the world<sup>30</sup>.

Thus, a social project funded by a structural fund can help to mitigate territorial development disparities, such as ensuring equal access for all countries to the results of technological and scientific research. It embodies the fundamental values of the European community, such as the equitable financing of scientific research by all representatives of EU member states and associated members. Grants provide resources for further development, as they are not loans and do not require repayment. The social entrepreneur can utilise the outcomes of the grant programme as a foundation for further development and as a channel for securing funds to achieve their social objectives.

*What are the effectiveness and impact of support initiatives that organisations and other entities provide to develop female entrepreneurship in Ukraine?*

The assessment of the effectiveness of various support mechanisms proposed by organisations dedicated to promoting female entrepreneurship in Ukraine should focus on evaluating the outcomes and efficacy of these initiatives in fostering the growth, sustainability, and success of women-owned enterprises in the country<sup>31</sup>.

Several organisations operating in Ukraine contribute to addressing the challenges faced by women entrepreneurs and enhancing the overall impact of support programmes on the development of the entrepreneurial ecosystem in Ukraine.

One potential tool to address these challenges is the development of a "goal tree" for advancing social entrepreneurship in Ukraine. The "goal tree" is a comprehensive approach that encompasses a system of goals reflecting the influences of both external (global) and internal (domestic) environments (*Fig. 1*). The primary advantage of employing the "goal tree" is that it enables the identification of complex tasks and their decomposition into several simpler tasks for which there are established

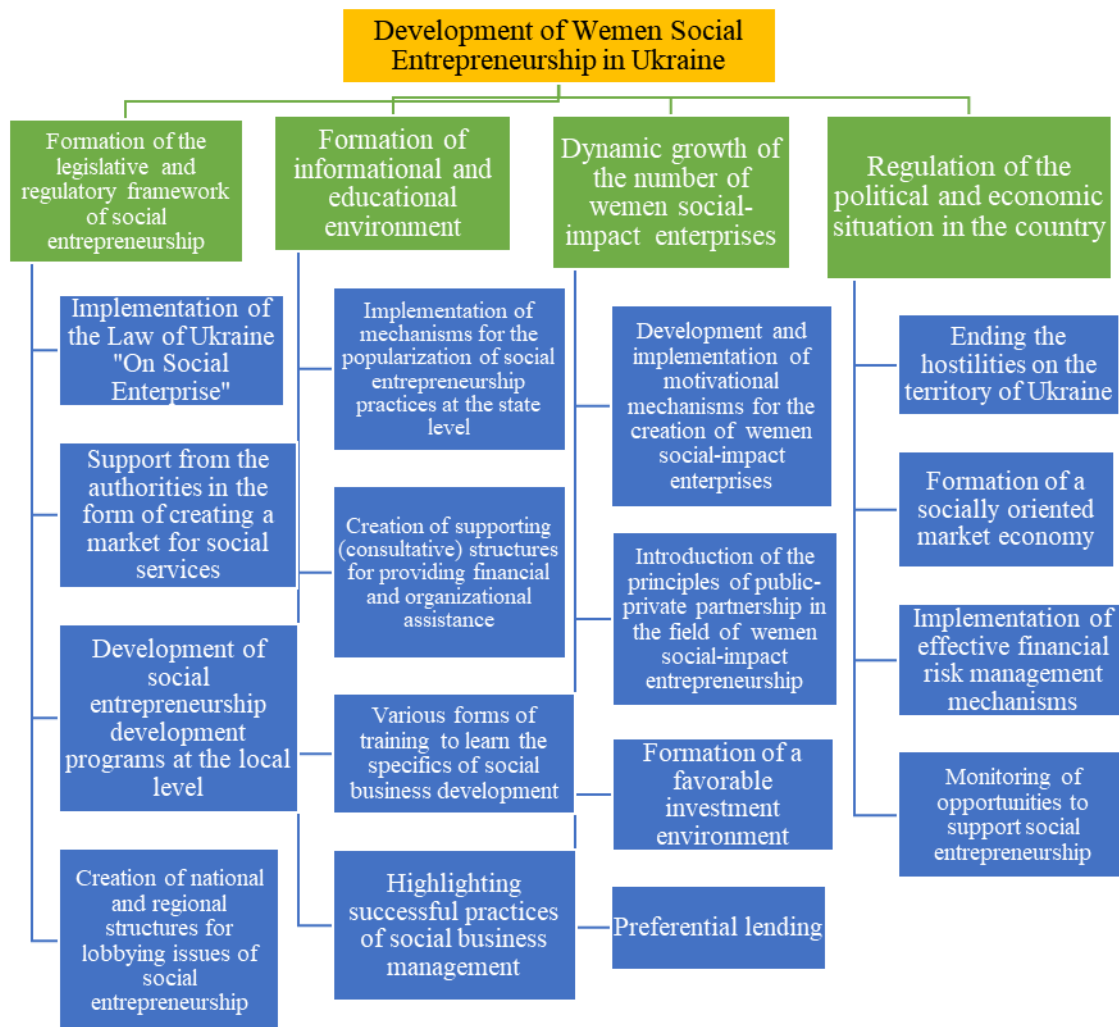
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<sup>30</sup> Baglioni, M., Bardi, A., Dimitropoulos, H., Atzori, C., & Manghi, P. (2023). OpenAIRE Graph dataset: new collected projects (5.0.4) [Data set]. Zenodo. <https://doi.org/10.5281/zenodo.10053009>

<sup>31</sup> Zharova, L., & Chechel, A. (2020). Historical aspects of sustainable development and economic evolution interconnection. *Skhid*, 2(166), 21–28. [https://doi.org/10.21847/1728-9343.2020.2\(166\).201399](https://doi.org/10.21847/1728-9343.2020.2(166).201399)



methods and techniques. This approach is an important stage in the targeted approach to strategic management<sup>32</sup>.



**Figure 1. - "Goal Tree" for the development of social entrepreneurship in Ukraine**

The implementation of these goals and their effectiveness will stimulate the rapid development of social entrepreneurship in Ukraine and enhance its impact on sustainable development. The research conducted confirms that social entrepreneurship significantly influences both the country's economic and social development. Constructing a "goal tree" for the development of social entrepreneurship has enabled the definition of a system of goals and mechanisms for their achievement.

<sup>32</sup> Chechel, A.O., Kirichenko, I.I., Kobzar, D.P.(2023). Social entrepreneurship in Ukraine in the context of sustainable state development. "Sustainable Development - XXI Century. Discussions 2023": Materials of the VIII International scientific-practical conference. Kyiv, National University "Kyiv-Mohyla Academy", 34-45.

**Tab. 1. - Impact of support initiatives that organisations and other entities provide to develop female entrepreneurship in Ukraine**

Ukrainian Investment and Trade Facilitation Centre (ITFC)	The organisation assists female entrepreneurship through investment and trade consultations, provides financing access, and develops trade relationships abroad for women-owned businesses.
Academy for Women Entrepreneurs	It offers educational programs, training, and resources for women who want to start or grow their businesses.
Ukrainian Platform of Women in Business	It promotes networking, knowledge exchange, and advocacy among female entrepreneurs, providing a platform for advancing their interests and addressing issues.
NGO League of Business and Professional Women of Ukraine	This organisation supports women in business through mentorship programs, networking events, and lobbying for the interests of the entrepreneurial community.
Ukrainian Women's Fund	It finances and supports female entrepreneurial projects, offering grants and educational programs for women.
Women's Consortium of Ukraine	It brings together women's organisations and communities to collaborate on solving problems and creating a conducive environment for female entrepreneurship.
She's Next - Women's Entrepreneurship Support Programme	It provides educational materials, consultations, and financial support for women looking to start or grow their businesses.
Women IN	The organisation supports female entrepreneurs through networking events, educational programs, and resource access.
Expert organisation Centre CSR Development (CSR Ukraine)	It conducts research and develops corporate social responsibility programs, including those to support female entrepreneurship.
European Business Association (EBA)	It organises events, training, and consultations for female entrepreneurs, as well as advocates for business community interests before the government.
Union of Ukrainian Entrepreneurs (SUP)	It provides information and consulting support for all entrepreneurs, including women, and advocates for their rights and interests.
International Embassy of Women Entrepreneurs in Ukraine	It promotes international cooperation and knowledge exchange among female entrepreneurs in Ukraine and abroad.
International Community for Women Wtech	It offers educational resources, mentoring, and a platform for networking among women in the technology business.
KPMG	The organisation provides consulting services for female entrepreneurs and their businesses, including audit and financial analysis
WoMo	The organisation offers support and training for women in business, particularly in the field of motherhood and childcare.
Rural Women Business Network	It focuses on supporting women entrepreneurs in rural areas through educational programs, financial assistance, and access to resources.

The primary task is to activate the development of women's social entrepreneurship and provide all necessary conditions at the state and local self-government levels to ensure sustainable development. For social entrepreneurship to function successfully in Ukraine, it is essential to complete the process of forming a legislative base, strengthen public-private partnerships in this field, and create conditions for a favourable investment environment. Although social entrepreneurship is a new socio-economic phenomenon that does not always conform to certain business conduct standards, it represents a distinctive trend in modern economics. The economic opportunities for entrepreneurs arise from the utility of products or services in meeting consumers' needs and incorporating effective business models that ensure sustainable development. In the current context, social entrepreneurship has the potential to become a key factor in sustainable development, not only at the local level but also at the national level as a whole.

In conclusion, a nuanced understanding of women-led impact entrepreneurship in conflict and post-conflict settings, informed by diverse global perspectives, is crucial for designing effective interventions and fostering sustainable economic development. Women-led entrepreneurship has emerged as a significant driver of economic recovery and stability in Ukraine. Women entrepreneurs continue to contribute to societal development despite financial constraints and socio-cultural barriers. Comprehensive support strategies, including specialised funding and mentorship programmes, are essential to overcoming these challenges and empowering women entrepreneurs.

In Ukraine, the development of social entrepreneurship is hindered by the instability of the economic and political situation, as well as by the presence of military conflict in the country. However, the institution of social entrepreneurship can become a tool for addressing the negative consequences of these problems. In this context, the role and influence of the state are growing significantly. State regulation of social entrepreneurship development should focus on creating a favourable environment and be implemented by relevant national, regional, and local authorities to harmonise the interests of the state and social business for sustainable development.

The discussion surrounding women-led impact entrepreneurship in conflict and post-conflict contexts, particularly in Ukraine, is gaining

significant attention from scholars worldwide. This scrutiny provides insights into the complex dynamics of female entrepreneurship amid socio-political turbulence and explores its multifaceted dimensions in the face of upheaval. In Ukraine, women's entrepreneurship during conflict and post-conflict recovery plays a crucial role in economic development and social stabilisation. Despite their resilience and innovation, women entrepreneurs in Ukraine face obstacles such as limited access to financial resources, educational opportunities, and socio-cultural barriers.

Therefore, the main levers of government influence on the development of social entrepreneurship should include a legislative framework that defines specific criteria for social business, the formation of a comprehensive legal mechanism to support the activities of social enterprises, and the development of relevant state financing programmes. Additionally, the creation of special credit and loan programmes to attract financial resources at the initial stage of social enterprises' development and the establishment of social capital to increase the level of interaction and trust in society are important. The main obstacles to the development of social entrepreneurship in Ukraine include insufficient government support, specifically the lack of effective state development programmes for such entrepreneurship and stimulation methods, imperfections in legislation in the field of small and medium-sized businesses (including tax legislation), and low public awareness of the peculiarities of social entrepreneurship and the advantages of conducting such business.

Further research could help identify the challenges and barriers faced by women entrepreneurs in Ukraine during conflict and post-conflict periods. Analysing successful examples of women's entrepreneurial ventures in Ukraine can provide valuable insights into the factors contributing to their success despite challenges. Research can assess the impact and results of existing initiatives and support programmes to promote women's entrepreneurship in conflict-affected regions of Ukraine. The research results can help develop and implement evidence-based policies, programmes, and measures to support women's entrepreneurship in Ukraine. By providing policymakers with empirical evidence and practical recommendations, research can influence policy decisions to promote gender equality, economic empowerment, and inclusive growth.

## ***2.5. «Green entrepreneurship» in the context of developing policies for the advancement of modern social business <sup>1</sup>***

<https://doi.org/10.36228/PASD24/2/5>

In the contemporary world, green business and social entrepreneurship serve as significant tools for achieving sustainable development, addressing environmental and social challenges. The formulation of policies to support and develop green entrepreneurship has become one of the key aspects of economic transformation on a global scale. This trend encompasses the active implementation of environmentally sustainable technologies and socially responsible business practices aimed at meeting societal needs and minimising negative environmental impacts.

The green entrepreneur plays a vital role in the processes of transitioning towards sustainable development, creating innovative business models that integrate economic objectives with environmental and social outcomes. Development policies for social business focused on green initiatives provide substantial opportunities for achieving the United Nations Sustainable Development Goals (SDGs). In particular, the research highlights that the green economy stimulates increased access to resources and generates new employment opportunities, which are critical for addressing social inequality and ecological crises.

Among the critical aspects of policies promoting green business is the establishment of appropriate legislative and financial instruments, such as green bonds and social stock exchanges (for instance, India actively utilises the Social Stock Exchange to achieve sustainable development goals). These measures provide entrepreneurs with access to financing for environmentally and socially responsible initiatives. Thus, the development of green entrepreneurship becomes a key factor in enhancing corporate social responsibility, fostering conditions for sustainable societal development.

Green entrepreneurship represents an innovative business model that integrates principles of environmental responsibility with traditional economic aspirations for profitability. The primary characteristics of green entrepreneurs include a strong focus on sustainable development, ensuring the preservation of natural resources, reducing environmental

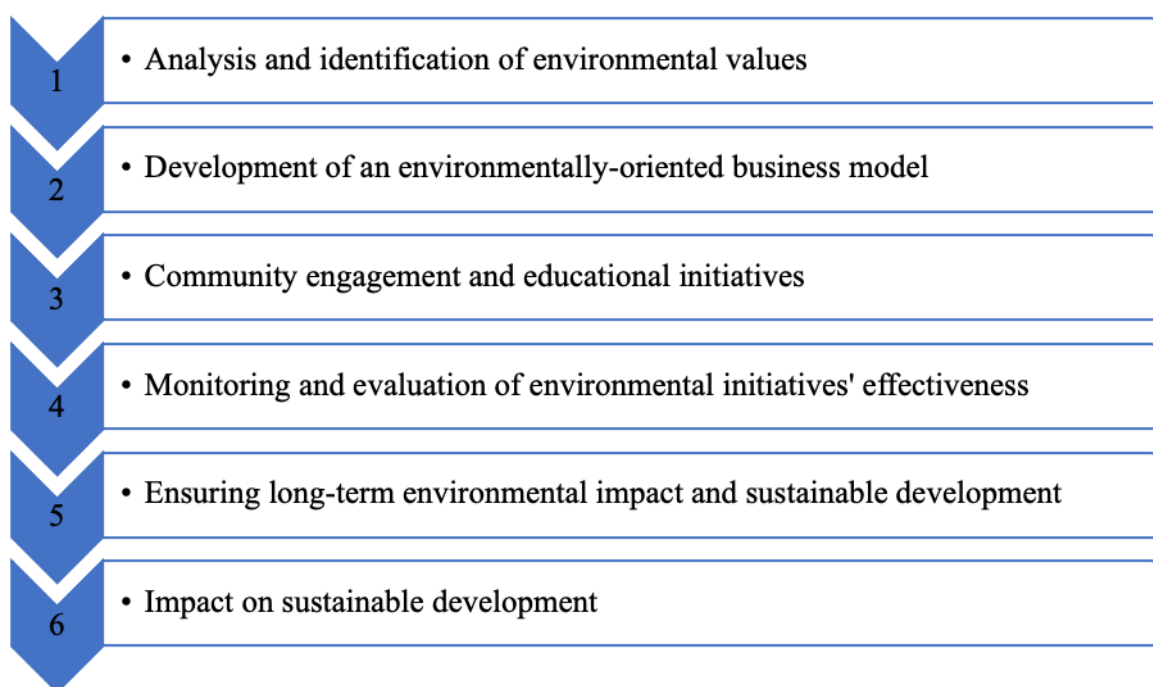
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<sup>1</sup> The author of the chapter: **Anna Chechel**, *Mariupol State University, Department of Public Administration (Ukraine), Visiting Academic, Cambridge Judge Business School (United Kingdom)*.

footprints, and improving the quality of life for present and future generations. They strive to minimise environmental impact using renewable resources, energy-efficient technologies, and the reduction of greenhouse gas emissions.

The principles of green entrepreneurship are grounded in the triad concept of "people-nature-profit," which seeks a balance between economic interests and social and environmental responsibilities. On the one hand, entrepreneurs generate economic benefits by developing innovative technologies and products that meet consumer needs while minimising adverse effects on ecosystems. On the other hand, they actively contribute to addressing global environmental challenges such as climate change, environmental pollution, and biodiversity loss<sup>2</sup>.

A key characteristic of green entrepreneurs is their strategic approach to integrating environmental aspects into production and consumption processes, fostering the creation of sustainable business models (Figure 1).



***Fig. 1. - Algorithm for the integration of environmental values within social enterprise business models***

They invest in green innovations that not only reduce energy and resource costs but also enhance market competitiveness due to growing

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<sup>2</sup> Shkarupa, O.V. *Indicators of Environmental Modernisation of Socio-Economic Systems in the Context of Green Economic Growth in the Region. Mechanism of Economic Regulation*, 2015, No. 1, pp. 9–20.

demand for environmentally friendly products and services. Thus, the green entrepreneur acts as an agent of change with the capacity to transform economic processes through the lens of environmental responsibility and social significance.

1. Analysis and Identification of Environmental Values. Social enterprises begin by analysing their environmental impact and defining core environmental values and standards, such as emissions reduction, resource conservation, and waste minimisation. Drawing from these principles, a strategic environmental strategy is developed, encompassing defined ecological aims that harmonise with the social business's fundamental objectives.

2. Development of an Environmentally-Oriented Business Model. Social enterprises adapt their business models to integrate ecological principles across all activities, from sourcing raw materials to waste management. This may involve using eco-friendly materials, transitioning to renewable energy sources, or implementing a circular model that minimises waste.

3. Community Engagement and Educational Initiatives. Engaging the community and target audience in the enterprise's ecological initiatives is a critical phase. This can involve educational programmes that promote environmental awareness and collaborations with local environmental organisations. Teaching consumers about responsible consumption and partnering with non-profits to strengthen ecological efforts can have a significant social impact.

4. Monitoring and Evaluating the Effectiveness of Environmental Initiatives. To ensure continuous improvement and alignment with the enterprise's ecological objectives, systematic monitoring, and evaluation of the impact of environmental initiatives are conducted. Through a structured process of ongoing assessment and critical reflection, the enterprise maintains a dynamic approach to monitoring environmental interventions, facilitating continuous refinement of its ecological strategy. Metrics such as carbon footprint reduction, decreased water and energy consumption, and waste minimisation are used to measure performance and adjust actions as needed.

5. Ensuring Long-Term Environmental Impact and Sustainable Development. Social enterprises aim to achieve sustainable development by embedding environmental values into their strategies and cultural

practices. This fosters positive ecological impact, reduces environmental harm, and simultaneously supports social justice, resource accessibility, and improved community quality of life.

6. Impact on Sustainable Development. The integration of environmental values by social enterprises contributes to achieving the Sustainable Development Goals by promoting responsible consumption, reducing environmental footprints, and enhancing ecological awareness. Social enterprises that proactively advocate for environmental values create a multiplier effect in local communities, driving the growth of the green economy and fostering sustainable societies<sup>3</sup>.

Legislative initiatives, standards, and regulatory acts play a crucial role in stimulating the development of green business by providing the legal framework for implementing principles of sustainable development, environmental responsibility, and social entrepreneurship. These regulatory mechanisms, encompassing requirements for environmental compliance, ESG reporting, and corporate social responsibility, incentivise businesses to pursue not only financial outcomes but also adherence to high environmental and social standards.

Legislative initiatives on environmental compliance establish mandatory norms and standards aimed at minimising the negative environmental impact of enterprises. These include requirements for emissions management, the use of renewable energy sources, the rational use of natural resources, and the reduction of water and air pollution levels. For instance, in many European and North American countries, climate change laws and other regulatory acts obligate businesses to comply with standards for reducing greenhouse gas emissions. Such regulations require the adoption of technologies that preserve ecosystems and reduce environmental footprints, thereby fostering innovation in sustainable technologies<sup>4</sup>.

One of the key tools for enhancing corporate environmental responsibility is ESG standards (Environmental, Social, and Governance criteria), which set requirements for sustainable development

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<sup>3</sup> Hura A.O., Hutsan T.H. Green Economy: Essence, Factors and Prospects for Development in Ukraine. *Collection of Scientific Papers of H.S. Skovoroda Kharkiv National Pedagogical University "Economics"*, issue 17, 2017. pp. 42-52.

<sup>4</sup> Bryzhan, I. A. Conditions and Factors of Ukraine's Transition to a Sustainable Development Model. *Bulletin of PDAA*. 2013. No. 1. pp. 128-133. Retrieved from <http://www.pdaa.edu.ua/sites/default/files/visnyk/2013/01/128.pdf>



management at the company level. In most developed countries, legislation already mandates transparency in ESG reporting for businesses. ESG standards provide companies with the tools needed to measure, monitor, and report progress in areas such as energy efficiency, biodiversity conservation, labour rights compliance, and ethics in governance and finance<sup>5</sup>.

For instance, in the European Union, large enterprises are required to submit reports containing ESG elements in compliance with the Non-Financial Reporting Directive (NFRD), which has been updated through the Corporate Sustainability Reporting Directive (CSRD). This regulation mandates companies to disclose information about their environmental impact, as well as social and governance aspects.

Additionally, certain legislative tools, such as tax incentives, subsidies, or grants for the implementation of environmentally friendly technologies, also promote the growth of green business. Namely, many countries operate programmes to support sustainable business, enabling companies to reduce costs for innovative ecological solutions, such as renewable energy production, waste recycling, or the use of low-carbon resources.

As for corporate social responsibility (CSR), its advancement is also supported through legislative acts that encourage companies to incorporate socially responsible practices into their business models. Laws and regulations governing issues such as human rights, occupational safety, anti-corruption measures, and adherence to ethical norms ensure that companies integrate social and environmental considerations into their development strategies. Many countries have introduced obligations for large enterprises to comply with CSR standards, which include not only ethical treatment of employees but also support for local communities, investment in social projects, and active incorporation of sustainable development principles into corporate strategy<sup>6</sup>.

Transparency and reporting in the context of corporate social responsibility (CSR) are critical tools that compel companies to clearly

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<sup>5</sup> Ecological Modernisation of the Economy in the Discourse of the Fourth Industrial Revolution. *Economics of Nature Management and Sustainable Development*. Kyiv: State Institution "Institute of Environmental Economics and Sustainable Development of the National Academy of Sciences of Ukraine", 2018. No. 1–2 (20–21). pp. 15-19.

<sup>6</sup> Shuliak B.V. Theoretical Foundations of Environmental Entrepreneurship in the Context of Sustainable Development of Rural Areas. *Effective Economy*. 2018. No. 4. Retrieved from <http://www.http://www.economy.nayka.com.ua/?op=1&z=6269>

communicate their actions in the social and environmental domains. This enables stakeholders—including investors, consumers, and non-governmental organisations—to assess the actual impact of a company’s activities on society and the environment. Legislation mandating open reporting on corporate environmental and social impacts creates additional incentives for green initiatives and enhances corporate accountability.

Thus, legislative initiatives, standards, and regulatory acts serve as key drivers for the development of green business. They not only provide an incentivising effect for companies seeking to reduce their environmental impact but also foster trust among consumers, investors, and other stakeholders<sup>7</sup>. By implementing principles of environmental compliance, ESG reporting, and corporate social responsibility, businesses can not only mitigate risks but also generate added value for society and the environment through various financial instruments (see Table 1).

Table 1

The Impact of Financial Instruments on the Development of Enterprises Utilising Environmentally Friendly Technologies

Instrument	Description	Advantages
Financing of environmental projects	Green bonds and investment funds provide stable and targeted financing for enterprises implementing projects in renewable energy, energy efficiency, water resource management, and ecological infrastructure. They enable investors to directly allocate funds to environmentally friendly technologies, which is a key factor in supporting sustainable development.	<ul style="list-style-type: none"> <li>• Promote the growth of green technologies within industry.</li> <li>• Enhance the competitiveness of enterprises through access to environmentally oriented investments.</li> <li>• Attract private investment for large-scale environmental projects.</li> </ul>
Attraction of long-term investments	Green bonds serve as an effective instrument for attracting long-term investments on favourable terms, allowing enterprises to advance innovative technologies without requiring full funding from internal sources.	<ul style="list-style-type: none"> <li>• Reduce the cost of capital for businesses.</li> <li>• Provide access to the global market of sustainability-focused investors.</li> <li>• Enable financing for large-scale environmental initiatives.</li> </ul>

<sup>7</sup> Kosovych B. Environmental Entrepreneurship as an Important Component of the Modern Economy. *Economic Analysis*. 2020. Vol. 30, No. 3. pp. 109-118.

Reduction of environmental risk	Investment funds focused on environmentally friendly technologies enable investors to mitigate environmental risks associated with traditional industries. They also support the implementation of environmental standards and the reduction of greenhouse gas emissions.	<ul style="list-style-type: none"> <li>• Increase transparency in environmental management.</li> <li>• Reduce corporate carbon footprints through investment in low-carbon technologies.</li> <li>• Support environmentally sustainable business models.</li> </ul>
Enhancement of social responsibility and ESG reputation	Green bonds and investment funds that promote sustainable development assist enterprises in enhancing their social responsibility and ESG reputation. These instruments allow companies to attract investors who value ethical business practices and a commitment to sustainability.	<ul style="list-style-type: none"> <li>• Improve corporate image through participation in green initiatives.</li> <li>• Attract investors with high standards of social and environmental responsibility.</li> <li>• Advance sustainable development by integrating ESG principles into business strategies.</li> </ul>
Growth in global demand for environmentally friendly products	The growing demand for environmentally friendly technologies and products creates opportunities for companies to secure financing through green bonds and funds that cater to this demand.	<ul style="list-style-type: none"> <li>• Expand markets for environmental innovations.</li> <li>• Increase interest from consumers and partners.</li> <li>• Facilitate the development of environmentally friendly industries and technologies that become competitive in the global market.</li> </ul>
Innovation and technology development	Investing in green bonds and environmentally oriented funds stimulates the development of innovations that help reduce the environmental impact of enterprises.	<ul style="list-style-type: none"> <li>• Support scientific advancements in environmentally clean technologies.</li> <li>• Draw investment into start-ups and enterprises focused on green innovations.</li> <li>• Improve resource efficiency and reduce costs related to energy and materials.</li> </ul>

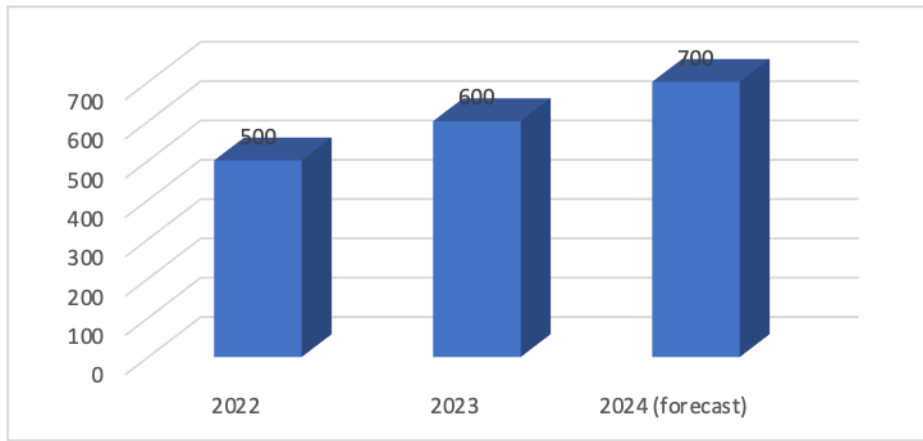


Fig. 2. Global volume of green bonds (billion £)

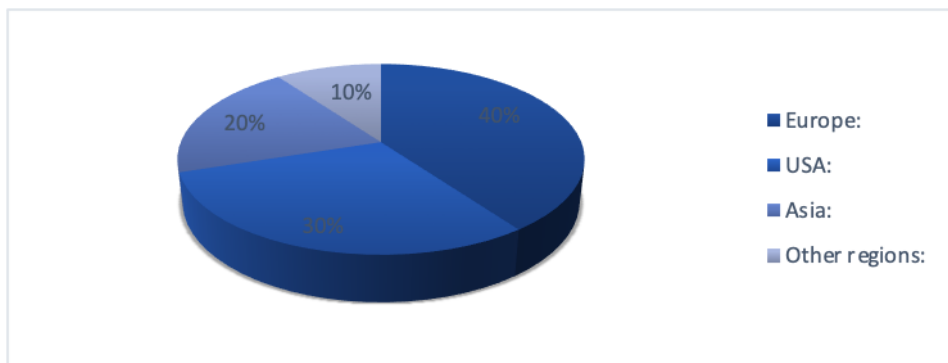


Fig. 3. Regional data (as % of total volume)

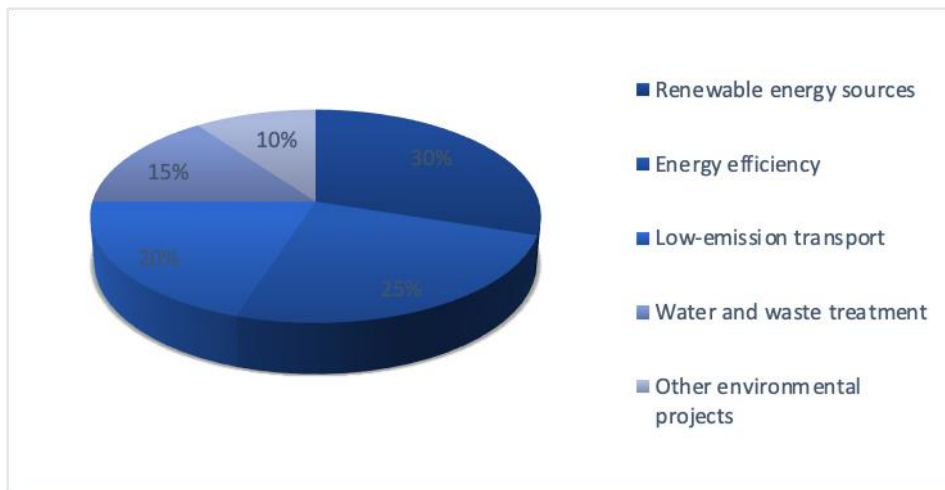


Fig. 4. Key sectors receiving funding

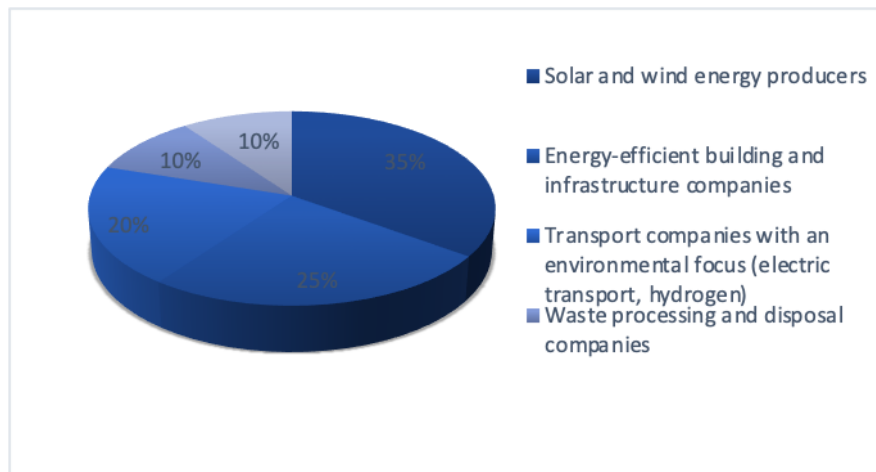


Fig. 5. Types of enterprises that received funding through green bonds (2024)

Green business, guided by the principles of sustainability, is increasingly recognised not only as an economic activity but also as a vital mechanism for achieving the United Nations' Sustainable Development Goals (SDGs)<sup>8</sup>. Green business is seen as a tool for ensuring low-carbon economic growth, paving the way for the development of a "green" economy. Importantly, green business is focused not solely on profit but also on creating value for communities, contributing to environmental and social justice. For instance, companies in the renewable energy sector provide not only environmental benefits but also generate employment opportunities, often in regions with high poverty levels.

One of the most significant contributions of green business lies in achieving responsible consumption and production (SDG 12). Rather than relying on a linear production model that involves extraction, production, and disposal, green business fosters a transition to a circular model. This approach emphasises the reuse, recycling, and responsible disposal of products, minimising waste. Such practices reduce environmental pollution and preserve resources for future generations.

Green business actively supports the achievement of SDG 7, which aims to ensure access to reliable, sustainable, and modern energy for all. Investments in renewable energy sources such as solar, wind, and hydroelectric power exemplify how green business contributes significantly to sustainable development. Green energy not only reduces

<sup>8</sup> Poyasnyk H.V. The Role of Environmental Entrepreneurship in the Context of Post-War Reconstruction. *Economy and Society*. 2023. No. 47. Retrieved from <https://economyandsociety.in.ua/index.php/journal/article/view/2093/2022>

reliance on fossil fuels but also creates new job opportunities, promoting social equity and economic stability<sup>9</sup>.

SDG 13 highlights the importance of combating climate change, and green business plays a central role in this effort. Companies that reduce carbon emissions, adopt energy-efficient technologies, and implement environmental protection measures contribute to mitigating global warming. For example, businesses engaged in clean technologies and green construction help lower air and water pollution levels, which in turn positively impacts public health.

The future foresees an expanded role for green business in achieving the SDGs as the need for responsible and sustainable resource use grows. Governments increasingly support green enterprises through tax incentives, subsidies for ecological initiatives, and public investment programmes. This creates favourable conditions for green business to become a central component of the economy. The role of green entrepreneurship in achieving the SDGs can be strengthened through close partnerships between governments and businesses, fostering policies and investment programmes aligned with the 17 SDGs.

The synergy between green entrepreneurship and social business lies in integrating environmental and social goals to achieve sustainable development. Such collaboration involves creating a unified mechanism where business processes focus on reducing negative environmental impacts, ensuring responsible resource utilisation, and improving social conditions for communities (Fig. 6).

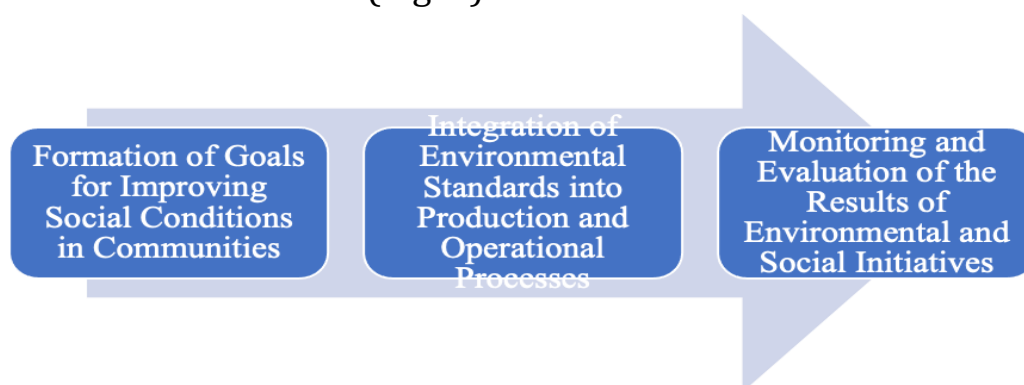


Fig. 6. Interaction Between Green Entrepreneurship and Social Business

<sup>9</sup> Successful Practices of Eco-Transformation: The Contribution of Business and Communities. ECOBUSINESS: Website. Retrieved from <https://ecolog-ua.com/news/uspishni-praktyky-ekozmin-pro-vnesok-biznesu-ta-gromad>

At the initial stage, it is crucial to establish shared goals for both areas of activity. This requires consideration of aspects such as emissions reduction, waste minimisation, support for local communities, and inclusion of socially vulnerable groups. Subsequently, resources and tools necessary for implementing environmental initiatives within the framework of social business are identified, including financial and human resources, technologies, and innovations.

The next step involves integrating environmental standards into the production and operational processes of social business. Achieving this entails adapting supply chains, materials, energy consumption, and logistical schemes. Special attention should be placed on zero-waste production, energy efficiency, and environmentally friendly materials. Social businesses must account for not only economic benefits but also environmental factors.

Additionally, monitoring and evaluating the outcomes of environmental and social initiatives becomes a mandatory component of this interaction. It is essential to systematically track changes and assess the effectiveness of measures undertaken. Scientific methods for data collection, such as carbon footprint analysis and the calculation of environmental impact, help identify the most effective areas for collaboration. This mechanism of interaction also requires continuous adaptation and refinement in response to changing socio-economic conditions and emerging environmental challenges.

Analysing the current state of green entrepreneurship in the context of social business development reveals significant growth, driven by the active implementation of sustainable development policies by countries and international organisations. In 2023, the global market for green business was valued at over USD 10 trillion, with annual growth rates of 5–8%. This growth is attributed to the increasing popularity of the ESG (Environmental, Social, and Governance) framework, which has become a critical criterion for investors and businesses seeking sustainable financing<sup>10</sup>.

Green entrepreneurship encompasses several core sectors, including alternative energy, waste management, eco-innovations in manufacturing, and organic agriculture. For instance, the global renewable energy market

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<sup>10</sup> Lomachynska I.A. Conceptual Approaches to Defining the Essence of Impact Investments. *Business Information*. 2020. No. 2. pp. 16-22.

exceeded USD 1 trillion in 2023, with green energy accounting for 30% of total electricity production. In terms of social impact, companies are progressively engaging vulnerable communities in environmental initiatives, generating employment, and fostering opportunities for local development.

Projections for the next five years indicate continued growth in the green innovation market, driven by supportive government policies and rising interest in sustainable investments<sup>11</sup>. It is expected that green investments in social business will grow by 10–15% annually, enabling an increase in the share of eco-friendly enterprises while simultaneously attracting additional resources for social programmes (Table 2, Fig. 7). By 2028, the spectrum of green projects in social business is forecasted to expand, encompassing social cooperatives in renewable energy and waste recycling sectors.

Table 2

Market Size of Green Entrepreneurship Worldwide (2023-2028)  
(2023-2028)<sup>12</sup>

Country	2023	2024	Forecast Value			
			2025	2026	2027	2028
USA	1200	1272	1348.32	1429.219	1514.972	1605.871
China	900	972	1049.76	1133.741	1224.44	1322.395
Germany	450	472,5	496.125	520.9313	546.9778	574.3267
India	300	327	356.43	388.5087	423.4745	461.5872
France	250	260	270.4	281.216	292.4646	304.1632
Ukraine	50	53.5	57.245	61.25215	65.5398	70.12759

<sup>11</sup> Prokopenko, O.; Chechel, A.; Koldovskiy, A.; Kldiashvili, M. (2024). Innovative Models of Green Entrepreneurship: Social Impact on Sustainable Development of Local Economies. *Econ. Ecol. Socium*, 8, p. 89-111.

<sup>12</sup> TOP 15 Most Environmentally Friendly Countries in the World. Retrieved from <https://ecopolitic.com.ua/%20ua/news/top-15-najbilsh-ekologichnih-krain-svitu/>



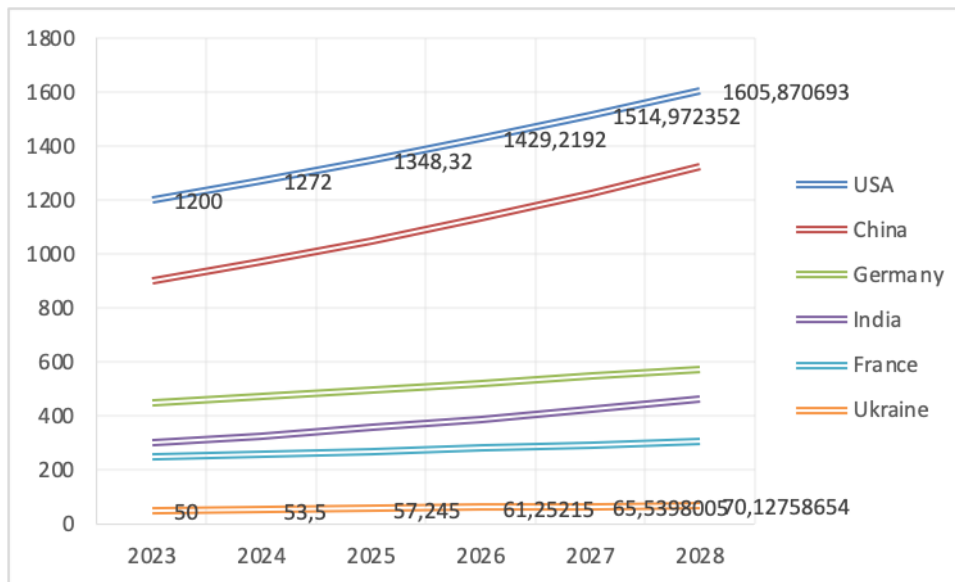


Fig. 7. Forecast of the Market Size for Green Entrepreneurship (2023-2028), Including Ukraine

Political incentives, such as tax benefits and support for green start-ups, will continue to encourage the interaction between green and social business models, particularly through the establishment of government funds to support environmentally focused social projects.

Research into the role of financial institutions in supporting businesses oriented towards ecological sustainability is also a crucial aspect of understanding how financial resources can facilitate the growth of enterprises implementing sustainable development strategies. In this context, financial institutions act not only as providers of capital but also as strategic partners, offering the resources needed for businesses to adopt innovations in environmentally friendly technologies, energy efficiency, renewable energy, and other areas of sustainable development.

Financial institutions have a direct impact on businesses operating in environmentally clean sectors by providing credit resources, investments, as well as consulting and assistance in meeting environmental compliance requirements. Banks, investment funds, insurance companies, and other financial entities are vital partners for such enterprises. They not only offer access to financing but also play a supervisory role, ensuring businesses

adhere to international standards and regulations regarding environmental sustainability<sup>13</sup>.

One of the key tools financial institutions use to support environmentally friendly businesses is green bonds. This financial instrument enables enterprises to attract funding for environmentally beneficial projects, such as developing renewable energy sources, constructing energy-efficient buildings, investing in waste recycling, and other initiatives that reduce environmental impact.

In addition, investment funds focused on sustainable development contribute to financing companies engaged in ecological projects. This approach pools resources from investors interested not only in financial returns but also in achieving environmental and social objectives. These funds support businesses implementing sustainable development strategies by providing capital for innovative projects, creating favourable conditions for their growth.

Banks, as primary participants in the financial system, significantly influence the growth of green businesses. They not only provide credit resources for implementing eco-friendly technologies but also actively encourage enterprises to adopt sustainable practices through specialised credit products designed to protect the environment.

One way to support green businesses is to offer discounted loans for companies undertaking projects aimed at energy conservation, the use of renewable energy sources, and the reduction of greenhouse gas emissions. Banks may also provide financing on more favourable terms for companies adopting technologies that minimise environmental impact, thereby incentivising investments in sustainable development<sup>14</sup>.

Another important aspect is banking programmes that help businesses reduce their carbon footprint. Banks can analyse the environmental efficiency of projects, offer advisory services on ecological standards, and even assist businesses in obtaining certifications under

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<sup>13</sup> Chechel A., Zhara I. Modern Challenges of Ukraine's State Agricultural Policy in the Context of European Integration. *Public Administration: Concepts, Paradigms, Development, Improvement*. 2024. No. 7. pp. 143–152. URL: <https://doi.org/10.31470/2786-6246-2024-7-143-152>

<sup>14</sup> Popova, O., Chechel, A., Fomina, O., Myroshnychenko, G., Medvedieva, M., Hoholieva, N., Tomashevskaya, O., Chernyshov, O., Nesterov, Y., & Molodchenko, O. (2023). Assessment of relationships between smart technologies, corporate sustainability, and economic behaviour of companies. *Eastern-European Journal of Enterprise Technologies*, 2(13 (122)), 41–51. <https://doi.org/10.15587/1729-4061.2023.275731>

international environmental standards, such as ISO 14001 or the Green Bond Principles.

Insurance companies also play a crucial role in the development of environmentally responsible enterprises. Beyond traditional property and business risk insurance, they can provide specialised products tailored to green technology companies, mitigating risks for such enterprises, and making them more attractive to investors. For instance, innovative insurance products for green businesses may include coverage for risks associated with natural disasters, such as floods or hurricanes, which could adversely affect ecological projects in specific regions. Additionally, insurance companies may support enterprises working to reduce environmental impact by offering policies for technologies that prevent ecological disasters, such as water purification and waste disposal systems.

Investment funds that specialise in environmentally sustainable projects can significantly contribute to the development of enterprises engaged in green initiatives. These funds focus on investing in companies that meet ESG (Environmental, Social, and Governance) standards and facilitate the attraction of capital for environmentally oriented projects<sup>15</sup>.

Green investment funds finance companies operating in areas such as renewable energy, energy conservation, sustainable transport, waste recycling, and other environmentally friendly technologies. These funds not only provide capital for project implementation but also actively attract investors, guiding them towards long-term environmental and financial benefits. Moreover, by promoting sustainable development investments, these funds play a pivotal role in implementing innovative solutions across various economic sectors, fostering the transformation of business processes and enhancing the environmental efficiency of companies.

An overview of opportunities for Ukrainian producers to secure capital for green initiatives through investment funds, venture capital, and international support programmes is crucial for the development of environmentally sustainable enterprises in Ukraine. Such opportunities provide access to the financial resources necessary for adopting innovative and energy-efficient technologies (Table 3). Capital acquisition is a critical

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<sup>15</sup> Chala V.S., Hlushchenko A. Key Directions for the Development of European Integration Policy in the Context of a Green Economy. *Achievements of the Economy: Perspectives and Innovations*. 2024. No. 9. <https://doi.org/10.5281/zenodo.13347171>.

step in transitioning Ukraine's economy towards sustainable development and integrating it into global environmental initiatives<sup>16</sup>.

Table 3

Opportunities for Attracting Capital for Green Initiatives

Resource	Advantages
1. Investment Funds and Their Role in Financing Green Initiatives	<p><b>1. Funds Focused on Renewable Energy and Energy Efficiency:</b> In Ukraine, there is a growing interest in projects related to solar, wind, and bioenergy. Investment funds specialising in these sectors can provide financing for projects aimed at transitioning to renewable energy sources.</p> <p><b>2. Sustainable Development and Clean Technology Funds:</b> These funds often support innovative enterprises that implement energy-saving technologies, water resource management systems, waste recycling, and the development of "green" manufacturing processes.</p> <p><b>3. Global Sustainable Development Funds:</b> International investment funds such as the International Finance Corporation (IFC), the European Bank for Reconstruction and Development (EBRD), and private funds can provide capital for projects in sectors that positively impact the environment in Ukraine. These organisations often offer not only financial support but also technical assistance and consultancy services.</p>
2. Venture Capital for Clean Technologies	<p><b>1. Local Venture Funds:</b> Ukraine hosts local venture funds such as U.Ventures and SME Finance, which facilitate the financing of enterprises engaged in "green" innovation. These funds can provide financial support at the early stages of project development and contribute to the capitalisation of start-ups specialising in eco-technologies.</p> <p><b>2. International Venture Funds and Investors:</b> Investors from the EU, the United States, and other regions show interest in supporting Ukrainian start-ups operating in sustainable technologies. Organisations such as GreenTec Capital and Blue Horizon invest in innovative Ukrainian companies that develop technologies aimed at reducing environmental impact.</p> <p><b>3. Start-up Programmes and Incubators:</b> Ukraine also features accelerators and incubators that support start-ups in the environmental sector. Programmes such as GreenStart assist entrepreneurs implementing innovative projects in clean technologies, offering not only funding but also mentorship, training, and networking opportunities.</p>
3. International Support Programs and Grants	<p><b>1. European Union Programmes:</b> Initiatives like Horizon Europe, EU4Environment, and other EU-driven projects actively fund environmentally sustainable development in Eastern Partnership countries, including Ukraine. These programmes provide financial support for innovations in renewable energy, environmental management, and sustainable technologies.</p>

<sup>16</sup> Kupalova H.I. Environmental Entrepreneurship as an Integral Component of Sustainable Development in Ukraine. *Bulletin of Taras Shevchenko National University of Kyiv. Military Special Sciences*. 2011. No. 26. pp. 35-39.

	<p><b>2. Global Financial Institutions:</b> International organisations such as the World Bank, the International Monetary Fund (IMF), and the International Finance Corporation (IFC) frequently grant funding for sustainable initiatives in Ukraine. For instance, their programmes may support greenhouse gas emission reductions, modernisation of energy systems, and energy-efficient projects.</p> <p><b>3. UN Funds and International Environmental Organisations:</b> Entities like the United Nations Development Programme (UNDP) actively grant support for environmentally sustainable projects in Ukraine, particularly in combating climate change and preserving biodiversity. These grant programmes often back initiatives in energy saving, renewable energy, water supply, and resource conservation.</p> <p><b>4. Climate-Focused Funds:</b> Global funds like the Green Climate Fund and the Adaptation Fund offer financial resources to countries tackling climate change. These funds target enterprises implementing adaptive measures and employing environmentally friendly technologies.</p>
4. Potential for Ukrainian Producers in the Field of Green Financing	<p><b>1. Awareness and Education:</b> Many Ukrainian enterprises lack sufficient knowledge of available financial instruments. Educational initiatives and information campaigns on green financing can significantly enhance their ability to attract capital.</p> <p><b>2. Transparency and Compliance with International Standards:</b> Adhering to international standards in environmental sustainability is critical for Ukrainian businesses to appeal to investors and financial institutions.</p>

Expanding clean businesses and achieving greater social impact requires overcoming several barriers. These barriers can be economic, technological, legislative, or social<sup>17</sup>. Let us examine the main barriers faced by enterprises operating in the field of sustainable development:

### 1. Financial Barriers:

- **insufficient access to financing:** many environmentally-friendly businesses encounter difficulties in securing capital, especially in the early stages of development. Investors often question the long-term profitability of such projects;

- **high initial investment costs:** enterprises that utilise cutting-edge environmentally clean technologies often face significantly higher start-up costs for the development and implementation of these technologies, which can hinder their growth without adequate financing;

- **limited availability of financial instruments:** although new financial instruments, such as green bonds and specialised investment

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<sup>17</sup> Palasevych M.B., Murza P.A. Renewable Energy as a Factor in Increasing the Energy Efficiency of the National Economy. *Achievements of the Economy: Perspectives and Innovations*. 2024. No. 8. DOI: <https://doi.org/10.5281/zenodo.13166251>

funds, have emerged in recent years, their accessibility remains limited for many businesses, particularly in developing countries.

## 2. Technological Barriers:

- **low availability of technologies:** a challenge for many eco-friendly businesses is the limited access to effective technologies for reducing environmental impact, such as energy-saving technologies or waste disposal methods;

- **high costs of implementing new technologies:** even when technologies are available, their implementation requires significant expenditure, which is not always recouped in the short term;<sup>18</sup>

- **insufficient level of innovation:** sustainable development for many environmental initiatives requires new, more efficient technologies. However, investments in R&D (research and development) may be limited due to high costs and the unpredictability of outcomes.

## 3. Legal and Regulatory Barriers:

- **imperfect legislation:** in Ukraine and other developing countries, the legislative framework for supporting environmentally clean initiatives is often underdeveloped or does not provide adequate support for businesses operating in environmentally sustainable sectors;

- **inconsistency of regulations at the international and national levels:** businesses often face issues due to the lack of clear standards or requirements for environmental compliance, creating barriers to business development and attracting international investors;

- **high bureaucracy and complexity in obtaining permits:** the process of obtaining environmental licences, permits, or certifications can be very time-consuming and complicated, which slows down business development and increases costs;

- **lack of incentives for businesses:** many governments do not provide sufficient tax or financial incentives for businesses that aim to integrate environmentally clean practices into their production processes.

## 4. Social Barriers:

- **low awareness among the population and businesses:** few people in Ukraine and many other developing countries have a deep understanding of the importance of environmentally clean technologies

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<sup>18</sup> Orlovska Y.V., Yakovyshyna T.F., Orlovskiy Y.S. Green Building as a Component of EU Policy on the Development of the Circular Economy. *Eastern Europe: Economy, Business, and Management*. 2016. Issue 5 (05). pp. 365-371. URL: [https://easterneurope-ebm.in.ua/journal/5\\_2016/70.pdf](https://easterneurope-ebm.in.ua/journal/5_2016/70.pdf).

and sustainable development. Insufficient awareness in society can lead to limited demand for such technologies;

- insufficiently developed environmental practices within society: many consumers and businesses continue to view traditional methods of production and consumption as more convenient and cheaper, reducing demand for green products and services;

- **resistance to change:** both consumers and businesses show resistance to change due to habitual reliance on old approaches, which complicates the implementation of environmentally clean solutions in the market.

#### 5. Market Barriers:

- **uncertainty in demand for environmentally clean products:** the lack of sustained demand for environmentally clean products, due to low consumer awareness of their benefits, may limit the growth of businesses operating in this sector;

- **competition from traditional industries:** businesses operating in traditional, less environmentally friendly industries may offer cheaper products due to lower production costs, creating competition for environmentally clean alternatives.

#### 6. Management and Organisational Barriers:

- necessity for a shift in corporate culture: many businesses are not prepared for changes in corporate culture, particularly in implementing sustainability strategies or transitioning to environmentally clean technologies;

- **lack of qualified personnel:** managing environmental projects requires specialists with experience in implementing sustainable technologies, environmental auditing, and project management in this field. Many countries face a shortage of such specialists.

#### 7. Infrastructure Barriers:

- **underdeveloped 'green' infrastructure:** infrastructure for renewable energy, waste recycling, electric vehicles, and other environmental solutions may be insufficiently developed, which complicates the operation of such businesses;<sup>19</sup>

- high costs of modernising existing infrastructure: for businesses

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<sup>19</sup> Lipysh L.H., Khilukha O.A., Kushnir M.A. Eco-Innovations in the Context of a Circular Economy. *Scientific Notes of Lviv University of Business and Law. Economic Series. Legal Series.* Issue 32/2022. pp. 16-23. DOI: <http://dx.doi.org/10.5281/zenodo.6094672>.



operating in clean sectors to function effectively, the existing infrastructure needs to be modernised, which requires significant financial investment.

#### **8. Barriers to International Cooperation:**

- **issues with international funding and attracting investors:** businesses in Ukraine may face difficulties in attracting foreign investments due to political instability, uncertainty in legal regulations, or the lack of global recognition of some Ukrainian 'green' initiatives.

#### **9. Political Barriers:**

- **lack of political support:** environmentally clean businesses may face an unstable political situation, a lack of government support for the development of ecological technologies, and the ineffective implementation of national environmental policies.

Therefore, in order for environmentally friendly businesses to grow and create a larger social impact, these obstacles need to be addressed. This will require comprehensive efforts from governments, businesses, investors, and civil society to create a favourable environment for sustainable development.

Green entrepreneurship, which combines profitable activity with environmental responsibility, is one of the key elements in the transition to a low-carbon economy. In this context, the role of such businesses is becoming increasingly important, as they can stimulate innovation, reducing negative environmental impacts, and promoting sustainable socio-economic development. Forecasting the development of green entrepreneurship, particularly its impact on the transition to a low-carbon economy and the further growth of social businesses, requires careful analysis of current trends, challenges, and opportunities.

Considering global efforts aimed at achieving climate goals, such as reducing greenhouse gas emissions by 45% by 2030 and achieving net-zero emissions by 2050, green entrepreneurship is becoming a primary driver of these changes. There is already significant interest in renewable energy sources, such as solar and wind energy, hydrogen energy, as well as energy-efficient technologies in industry and construction. According to forecasts by the International Renewable Energy Agency (IRENA), the share of renewable energy in the global energy mix could rise from 28% in 2020 to 50% by 2030, which would be a significant step towards achieving a low-carbon economy.



Green entrepreneurship is already playing an important role in the development of new business models aimed at sustainable development. An important aspect is that these businesses often combine environmental interests with social ones. A sustainable development strategy requires consideration of environmental, social, and economic factors, which provides businesses with additional advantages in conditions of market instability. According to estimates by the World Economic Forum, by 2030, global investments in green infrastructure could reach USD 2.5 trillion, creating up to 85 million new jobs, particularly in the areas of renewable energy, energy-efficient technologies, and waste recycling.

The trend towards social entrepreneurship is also reflected in green business. Social businesses, particularly those focused on addressing environmental and social issues, have great potential for growth in the future. It is predicted that by 2030, over 50% of young people in developed countries will seek employment in companies focused on sustainable and responsible business practices, reflecting the growing demand for social entrepreneurship. Investors are increasingly paying attention to ESG (Environmental, Social, and Governance) criteria, which require companies not only to achieve financial profitability but also to actively engage in social and environmental initiatives<sup>20</sup>.

According to the latest data, by 2023, the global social investment market exceeded \$30 trillion, indicating that financial flows are increasingly orientated towards supporting responsible businesses. Social investment funds, which finance environmentally clean and socially responsible projects, have experienced significant growth due to the increased focus on sustainable development by major investors such as BlackRock and Vanguard, who are already actively seeking opportunities for investments in sustainable businesses. It is forecasted that by 2025, the market for green and social bonds will grow to \$1 trillion, which is a powerful indicator of achievements in this direction.

One of the key factors driving the development of green entrepreneurship is the continuous improvement of technologies that reduce greenhouse gas emissions. It is expected that in the next 5-10 years, new technologies in renewable energy, electric vehicles, energy-efficient

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<sup>20</sup> Lypych L.H., Khilukha O.A., Kushnir M.A., Koshovyi B.-P.O. Complementarity of the Sustainable Development Economy Concept and the "Green Economy." *Academic Visions*. Issue 19/2023. <http://dx.doi.org/10.5281/zenodo.79520481>.

buildings, and waste recycling will significantly lower production costs and make these technologies more accessible to small and medium-sized enterprises. For instance, the cost of solar panels and batteries is expected to decrease by 30-40% by 2030, making these technologies more affordable for entrepreneurs.

Moreover, the increasing support from government and international institutions will help stimulate the transition to a more sustainable economy. Governments are increasingly using financial instruments to support environmentally clean businesses, such as subsidies, tax incentives, green bonds, and funding through international organisations like the European Union and the World Bank. Green project funding programmes help mitigate risks for investors and attract additional financial resources for the development of sustainable businesses. By 2030, it is expected that the number of countries introducing green financing instruments will increase by 50%, which will facilitate the development of green entrepreneurship worldwide.

It is anticipated that, as a result of the integration of new financing tools and the development of green technologies, the market for environmentally clean products and services could grow by 20-25% annually by 2030. This will create significant potential for the growth of small and medium-sized enterprises, which will actively implement innovations in ecology and social responsibility. In this context, we can expect an increase in the number of social businesses that focus on solving issues related to climate change, water resource management, energy efficiency, and biodiversity conservation.

Consequently, the potential for the advancement of green entrepreneurship is highly encouraging. It is forecasted that in the future, these businesses will not only contribute to reducing greenhouse gas emissions and maintaining ecological stability, but will also become important drivers of social change, creating new jobs, stimulating innovation, and improving people's quality of life. In conclusion, the shift towards a low-carbon economy, alongside the expansion of social enterprises, is likely to result in sustainable economic growth, enhanced environmental quality, and beneficial social transformations on a global scale.

## ***2.6. Prospects for coordination of innovative development of economic sectors of Georgia in the next decade***<sup>1</sup>

<https://doi.org/10.36228/PASD24/2/6>

As is known, during the Soviet period, the Georgian economy was quite self-sufficient. Import was approximately equal to export. At that time, Georgia had many large industrial enterprises (metallurgy, machine tool building, transport engineering, light industry, food industry, etc.), and developed agriculture (the lack of grain was compensated by the production of grapes and winemaking, the production of fruits and vegetables, and subtropical crops). However, most of the large industrial enterprises were liquidated in the first years of the post-Soviet period, and since then, imports in the country have been almost 4 times greater than exports every year.

In the 1990s, almost no new industrial enterprises were built, and the energy sector was developing poorly. However, some new industrial facilities began to appear later, and small businesses began to revive. However, a consistent innovation policy was only implemented in the last decade. Both basic process and product innovations (i.e., production technologies and new manufactured products) and improving innovations (mainly in the form of the use of information and communication technologies in various industries) were implemented. However, all this was not enough to fundamentally improve the level of self-sufficiency of the Georgian economy. That is, the Georgian economy developed at a very slow pace, and very few new enterprises appeared in the energy and industry sectors.

Therefore, the following objectives were set in the study, the development of which will contribute to the solution of the research tasks: systematization of the factors that hinder the implementation of innovations in the sectors of the economy and identification of some ways to overcome them; discussion of the prospects for the development in the near future of the innovation infrastructure necessary for the implementation of innovations in the sectors of the economy (discussion of the state innovation policy, the system of innovation production,

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<sup>1</sup> Автори підрозділу: *Ramaz Abesadze*, Doctor of Economics, Professor, Chief Researcher, Director of the Paata Gugushvili Institute of Economics Tbilisi State University (Georgia); *Vakhtang Burduli*, Doctor of Economics, Professor, Chief Researcher, Head of Department of Paata Gugushvili Institute of Economics Tbilisi State University (Georgia).

technology transfer organizations and other elements of the innovation infrastructure); the purpose of the study is also to discuss the problems of the relationship between the dissemination and implementation of innovations between sectors and subsectors of the economy). Further, the most important goal of the study is to identify and justify the tasks of the strategy for the implementation of basic and improving innovations in the context of the following sectors and subsectors of the economy: electric power industry; industries (electrical engineering industry, production of composite materials and products from them, metallurgical industry, information and communication technologies; transport engineering, light industry).

The first part of the work examines the factors that hinder the introduction of innovative technologies (in the form of new enterprises or in the form of technological modification of existing ones) and some ways to overcome them (it is taken into account that the overwhelming majority of both basic and improving innovations in Georgia, as in most other small and medium-sized countries, are imported either by purchasing process technologies or by organizing joint ventures with foreign partners), as well as the prospects for the development of innovative infrastructure in the near future. It briefly characterizes mainly in which industries in developed countries the main flows of innovations are produced and in which they are introduced, that is, the problems of the relationship in the production and dissemination of innovations between sectors and subsectors of the economy.

The second part of the work proposes and substantiates a strategy for the implementation of innovations in the energy sector and in a number of industrial subsectors in the near future, taking into account the relationships between the development and production of innovations in a number of industrial subsectors and their implementation in the energy sector and other industrial subsectors.

The conclusions summarize, systematize and critically interpret the results of the study, and the data are supported by some excerpts of opinions from American and European sources.

### ***General problems of implementing innovations in economic sectors***

Factors that hinder the implementation of innovation in economic sectors and some ways to overcome them.

In order for the country's economy to develop and production to grow and at the same time to produce products that are competitive both in the domestic and foreign markets, it is necessary to build new production facilities in the designated sectors of the economy (that is, carry out so-called basic process innovations for the subsequent release of basic product innovations<sup>2</sup>, and to maintain the competitiveness of existing industries from time to time, as necessary, implement improving and pseudo-process (modernization of production technologies) and product innovations<sup>3</sup> (in order to improve product quality, reduce its cost, modernize the product, etc.).

The implementation of innovations (the construction of innovative enterprises or the modernization of their production technologies or manufactured products occurs either with the help of foreign capital or on the basis of the use of national capital. Moreover, in a small country (and in any other, except perhaps the USA), the overwhelming majority of innovations (production technologies, produced consumer products) are borrowed (that is, imported) and only a small part (mainly improving and pseudo-innovations) is developed within the country (within manufacturing enterprises or in specialized organizations with subsequent sale to the producing enterprise).

The main factor hindering the implementation of basic innovations in most sectors of the country's economy (that is, the construction of new production facilities) is the overproduction of a large range of goods in the world. For this reason, in many post-socialist countries in the 90s, many modern, powerful industries were closed according to the following scheme: an investor-competitor buys a controlling stake in an existing enterprise at a cheap price, then makes inappropriate "improvements" in it in order to increase the cost of production and worsen product quality, then declares the enterprise unprofitable and closes it. At the same time, he gets the opportunity to increase production at his factories in other countries (where the production of the corresponding products, for a number of reasons, turns out to be more profitable). However, such practices in the struggle between competitors sometimes take place within

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<sup>2</sup> Burduli, V. (2020). Classification of types of innovations and sectoral problems of their dissemination. *Ekonomisti*, 4(XVI), 36-38. <https://doi.org/10.36172/-EKONOMISTI.2020.XVI.04.Burduli>

<sup>3</sup> Ibid.

traditional capitalist countries, for example in the USA (such actions are usually studied and discussed by scientists and they are called “hostile acquisition” or “hostile takeover”. In a certain period, namely in the 90s and in 2001-2010, a number of enterprises in Western countries transferred significant parts of the production capacity of their modern enterprises to post-socialist countries (for example, large capacities of the French automobile industry were transferred to Slovenia, but this caused widespread protests from side of the French workers left without work). Communist China enjoys great respect from American businessmen: a large number of highly qualified workers and the relative cheapness of labor attract the production capabilities of American businessmen and allow them to maximize their profits by marketing their products not only in China, but also, to a greater extent, beyond its borders . But in the current situation, it is difficult, almost impossible, to attract foreign industrial enterprises to Georgia, despite the tax and other preferences established several years ago (see, for example, the mentioned publication.

But the main condition encouraging the location of modern high-tech innovative enterprises in the country is the guarantee of subsequent sales of manufactured products. Let us remember with what care the problems of export sales of products during the joint construction of the Tbilisi plant for the production of composite materials for aircraft (ATC) by the Georgian “Partnership Fund” and the Israeli company Elbit Cyclon were thought out in advance and agreed upon with the corresponding largest world airlines (Boeing, Airbus, Bombardier).

The prospects for the implementation of innovative enterprises based on the use of national capital or through the construction of joint production with foreign capital in most sectors of the economy (with the exception of a few, such as the industry of building materials, solar and wind power plants and industrial products for them) are also still small. In this case (excluding the construction of joint ventures, where the organization of auxiliary infrastructure for the construction will be attracted by a foreign partner), specialized innovative infrastructure enterprises are required to support construction.

In order to maintain the competitiveness of existing enterprises in any sector of the economy, from time to time, as needed, it is necessary to implement improving and pseudo-innovations. In Georgia, a certain supporting infrastructure already exists to facilitate the implementation of

this type of innovation. In addition to the Georgian Agency for Innovation and Technology, founded several years ago, these are technology parks, business incubators, business accelerators, centers for commercialization and technology transfer, innovation laboratories created mainly on the basis of higher educational institutions, where business representatives are given certain knowledge and skills to implement such innovations; Some large enterprises already have their own employees involved in the implementation of innovations. In addition, many young people study not only in higher technical educational institutions in Georgia, but also abroad, even in the world-famous Oxford and Cambridge educational institutions, and these young people, after receiving their education, will be able to apply their knowledge to implement improving and pseudo-innovations at enterprises in the country. But it should be taken into account that in order to identify innovations that are constantly being implemented in the world in economic sectors and obtain (purchase) information (documentation) for their implementation at the country's enterprises, it is necessary to have a specialized infrastructure (or, in large enterprises, special departments), whose employees will for this purpose, interact with relevant organizations of foreign countries (patent offices, information organizations, innovative enterprises, etc.).

Prospects for the development in the near future of the innovation infrastructure necessary for the implementation of innovations in economic sectors. In the articles indicated in the footnote<sup>4</sup> the components of modern innovation infrastructure existing in developed countries were reviewed, systematized and characterized. Some of them already exist in varying degrees of development in Georgia, which was discussed in detail in the works of R. Abesadze<sup>5</sup> and V. Burduli<sup>6</sup>. Here we will outline the

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<sup>4</sup> Abesadze, R., Burduli, V. (2019). Modern State and Priorities for Forming the National Innovation System of Georgia. *International Journal of New Economics and Social Sciences*, (9), 12-29. <https://doi.org/10.5604/01.3001.0013.3013>; Abesadze, R., Burduli, V. (2018). National, Regional and Supranational Coordination of the Regional Innovation Policy in the EU Countries. *International Journal of New Economics and Social Sciences*, № 1(7), 11-38. <https://ijoness.com/resources/html/article/details?id=175031>

<sup>5</sup> Abesadze, Ramaz (2020). Innovative policy and system of Georgia. *Proceedings of scientific works of Paata Gugushvili Institute of Economics of TSU*. Volume XIII. Tbilisi 2020, pp 10-47. Retrieved from <https://www.pgie.tsu.ge/contentimage/xxxx/shr.kreb.2020.pdf>

<sup>6</sup> Burduli, Vakhtang (2020). Sectoral and regional problems of spreading innovations in Georgia. *Proceedings of scientific works of Paata Gugushvili Institute of Economics of TSU*. Volume XIII. Tbilisi 2020, pp 98-179. Retrieved from <https://www.pgie.tsu.ge/contentimage/xxxx/shr.kreb.2020.pdf>

necessary and appropriate directions for their development in the near future in the following areas described in the specified articles: government organizations that ensure the state's innovation policy; production of innovations within the country; research sector; technology transfer organizations and other modern elements of innovation infrastructure that facilitate the implementation of innovations; a system of interaction with the international innovation environment; a system of financing innovation activities; personnel training; innovation clusters.

Ensuring the state's innovation policy: a) government organizations that determine the innovation policy of the state, ministries, departments, agencies, funds and other regulatory and financing agencies; in Georgia, following the example of developed countries, issues of innovation policy are dealt with primarily by the government as a whole, the Ministry of Economy and Sustainable Development, the Ministry of Regional Development and Infrastructure, the Ministry of Agriculture, the Ministry of Education and Science. The Georgian Agency for Innovation and Technology<sup>7</sup> has been established and is actively operating under the Ministry of Economy and Sustainable Development, as well as the Produce in Georgia Agency, and the Rural Development Agency under the Ministry of Agriculture; b) innovation policy strategy and programs; in this regard, in the process of disseminating innovations in Georgia, following the example of developed countries, various programs are already being implemented, in the financing of which the state also participates, for example, programs for organizing innovative start-ups; c) the regulatory framework in the field of development and stimulation of innovation activities, including provisions regulating the relationship between science, business and the state; In this regard, the “Law of Georgia on Innovations” was adopted in Georgia, but other laws also contain provisions regulating this activity.

In the next decade, it is necessary to develop the activities of key state organizations coordinating innovation activities, primarily the Agency for Technologies and Innovations and the Agency for Produce in Georgia. The Agency for Technologies and Innovations and its divisions (technology parks, business incubators) have already achieved certain successes, but

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<sup>7</sup> For the rapid development of the county. Innovation and Tecnology Agency of Georgia. Retrieved from <https://gita.gov.ge/>



the overwhelming majority of its activities cover activities only in the field of IR technologies. Meanwhile, in the context of increasingly tough global competition (to correct such a negative balance of exports and imports), it is becoming increasingly difficult to create and develop export-oriented and import-substituting production in key sectors of industry, energy and agriculture. Therefore, in our opinion, this agency in the next decade needs to pay more attention to supporting the implementation of basic and improving innovations in these sectors, namely, identifying promising basic and improving innovations produced in the world for implementation in the country, facilitating the organization of contacts between domestic businessmen and relevant foreign partners (suppliers of necessary technologies, entities that can be attracted to the organization of joint ventures in the country, etc.), and, to the extent possible, participating in state financing of projects.

In connection with the latter, new trends have emerged in the world. Here is what Dany Rodrik writes about it: In just a couple of years, the conversation about economic policy in the United States has been profoundly transformed. Neoliberalism, the “Washington Consensus,” market fundamentalism – call it what you will – have been replaced by something completely different.

In macroeconomic policy, fears of debt and inflation have given way to new preferences for overstimulating the economy and downplaying the risks to price stability. In taxation, acquiescence to the global race for the lowest rates has evaporated, while a global minimum tax rate for multinationals has emerged. Industrial policy, until recently unmentionable in polite company, is back in full force.

Whereas the buzzwords in labour policy used to be “deregulation” and “flexibility,” the conversation is now about good jobs, addressing imbalances in bargaining power, and increasing the role of workers and unions. Whereas big tech companies and internet platforms were once seen as a source of innovation and consumer benefits, they are now seen as monopolies that need to be regulated and perhaps even broken up. Trade policy used to be about the global division of labour and the pursuit of efficiency; it is now about creating resilience and protecting domestic supply chains. True, the article notes that “in particular, developing

countries that lack the necessary fiscal space and have to borrow in foreign currencies should be wary of over-reliance on macroeconomic stimulus.”<sup>8</sup>

In connection with the above-mentioned new global trend of increasing economic stimulation, the Produce in Georgia Agency will also have new opportunities to stimulate business in the coming decade. The Produce in Georgia Agency unites all state programs aimed at promoting the business sector and economic development of the country. The program is aimed at developing micro and small businesses, affirming a modern culture of entrepreneurship and creating new jobs.

Since September 1, the program has expanded and four new components have been added to it, which will be available to 1.3 thousand entrepreneurs in 2021-2022. Under the new initiative, the state will provide enterprises with grant co-financing of the project in the amount of 15% (no more than 500 thousand GEL) before banks, while no more than 60% of the principal amount of the loan will be guaranteed for a maximum period of 10 years. "Produce in Georgia" is one of the most successful projects of the Georgian government aimed at stimulating local production in the country. Many enterprises, under already implemented projects, produce export-oriented products and are successfully expanding. For example, the company "Ozurgeti Denim" sews clothes for such famous brands as URBAN, PIECES, GINA TRICOT, LIU JO, NOISY MAY, VERO MODA, GEORGE, VERO MODA-CURVE, NEW LOOK, ONLY, CUBUS and successfully sells products in the domestic and foreign markets.

Production of innovations:

a) As for basic innovations, both product and process ones, it is necessary to build special innovative enterprises for their production, or to introduce process innovations (new technologies) at existing enterprises for the production of an innovative product (for example, panels for solar power plants, innovative batteries for electric vehicles, etc.), for which it is necessary to import the technologies necessary for production, or to attract foreign investors for the construction of joint ventures. In Georgia, for example, by 1990 a machine-tool plant was modernized, which began to produce the latest innovative machines with numerical control (i.e. with

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<sup>8</sup> Dani, Rodrik (2021, Sep 10). Правильные выводы из экономических экспериментов в США. *Project Syndicate*. Retrieved from <https://www.project-syndicate.org/commentary/economics-turned-upside-down-in-the-us-by-dani-rodrik-2021-09/russian>

information and communication support), but it was soon liquidated, and its equipment was sold as scrap metal. It is extremely problematic to restore such a plant at present for a number of reasons (including sales problems), but in the next decade it is necessary to look for opportunities to build a number of similar high-tech enterprises (in the energy sector, in the manufacturing industries, including metallurgy, light industry, in the production of composite materials and products made from them, electrical engineering, etc.).

b) As for improving innovations, special divisions can be created for their production and implementation, but in this case, as for the implementation of basic innovations, it will often (almost always) be necessary to import the necessary documentation, patents, negotiate with holders of popular brands, attract foreign specialists to adjust technologies and train personnel.

Research and Development Sector (universities and research institutes). In developed countries, universities and research institutes pay great attention to scientific developments focused on innovative research. Georgian scientists are already quite active in the field of innovative research. In addition to university scientists, who are mainly engaged in teaching activities, the country has preserved a developed system of research institutes that are engaged in innovative research in addition to fundamental research, and which cooperate with European colleagues in these matters. For example, such institutes as the Institute of High Energy Physics, the Institute of Inorganic and Electrochemistry, the Institute of Physical and Organic Chemistry, the Institute of Mineral Raw Materials, the Institute of Morphology and others can be noted. Georgian scientists, together with experts from the EU Brotherhood Project, discussed ways to further intensify modern innovative developments in the near future at the Green Deals Prospects seminar held in September 2021, which is “something like a connecting bridge between science and business”<sup>9</sup> (The seminar was organized by the Shota Rustaveli National Scientific Foundation with the support of the EU Brotherhood Project and the Ministry of Education and Science of Georgia).

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<sup>9</sup>*Georgian scientists and experts of EU twinning project discussed the perspectives of the “green deal”* (2021, 25 Sep). Retrieved from <https://www.interpressnews.ge/ka/article/675701-kartvelma-mecnierebma-da-evrokavshiris-dazmobilebis-proektis-ekspertebma-mcvane-garigebis-perspektivebi-ganixiles>

Technology transfer organizations and other elements of innovation infrastructure (technology parks, business incubators, business accelerators, centers for commercialization and technology transfer, innovation laboratories, etc.). All these structures should facilitate the identification and implementation of both domestic (of which there are few in a small country) and, especially, imported new production technologies. In fact, in addition to the "technology transfer center", other elements of the innovation infrastructure also directly or indirectly participate in the transfer. For example, the task of business accelerators is usually to support the development of technologies (including investment) by innovative start-ups, which can also be considered an element of the technology transfer process.

System of interaction with the international innovation environment. In the next decade, it is necessary to radically expand the relationships with foreign partners in innovation activities, both in the area of deliveries to the country (transfer) of new technologies (for the implementation of basic innovations, i.e. the creation of new innovative enterprises), and in the area of joint innovative developments (primarily for the development of improving innovations). Of decisive importance is the creation of venture innovative enterprises jointly with foreign partners. There are very few such enterprises so far due to the significant above-mentioned risks for investors. The main role in organizing this interaction (of business and scientists) with foreign partners should be played by the Georgian Agency of Innovation and Technology, for which it is necessary to create several corresponding small divisions in the context of the main priority sectors and subsectors of the economy for development.

System of financing innovation activities:

a) State funding of innovation activities. In Georgia, the main role in state funding of innovation activities is played by the Georgian Agency of Technology and Innovation and the Agency "Produce in Georgia", which, within the framework of relevant programs, provide equity funding to small and medium-sized businesses, primarily start-ups.

b) The main funding of innovation activities in developed countries is carried out directly by the business sector; in many successful countries, financial and industrial groups play a major role in this regard, which should be adopted in Georgia in the future.

c) In many successfully developing countries, the construction of innovative enterprises, especially at the initial stages of their industrial development, is carried out by foreign investors importing technologies, who organize joint ventures with local enterprises. However, despite the favorable economic conditions for foreign business, foreign businessmen are in no hurry to locate their enterprises in Georgia due to the above-mentioned and other restraining circumstances. We have repeatedly noted in our publications that the availability of cheap electricity in the country can help attract foreign entrepreneurs, but this requires the construction of hydroelectric power plants and other power plants based on renewable energy sources, but currently more than half of the country's electricity is imported (taking into account the fact that thermal power plants operate on imported energy sources). Meanwhile, non-renewable energy sources used in thermal power plants (gas, fuel oil) are becoming more and more expensive. Therefore, the relevance of building hydroelectric power plants, wind and solar power plants based on renewable energy sources in Georgia, as well as throughout the world, is growing.

d) Financial support for innovation activities can also be obtained from the so-called structural funds of the European Union, each of which allocates a certain share of funds to finance innovation activities in the EU regions. The activities of the European Regional Development Fund are mainly focused on 4 priorities: innovation and research, digital development, support for small and medium-sized enterprises and a low-carbon economy (an economy with low greenhouse gas emissions) (more than 80% of all resources of this fund are allocated for these purposes). The priority of the Cohesion Fund is the development of trans-European transport networks and environmental projects in the fields of energy, energy efficiency, the use of renewable energy sources and transport (it is used only in countries where the GDP per capita is less than 90% of the union average). The European Social Fund's activities focus on four thematic objectives: promoting employment and supporting labour mobility; promoting social inclusion and combating poverty; investing in education, skills acquisition and lifelong learning; and strengthening institutional capacity and the effectiveness of public administration.

Personnel training. The training of innovative personnel (including innovative managers) cannot be carried out unsystematically. It should consist of interconnected stages of increasing knowledge and competence.

Along with universities that train specialists in the field of fundamental and applied science, and institutions directly focused on obtaining knowledge in the field of innovative activities (for example, an innovation center according to the Law of Georgia on Innovations), national engineering schools play a huge role in developed countries. Of great importance for the development of innovation activities is the training of highly qualified specialists, namely, doctors of science. In some European countries, for example, in the Netherlands and Austria, there is an increasing shortage of doctors of science in scientific and technical specialties or a general shortage of competent personnel, which causes low returns on scientific and technical developments<sup>10</sup>, and the insufficient development of interaction between science and business in some countries, for example, in Germany, encourages them to create departments of entrepreneurship in universities, designed to promote broader commercialization of developments<sup>11</sup>.

In our opinion, doctors of science in Georgia should be trained not only in university departments (as is currently the case), but also in specialized research institutes, where scientific research of both fundamental and applied nature is mainly carried out.

However, all this is not enough for the real implementation of basic or improving innovations in the country. Why is the introduction of new production technologies (or the modernization of existing ones) called a "process" innovation? Because their operation is a process involving specialists with the necessary knowledge (adjustment of technologies, control over their serviceability, control of the production process, quality control of manufactured products, etc.), as well as workers who are trained in the necessary skills for high-quality work on these technological devices. Where will such personnel come from in a small country to work on innovative equipment imported into the country? Even in the Soviet Union, during the period of industrialization, foreign (mainly American) specialists were engaged in training personnel to work on imported technologies. Then, however, vocational schools and technical schools appeared in the country, where students acquired the necessary

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<sup>10</sup> Spravka o mezhdunarodnom opyte innovatsionnogo razvitiya (2011). ministerstvo ekonomicheskogo razvitiya rossiyskoy federatsii. departament koordinatsii, razvitiya i regulirovaniya vneshneekonomicheskoy deyatel'nosti. elektronnyy resurs: [http://economy.gov.ru/minec/about/structure/depsvod/doc20110407\\_02.](http://economy.gov.ru/minec/about/structure/depsvod/doc20110407_02.) ) Pp. 6, 8, 10.

<sup>11</sup> Ibid. P.12

knowledge and production skills. Moreover, at present, a simple purchase of innovative technologies will not help the matter. Special training is needed for both engineering personnel and ordinary workers. For example, in the shoe industry, an engineer must know where to get (or what recipe to use to produce) innovative glue for gluing shoe parts, how to glue them, etc., and a worker must be able to do this using innovative equipment. Again, let us recall how the organization of production at the Tbilisi plant for the production of composite materials for aircraft was prepared in the area of personnel training: more than two hundred workers were sent to Israel to learn how to work at an enterprise of a similar profile, and Italian specialists came to install and adjust the equipment. Therefore, in order to facilitate the real organization of innovative production in priority sectors of the country's economy, small divisions should be created under the Georgian Agency for Innovation and Technology (or under innovative clusters, when they arise) to organize real training of personnel to work on innovative technologies imported into the country (with the involvement of foreign specialists for training, sending workers for training to relevant firms abroad, and where possible, conducting personnel training with the help of domestic specialists).

Innovative clusters. Unlike traditional industrial clusters, innovative clusters represent a system of close relationships not only between firms, their suppliers and clients, but also knowledge institutions, including large research centers and universities, innovation divisions of large corporations, innovative enterprises, etc. Through the system of relationships between these objects, the development of innovations is disseminated not only within the cluster, but also beyond its borders.

Innovative clusters can be of national and regional level. It is important to take into account that clusters, regardless of their territorial size, are formed mainly within a certain industry specialization. Even innovative enterprises of the famous Californian Silicon Valley mostly specialize in the field of information and communication technologies. Within a region of the first level of NUTS, naturally, there can be several clusters related to different industries; for example, in Finland there are at least two clusters of the national level. However, the majority of innovative clusters specialized in a certain type of activity in EU countries (of which

there are already more than 2 thousand) are formed within territorial units of a lower NUTS level<sup>12</sup>.

Each country is characterized by its own approach to cluster development. Despite the differences, the cluster strategy is especially evident in Denmark, Holland, Belgium, Finland, France, and Italy. Finnish and Scandinavian industry is fully clustered. The EU countries have adopted the Scottish model, according to which the center of the cluster is one large enterprise, around which smaller firms are grouped. There is the so-called "Italian model" - more flexible and "equal" cooperation between small, medium and large businesses<sup>13</sup>.

Today, there are several spontaneous clusters in Georgia that are in their infancy and very far from being real clusters (for example, the wine production cluster, the furniture cluster, tourism infrastructure and related industries). However, if their development potential is properly used, they can play an important role in the process of future economic growth of the country in the current conditions, when the domestic market of Georgia is very small, and the country occupies an insignificant place in the world market.

Problems of the relationship between the dissemination and implementation of innovations between sectors and subsectors of the economy in the light of solving the problems of the new technological revolution (i.e. solving the problems of transition to a new technological structure).

The implementation of innovations is carried out with the participation of a number of industries. For example, in the energy sector, in the production of wind power plants (in itself a basic innovation), the production of its components involves the production of composite materials and products made from them (for example, wind turbine blades), the metallurgical industry, the electrical industry (generators, turbines, energy storage devices etc.), all of these products are either basic or enhancing innovations. The chemical and petrochemical industries, steel, copper and aluminum production industries, and the textile industry

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<sup>12</sup> Abesadze, R., Burduli, V. (2018). National, Regional and Supranational Coordination of the Regional Innovation Policy in the EU Countries. *International Journal of New Economics and Social Sciences*, № 1(7), 11-38. <https://ijoness.com/resources/html/article/details?id=175031>

<sup>13</sup> Сепашвили, Эка (2013, 30 Nov.). Кластерный подход и кластерное развитие в Грузии. Retrieved from <http://georgiamonitor.org/news/254/1322/>



are involved in the production of composite materials and products made from them, and products made from them are used in aircraft manufacturing, shipbuilding, automobile and bicycle manufacturing, machine tool building, construction, radio electronics, etc. , and they can have the status of both basic and improving innovations.

Judging from the point of view of the number of innovations (basic, improving and pseudo-innovations) now distributed in many industries (according to the criterion of prevalence), then the innovations of the key factor of the new technological structure (that is, the new technological revolution) appear to be: innovations distributed in different industries along the line IR technologies (nowadays mainly digital technologies) - about 40% of the total number of innovations; innovations distributed in different industries through the green economy - about 40% of the total number of innovations (however, innovations along the green economy partially overlap with innovations taken into account through the circular economy and ecology); innovations in composite materials and nanotechnology that are spreading in some industries; innovations distributed across all sectors through the circular economy and ecology; biotechnological innovations distributed in the healthcare sector (microbiology, molecular and cellular biology, biochemistry, embryology, genetic engineering, virology, etc.).

### **Strategy for implementing innovations in economic sectors.**

In Georgia, imports exceed exports by almost four times. Correcting the situation is only possible through the development of import-substituting and export-oriented industries. Therefore, in the next decade, the country faces, first of all, the task of introducing basic process innovations (i.e., the construction of new enterprises based on the import of new innovative production technologies for them), as well as the implementation in some industries of improving innovations using domestic specialists for their development in conditions their cooperation with European and other foreign specialists (Georgian scientists, in cooperation with European scientists, have already become involved in innovative processes and are considering the prospects for their

development, as evidenced by a recently held international seminar<sup>14</sup>. Taking this into account, based on familiarization with the latest information from the Internet, we have proposed a strategy for the introduction of basic innovations and the development and implementation of some improving innovations in the context of the following sectors and subsectors of the economy: electric power industry; industries (electrical industry, production of composite materials and products made from them, metallurgical industry, information and communication technologies; transport engineering, light industry).

Electric power industry. From the above, it is clear that an important factor in stimulating the attraction of foreign capital into the country's economy, for example, to create joint ventures, is the availability of cheap electricity. Meanwhile, most of the electricity in the country is now imported, taking into account the fact that thermal power plants also operate on imported gas. Therefore, in the next decade, it is necessary to focus efforts on creating power plants running on renewable energy sources. Currently, a fairly powerful (280 MgW) Nenskra hydroelectric power station is being built. An agreement was concluded on the construction of a cascade of the Lower Namakhvani hydroelectric station (333 Mg) and the Upper Namakhvan hydroelectric station (100 Mg). But due to unacceptable operating conditions, the contract with the investor was terminated. However, it is necessary to create these hydroelectric power stations. In our opinion, the investor should be the state itself (Partnership Fund), and finding a contractor is not so difficult, for example, you can attract the Italian company Salini impregilo, which is building the Nenskra HPP. We should also think about resuming the construction of the Khudoni hydroelectric power station (more than 700 Mg).

Recently, progress has been made regarding the construction of large and medium-sized hydroelectric power stations in the country on acceptable terms, namely, the government is taking initiatives to build hydroelectric power stations in the country with maximum benefit for the country and the people of Georgia. Thus, the previous Prime Minister Irakli

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<sup>14</sup> *Georgian scientists and experts of EU twinning project discussed the perspectives of the "green deal"* (2021, 25 Sep). Retrieved from <https://www.interpressnews.ge/ka/article/675701-kartvelma-mecnierebma-da-evrokavshiris-dazmobilebis-proektis-ekspertebma-mcvane-garigebis-perspektivebi-ganixiles>

Garibashvili stated that in order to solve the problem of ensuring the country's energy security, "there is only one very rational way, which is to use our national wealth – hydro resources – as efficiently and wisely as possible. I believe that large hydroelectric power station projects – Namakhvani, Nenskra and also Khudoni - should be implemented only with the participation of the state, so that they belong to our people and our state, and not to a private investor. I will promote private investment." In the near future, the economic sector of the government will present a specific plan for energy development<sup>15</sup>. So, the problem of constructing large hydroelectric power stations will apparently be solved and Georgia will cease to be an importer of electricity, an abundance of cheap electricity will appear, which, in particular, will attract investors to the country for the construction of energy-intensive industries.

In developed countries, solar and wind power plants are currently being intensively built. But in Georgia the number of power plants based on these renewable energy sources is negligible. Neither business representatives nor relevant government institutions dare to invest in the construction of such facilities. Primarily because they produce electricity unstably - solar power plants produce electricity only during the daytime and the amount of electricity generated depends on the intensity of solar radiation (which changes throughout the day with changes in the height of the sun and, in addition, depends on the level of cloudiness) and the amount of electricity generated by wind power plants depends on the strength of the wind.

The problem of widespread distribution of solar and wind power plants in Georgia can be solved by the creation of energy storage devices with them.

Thus, in the next decade, special attention needs to be paid to the construction of innovative wind power plants; it is also possible to build solar power plants in areas unsuitable for agriculture and on the roofs of buildings. And the problem of importing (or manufacturing in the country) the energy storage devices necessary for them, as well as manufacturing in the country some parts of the equipment for these stations (cases and

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<sup>15</sup>.Interpressnews.ge (2022, 30 Apr.). Prime Minister – I am considering that the large hydroelectric plants "Namakhvani", "Nenskra", "Khudoni" should be implemented only with the participation of the State. (in Georgian). Retrieved from <https://www.interpressnews.ge/ka/article/708404-premieri-me-ganvixilav-rom-didi-hesebi-namaxvani-nenskra-xudonic-mxolod-saxelmcipos-monacileobit-ganxorcieldes>

blades for wind power plants, solar cells for solar power plants) will be discussed below, in the following industrial subsectors: electrical industry, production of composite materials and products made from them, metallurgical industry.

### **Industry.**

Electrical industry. Currently, the world is rapidly developing the production of batteries, which are necessary in the production of electric cars, as energy storage devices for solar and wind power plants, for smartphones, drones and other mobile devices. Moreover, they are undergoing constant innovative modernization. Even more advanced types are expected to appear in the near future, with Japan and especially South Korea until recently considered the leaders in battery technology innovation<sup>16</sup>. Many factories for electric cars and batteries for them are already operating or under construction. The leader is TNC Tesla, which is building electric vehicle factories not only in the USA, but also in other countries, for example in Germany. Other companies are also creating such factories, for example Ford, which has agreed with the South Korean company SK Innovation to build two huge complexes in the United States, where they will start producing electric cars and batteries for them. In total, the partners will invest \$11 billion, of which Ford will invest \$7 billion. Norway is already starting to produce battery-powered aircraft (propeller-powered, of course, flying over distances of up to 400 km).

For the immediate tasks of developing the electric power industry in Georgia, the problem of equipping wind and solar power plants with energy storage devices is very important. If the turbine plays a fundamental role in the traditional electric power industry, then energy storage devices are extremely important for the development of increasingly popular renewable energy sources: without them, the main problem of wind and solar power plants – dependence on weather variability – cannot be solved.

Corresponding rechargeable batteries (batteries for stationary installations in the electric power industry) are primarily used as energy storage devices for renewable energy sources. Recently, their intensive

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<sup>16</sup> Gurkov, A. (2020). Батареи для Tesla и накопителей электроэнергии: кто лидеры инноваций? Deutsche Welle. Retrieved from <https://www.dw.com/ru/batarei-dlja-tesla-i-hranenija-jenergii-kto-lidery-innovacij/a-55030825>

innovative modernization has been taking place in the world, as a result of which their cost from 2010 to 2020 decreased by 2/3<sup>17</sup>.

The world continues to further improve lithium-ion batteries (the disadvantage of which is that they sometimes catch fire, and methods for their disposal for reuse are also being developed. The latest initiatives in improving batteries for electric cars, renewable energy power plants, etc., are the development of lithium iron phosphate, lithium silicon and solid-state batteries, sodium-ion batteries.

In view of the particular relevance of this problem for the development of the Georgian electric power industry, it is very important that Georgian scientists get involved in these modern developments in the near future. It is also advisable that efforts be made in the country to create an enterprise for the production of energy storage batteries for wind and solar power plants, at least in the form of a joint venture with foreign partners, although this is extremely difficult to achieve.

Georgian scientists should also work on the development of gravitational energy storage devices, and entrepreneurs should work on their construction and implementation into production as wind and solar power plants are built. This idea is completely new and, moreover, it seems that it can be easily implemented in practice.

Energy Vault has raised \$100 million in investments to launch the construction of the first gravitational energy storage devices. Investors include SoftBank and Aramco, which underscores the value of the project. The first installation will begin to be built in the USA by the end of the year, and from next year - in Europe, the Middle East and Australia. The EVx is an automatic tower crane with six booms. Energy is stored in the process of raising 35-ton blocks to a height, made on site from any waste. During the day and in windy weather, excess renewable solar or wind energy is used to power the crane's electric motors, which lift the blocks to a height. Lowering the blocks to the ground under the influence of gravity triggers the reverse process - the generation of electricity in electric generators. It is claimed that the efficiency of the installation reaches 85%. In the prepared project, the installation is most effective for delivering maximum power within 2–4 hours. EVx service life exceeds 35 years, and servicing

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<sup>17</sup> Gurkov, A. (2020). Батареи для Tesla и накопителей электроэнергии: кто лидеры инноваций? Deutsche Welle. Retrieved from <https://www.dw.com/ru/batarei-dlja-tesla-i-hranenija-jenergii-kto-lidery-innovacij/a-55030825>

multiple sites with cranes allows scaling storage capacity to several gigawatt hours<sup>18</sup>.

Another direction for storing energy from renewable sources is the creation of pumped storage power plants (PSPPs). This is the oldest and well-proven technology for storing electricity. When there is an abundance of electricity, an electric pump pumps water from the lower reservoir to the upper one. When it is needed, the water is dumped down and powers the hydrogenerator (for more details, see in the article of V. Burduli<sup>19</sup>. The Georgian electrical industry should also think about building a plant for the production of solar cells.

Production of composite materials and products made from them. This industry is currently developing rapidly in the world. Innovative products made from innovative composite materials in many industries are replacing components made from traditional materials (due to their durability and relative lightness compared to traditional materials, as well as other qualities).

According to expert estimates, the main consumers of composite products in the world are transport engineering (about 28%), construction industry (including pipes and tanks for housing and communal services, about 24%), energy and electronics, including wind energy (about 23% ), oil and gas industry (about 10%), sports, medicine, non-ferrous metallurgy<sup>20</sup>.

The production of composite materials and products made from them requires a whole range of special, complex and expensive technologies. Due to the constant increase in demand for composite materials and products made from them and increasing competition between manufacturers, these technologies are constantly being improved, new technologies are being developed, including software (characterized in the article<sup>21</sup>.

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<sup>18</sup> Ibid.

<sup>19</sup> Burduli, Vakhtang (2020). Sectoral and regional problems of spreading innovations in Georgia. Proceedings of scientific works of Paata Gugushvili Institute of Economics of TSU. Volume XIII. Tbilisi 2020, pp 98-179. Retrieved from <https://www.pgie.tsu.ge/contentimage/xxxx/shr.kreb.2020.pdf>

<sup>20</sup> Burduli, Vakhtang (2018). Production of composite materials and their use in economics. Proceedings of scientific works of Paata Gugushvili Institute of Economics of TSU. Volume XI. Tbilisi 2018, p.82. Retrieved from <http://conferenceconomics.tsu.ge/doc/2018%20Sr.pdf>

<sup>21</sup> Ibid.

Several enterprises have already been created in Georgia producing products from composite materials. For several years now, the production and commercial company “Composite Georgia” has been operating in Georgia, whose field of activity is composite materials, as well as thermal and waterproofing using composites. The company supplies materials and equipment, manufactures products and provides service support for products. The main activity of the company is the production of goods mainly based on the use of imported composite materials: architectural solutions, facades, boats, motor boats, catamarans, hull parts and interior elements for road and railway transport, etc. The company also supplies materials for production of fiberglass plastics in Georgia. The company's partners are the world's largest manufacturers (kompozitgeorgia).

All the difficulties associated with the construction and commissioning of a modern plant for the production of products from composite materials are clearly demonstrated by the process of construction of the Tbilisi plant for the production of composite products for aircraft (ATC).

The first phase of construction of this plant was completed in December 2018. The plant, commissioned by foreign companies, produces products worth hundreds of millions of dollars; its consumers are the world's largest aviation companies: Boeing, Airbus and Bombardier.

The project was jointly implemented by the Georgian Partnership Fund and the Israeli company Elbit Cyclone. The plant has installed Italian-made units. Their installation was carried out by Italian specialists within two months. They also installed two autoclaves manufactured in California (USA), which cost several million dollars. Retraining of engineering and technical personnel to work at a plant producing modern products took place in Israel, in particular, up to 120 specialists were trained at Elbit Cyclone over the course of a year. Semi-finished composite materials for civil aircraft come from Israel. The products are pressed under high pressure, autoclaves are used, and solid products are obtained. Aircraft frames, wings, and other external parts of the aircraft are made from these products<sup>22</sup>.

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<sup>22</sup> Bakhutashvili, Ekaterine (2018, 7 Feb.). With the co-financing of the “Partnership Fund”, the production of composite parts of civil aircraft begins in Georgia. (in Georgian). *BPN (Business Press News)*. <https://www.bpn.ge/article/42369-sapartnioro-pondis-tanadapinansebit-sakartveloshi-samokalako-tvitmprinavebis-kompozituri-nacilebis-carmoeba-icqeba/>

These examples clearly show the difficulties associated with organizing modern production of composite products in the country: it is necessary to purchase technologies for their production abroad, attract foreign specialists for installation and commissioning of equipment, train engineering and technical personnel abroad, coordinate in advance the problems of external and domestic sales of products.

Since the demand for products made of composite materials in the domestic and international markets is constantly increasing, and Georgia already has experience in creating enterprises in this industry, it is necessary to create new, recognized enterprises in this industry in the country in the near future. For this purpose, it is advisable to create a special innovation cluster. Under it, with the participation of public and private capital, it is necessary to establish a special innovation center for composite materials and products made from them, which will ensure the search and research of relevant foreign production technologies, facilitate the transfer of necessary technologies to interested organizations and enterprises, that is, the selection and supply of equipment and accessories, support the development of technological processes, facilitate the training of engineering and technical personnel, invite, if necessary, foreign specialists to set up equipment and train workers, and also participate in a preliminary assessment of sales opportunities both in the domestic market and abroad.

In our opinion, in the near future, the country should first of all create an enterprise for the production of casings and wind blades for wind power plants, which will be in demand both in the domestic and foreign markets. Particular attention should be paid to the development of the production of composite materials for construction, since the demand for them is high in the domestic market and it is possible to build import-substituting production in this direction. And in a number of areas (for example, automotive, aircraft manufacturing) it is impossible to organize the production of relevant composite materials in the country without a prior agreement with large transnational corporations for the export sales of products, and due to the lack of enterprises in the country currently producing cars, large ships or aircraft, Such products will not be in demand on the domestic market.

Metallurgical industry. Currently, the Zestafoni Ferroalloy Plant operates in Georgia, the products of which are sold on the international



market. There is also a small metallurgical plant created on the basis of the large Rustavi Metallurgical Plant, which belongs to foreign investors. At present, it is premature to talk about further development of the steel industry in Georgia. However, recently, in the light of solving the problems of a “green” economy, technologies are being created that produce steel without carbon emissions into the atmosphere.

More recently, the Swedish company HYBRIT has achieved major success in this direction. It began testing carbon-free steelmaking technology in 2020 at a plant in the northern city of Luleå. Conventional steel requires coal to produce, but HYBRIT has replaced it with electricity and green hydrogen. Steelmaker SSAB, which accounts for 10 percent of Sweden's carbon emissions and 7 percent of Finland's, says the clean steel trial is an important step in moving the industry away from fossil fuels. Another company, H2 Green Steel, plans to build a plant in northern Sweden to produce environmentally friendly steel. In addition to metal, the company will produce hydrogen from renewable sources from 2024.

In Georgia, it is too early to talk about the creation of such production facilities due to the lack of domestically produced electricity. But as we increase our own electric power capacities based on renewable energy sources, it will be possible to think about creating such industries, the relevance of which is greatly increasing in light of the inevitable increase in the number of green economy activities. Therefore, it seems that Georgian scientists should begin studying the problems of creating such production facilities in the near future.

Information and communication technologies. It is the speed and versatility that have made IT technologies so in demand in modern branches of science, production and everyday life. Computers, smartphones, television digital electronics, etc. are a unique phenomenon that over the past decades has radically changed the life of every inhabitant of the planet. In the field of these already existing technologies, their modernization occurs through the implementation of mainly improving and pseudo-innovations.

In Georgia, of course, there is no possibility in the near future to establish the production of modern computers, televisions, smartphones and other basic communication devices. This market has been firmly mastered by transnational companies and it is unlikely that any of them will want to establish a joint production with our entrepreneurs to

produce, for example, modern televisions or other basic products. However, there is an opportunity to use and develop the achievements of digital electronics (IR technologies) for use in other industries. The transition to the possibilities of using new forms of labor organization using automated systems for task distribution, enterprise management taking into account the effective distribution of resources, electronic accounting and document management, as well as systems for monitoring production, the environment and supporting management and technological decisions makes it possible to make a qualitative leap and more efficiently use the existing economic potential. This transition is already taking place through the implementation of relevant basic and improving innovations in the field of IC technologies in various sectors of the economy. At the same time, the volume of new innovative developments in this direction is growing all over the world. Modern researchers and specialists identify ten main areas of development of digital technologies (in these areas both basic and improving innovations are implemented, some of them are product-based, but mostly process-based, but in the service sector many of them can be interpreted as product-based): 1. Artificial intelligence and machine learning. 2. Blockchain and Cryptocurrencies. 3. Big Data. 4. Telemedicine. 5. Augmented and virtual reality (AR/VR). 6. Chat Bots and Virtual Assistants. 7. Mobile and Cybersecurity. 8. Internet of Things. 9. Computer Vision. 10. Artificial Neural Networks. In most of these areas, related innovations can spread across all sectors of the economy.

In some of these areas, a number of small businesses have already been founded in Georgia<sup>23</sup>. In the next decade, in our opinion, Georgian business needs to continue to develop initiatives in this direction, including with the support of the Georgian Agency for Technology and Innovation and the Produce in Georgia Agency.

However, in some industries in the near future it will be possible to create quite large enterprises in Georgia using the latest digital technology products in their products, the market of which is still in the process of formation in the world. It is possible, for example, with certain efforts and the organization of the necessary relationships with advanced foreign enterprises, to establish the production of drones, i.e., unmanned aerial

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<sup>23</sup> Burduli, V. (2021). Problems of distribution of innovations in Georgia. *Ekonomisti*, XVII (3). <https://doi.org/10.36172/EKONOMISTI.2021.XVII.03.Burduli>

vehicles (for example, small cargo aircraft with a battery engine, flying taxis, quadcopters).

Transport engineering. In Georgia during Soviet times, various vehicles were produced: electric locomotives, hydrofoils, trucks, SU-21 military fighters. Unfortunately, these productions were lost. Of course, these production facilities are now hopelessly outdated and there is no point in restoring them. However, the country cannot exist in conditions of a fourfold excess of exports over imports. Therefore, it is necessary, taking into account current global trends in the innovative development of vehicles, to try to create new transport products. Naturally, the global market for traditional vehicles is saturated; it is controlled and sold by famous TNCs from a number of leading countries (USA, Germany, South Korea, Japan, France, etc.), which open their enterprises in other countries. Therefore, it is necessary to turn to new innovative trends. Currently, in a number of countries, including small countries (Israel, Norway, Switzerland, Denmark, Finland), naturally, most often, on the basis of cooperation with companies from large countries (USA, France, Canada, Australia), they are developing and some of them have already created small and even medium-sized (nineteen passengers) screw (propeller) electric aircraft of various classes using lithium-ion batteries of the latest modifications. Moreover, they are lighter and more economical than corresponding aircraft using traditional fuel and are environmentally friendly (see, for example, the article<sup>24</sup>).

It appears that there are certain initial conditions for organizing such production in the near future in Georgia. Firstly, there is a plant for the manufacture of products for aircraft of a certain class from composite materials, in which it is possible to set up the production of hulls and other parts for aircraft of the types planned for production. Secondly, there are scientific specialists in Georgia who will help organize the import of the necessary batteries, and subsequently organize their production (or the production of even more advanced types) in Georgia. It is worth thinking about the production of electric vehicles. The production of their cases from composite materials can be established in Georgia, but batteries for their production will have to be (if possible) imported from South Korea. Even the largest companies in Western countries (Tesla, Ford) are

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<sup>24</sup> Youtube (2019). Israel unveils all-electric plane. Retrieved from <https://www.youtube.com/watch?v=kLC6yMXPpE4>

cooperating with South Korean companies in this matter. Later, it will be necessary, as noted above, to create a special plant for the recycling of dead lithium-ion batteries for the purpose of their recovery and reuse (as is currently being done with lead-acid batteries).

Light industry. The main priorities of light industry are the textile, clothing and leather and footwear industries.

During the Soviet period, there was a textile industry in Georgia: a large silk weaving factory, a worsted and cloth mill. However, they were lost because, in the context of globalization, foreign competitors took over the sales markets. Currently, Georgian agriculture produces a lot of sheep wool, which is exported. However, it seems that it is necessary to process it in the country to produce woolen fabrics. The principles of production of such fabrics have remained virtually unchanged over the centuries, but more economical innovative technologies for their production have appeared. It seems that the Georgian Agency for Innovation and Technology should assist entrepreneurs in organizing such production. It will be possible to supply such products to domestic enterprises of the clothing industry, which basically also need to be restored. Of course, it will be more difficult to promote these products to foreign markets.

During Soviet times, Georgia also had a clothing industry, some types of which were of high quality and were in high demand in all republics of the Soviet Union (for example, sportswear, rolling shoes). But most of the garment products were not of high quality and design and could not compete in international markets. Currently, the global markets for clothing products are occupied by a number of large companies in Western countries and China, which produce world-famous brands. Almost all the clothing worn by the population of Georgia is imported. Several Georgian companies, as noted above, managed to enlist the support of foreign brand companies and they sew clothes for them mainly for foreign markets, although a small part is sold on the domestic market. In the future, it is also necessary to look for ways to cooperate with such companies, sew new types of clothing for world-famous brands, and also organize joint ventures with such companies in Georgia (this is extremely difficult to achieve, but possible).

In the leather and footwear industry the problem is even more serious. Throughout the Soviet Union, footwear and other leather goods for general consumption by the population in the last decades of its existence

were produced of poor quality and in insufficient quantities. The situation deteriorated when N.S. Khrushchev banned private cooperatives, many of which were engaged in tanning leather, and some also produced shoes. From this time on, the country was increasingly forced to import shoes and other leather goods from China, Czechoslovakia, Yugoslavia, Italy, Austria and other countries. The shoes produced in Georgia were also of poor quality and the enterprises producing them closed in the early 90s of the last century. And leather produced in agriculture began to be exported as raw materials, without further processing in the country. It seems that in the next decade it is necessary to end this situation. To do this, it is necessary to open innovative enterprises, both leather tanning enterprises (producing different types of ready-to-use leather) and those producing shoes, leather jackets, raincoats, handbags, etc.

Thus, the first part of the work shows that there are factors that hinder the widespread introduction of basic and improving innovations into production and, consequently, the accelerated and balanced development of the economy. These are mainly problems associated with the difficulties of attracting basic and improving innovations to sectors and subsectors of the country's economy, difficulties associated with the sale of products intended for production in foreign markets, difficulties associated with financing innovations. Georgia, like most other small and medium-sized countries, is forced to import the vast majority of basic and improving innovations introduced into sectors and subsectors of the economy, either by purchasing new process technologies or by organizing joint ventures with foreign partners. In solving this problem, businesses should be assisted by the organization of innovation infrastructure, which are described in the first part of the work. These are relevant ministries, and relevant departments in large enterprises, the Georgian Agency for Innovation and Technology, organizations promoting technology transfer and other elements of innovation infrastructure. In our opinion, the coordination of the creation of innovative enterprises (basic innovations) and the introduction of improving innovations should be carried out by technology parks created for priority sectors and subsectors or for several production-related sectors. The International Organization of Technology Parks gives them the following definition: "a technology park is an organization managed by specialists whose main goal is to increase the well-being of the local community through the promotion of an innovative

culture, as well as competition between innovative business and scientific organizations. To achieve these goals, the technology park stimulates and manages the flow of knowledge and technology between universities, research institutes, companies and markets. It makes it easier for innovative companies to create and grow through incubation and spin-out processes.

In our opinion, this definition is only suitable for the largest countries, and even then not to the fullest extent. For Georgia, which will have to import the vast majority of innovations, the main task of the technology park (you can call it something else, for example: an innovation center for promoting the creation of innovative enterprises and the introduction of improving innovations) should be to identify abroad the latest technologies for recognized priority sectors and subsectors of the economy, promote their purchase and development, attracting foreign specialists to set up equipment and train workers, identifying potential markets for products planned for production, attracting scientists from domestic universities and research institutes to solve these problems, and also attracting these scientists (for a fee) to work on improving current ones foreign technologies that are to be used (process) or produced (product) in the country. Several technology parks have been created in Georgia, mainly dealing with IR technologies. Also, in our opinion, in the near future it is necessary to create a technology park dealing with issues of the electrical industry, a technology park dealing with the production of composite materials and products made from them.

It is also necessary to organize several innovation clusters, the coordinating core of some of which will be technology parks. Moreover, it is necessary to create not many actually formal innovation clusters, as happened in some small European countries, but to create real clusters to support innovative growth in priority sectors, for example, the energy and electrical industry cluster, the cluster of composite materials and products made from them, leather and footwear cluster (the latter have existed in some countries for centuries, but, naturally, they were not called clusters then), later it will be possible to create a transport engineering cluster (at present, in its infancy, there is a wine production cluster with farmers supplying it with grapes, a furniture cluster, however, they must first of all strengthen their function of identifying and studying the needs of sales

markets and facilitating the promotion of their products to them; tourism infrastructure and related industries are also clustered to a certain extent).

The first part of the work also discusses the problems of financing innovation activities. The main burden of financing innovation activities should be borne by the business sector, investing in the purchase of new relevant technologies or through the organization of joint ventures with foreign partners, where part of the financing will be assumed by the foreign partner by supplying their technologies (part of their cost must, of course, be reimbursed by the domestic businessman, according to equity participation). The Georgian Agency for Innovation and Technology and the Produce in Georgia Agency should primarily participate in state financing of innovation activities, to which, in light of recent trends in increasing government incentives for the development of private business in developed countries, the state should provide more funds for this. It seems that the European Regional Development Fund and the Cohesion Fund can make a certain contribution to financing innovation activities in Georgia, and the European Social Fund can allocate funds for investing in education. It is obvious that since Georgia is an associate member of the EU, when submitting justified projects, it will be able to count on the allocation of small funds from these funds for their implementation.

The second part of the work presents proposals regarding the innovative development of certain sectors and subsectors of the economy.

It is noted that an important factor for attracting foreign capital to the country's economic sectors is the availability of cheap electricity. Meanwhile, currently most of the electricity is imported. Therefore, in the next decade, the energy sector needs to focus on creating power plants using renewable energy sources. First of all, it is necessary, where it is still possible, to build hydroelectric power stations (since the electricity generated by hydroelectric power stations is the cheapest), but not on such enslaving conditions as were intended to build the Neskra hydroelectric power station cascade, the construction contract for which was terminated. In the next decade, it is necessary to begin the widespread construction of innovative solar and, in particular, wind power plants, in which, due to the instability of their electricity generation in different periods, there must be energy storage devices. The costs of production (or import) and operation of energy storage devices will of course significantly affect the cost of generated energy, however, despite this, the construction

of wind and solar power plants is becoming more and more relevant. But at the same time, it is necessary to use all remaining opportunities for the construction of hydroelectric power stations.

There are many studies and publications proving and justifying the inevitability of a gradual transition to “clean energy” (meaning wind and solar power plants). Thus, in an article published on the eve of the UN Climate Change Conference (COP26) in Glasgow.

It is necessary to add here that there is no alternative to a gradual transition to renewable energy sources, not only because of the need to solve problems associated with climate change, but also because reserves of fossil fuels are rapidly depleting (especially oil) and in connection with this their value is gradually increasing. Therefore, if timely measures are not taken to develop and improve technologies for the generation, accumulation (storage) and use of electricity from renewable energy sources and the construction of appropriate energy facilities, then a catastrophe will befall modern technological civilization.

However, in reality, everything is not as simple as it seems in such overly optimistic publications about the possibility of quickly and relatively cheaply deploying green energy facilities and replacing traditional generation methods with them. There is still a lot to be done to improve green generation technologies (beyond hydroelectric power plants, where everything is in the openwork) and ensure that the cost of electricity generated by these systems decreases. For example, in the last year, certain disruptions have occurred in the EU green energy sector due to a number of reasons. “In recent years, green energy has been developing in the EU to the detriment of nuclear power plants and traditional gas-fired energy. When at the beginning of the year the demand for gas increased all over the world due to the cold winter, and then the summer in Europe turned out to be very windy, the Europeans did not have enough generation, and the increased price of gas led to a surge in prices for fuel and electricity.” In this regard, “The European Union will present a new energy strategy by November due to the energy crisis,” German Chancellor Angela Merkel said at a press conference after the summit of EU heads of state. Firstly, alternative energy sources turned out to be unreliable - the power of wind and sun does not always help. The EU will create strategic gas reserves, said the head of the European Commission, Ursula von der Leyen. This year, the EU did not replenish its reserves, which led to fuel



shortages and a sharp rise in energy prices. It is necessary to continue to use nuclear power plants as stable sources of energy, said Ursula von der Leyen. The EU is not going to give up “renewable and clean energy”, “at the same time, we need a stable source - this is nuclear energy, and during the transition period, of course, we need natural gas,” she said

But despite this, the use of wind and solar energy to generate electricity is becoming increasingly relevant and Georgian businessmen and scientists need to make great efforts to increase the number of relevant stations in the country and ensure greater reliability by providing them with energy storage devices.

For this (and not only for this), it is necessary to develop the electrical industry in Georgia, which must learn to produce electricity storage devices: lithium-ion batteries (which are currently being intensively improved, and new types of batteries are being developed); gravitational energy storage devices (which were invented quite recently); pumped storage power plants (it seems that Georgian scientists should also be involved in the development of new types of batteries, and it would be advisable for the state to finance relevant research and development).

The production of batteries for electric vehicles and aircraft is also becoming very relevant. Therefore, it will be timely if Georgia learns how to produce such batteries, and scientists begin to explore the possibilities of their recycling with the aim of restoring and reusing them.

The Georgian electrical industry should also think about building a plant for the production of solar cells.

There are already several factories in Georgia for the production of composite materials and, mainly, products made from them. Since there is already experience, in the near future it is necessary to create new, recognized in the world as relevant, production in this subsector. To do this, it is necessary to create a special cluster, the innovation center of which will coordinate the development of this industry. First of all, it is necessary to create a plant for the production of prepregs (i.e., composite sheet forms), since the composite materials themselves are currently imported to Georgia, and products from them are formed at local factories. Next, you can create enterprises for the production of hulls and wind blades from these prepregs, which will be in demand both in the domestic and foreign markets, hulls for passenger cars, and at the existing plant for

the production of products for large aircraft, open a line for the production of small-sized aircraft etc..

In the metallurgical industry, carbon-free steel smelting technology has recently been developed in Sweden. We should think about creating a plant in the future that uses such technology on the basis of a metallurgical plant that previously existed in Rustavi. However, it is too early to talk about creating such a plant due to the lack of domestically produced electricity. But as we increase our own electric power capacity based on renewable energy sources, it will be possible to think about creating such production facilities, the relevance of which is greatly increasing in light of the inevitable increase in green economy activities. Therefore, it seems that Georgian scientists should begin studying the problems of creating such production facilities in the near future.

In information and communication technologies there are two areas of entrepreneurship: the production of information and communication equipment and the use and development of digital electronics achievements in other industries.

In Georgia, of course, there is no possibility in the near future to establish the production of modern computers, televisions, smartphones and other basic communication devices. This market has been firmly mastered by transnational companies and it is unlikely that any of them will want to establish a joint production with our entrepreneurs to produce, for example, modern televisions or other basic products. However, there is an opportunity to use and develop the achievements of digital electronics (IR technologies) for use in other industries. In some of these areas, a number of small businesses have already been founded in Georgia. In the next decade, in our opinion, Georgian business needs to continue to develop initiatives in this direction, including with the support of the Georgian Agency for Technology and Innovation and the “Produce in Georgia” Agency.

Further, in the second part of the work, it is proposed and justified, following the example of a number of small countries, to organize in the transport engineering subsector the currently relevant production of small propeller-driven electric aircraft (which should be supported by the supply of components from the sector of production of composite materials and products made from them and the electrical industry), as well as electric vehicles.

Now about light industry. It is possible to reduce the negative level of export-import balance only by gradually moving to the global stage of processing raw materials within the country. This problem particularly affects light industry, the products of which are almost entirely imported into the country. In order to revive the light industry (textiles, clothing, leather and footwear), the export of wool and raw leather should be abandoned. It is necessary to create innovative textile and clothing enterprises, innovative enterprises for tanning leather (with the manufacture of products of various types) and enterprises for the production of footwear and other leather goods, mainly concluding agreements for this purpose with companies producing replacement brands (although this is difficult, but achievable).

## ***2.7. Social entrepreneurship as one of the tools for ensuring effective social dialogue***<sup>1</sup>

<https://doi.org/10.36228/PASD24/2/7>

The topic of public dialogue in the system of public administration of Ukraine is relevant and significant for many reasons. Changes in public management systems that have taken place over the past decades, as a result of globalization and the rapid development of information and communication technologies, require a review of the structure and methods of management. The paradigm of public management is changing, considering public dialogue as its new basis, different from traditional hierarchical and authoritarian models.

Public dialogue is becoming an important tool of effective policy in modern democratic states aimed at the development of a socially-oriented market economy and ensuring human rights. Interaction between authorities, local self-government bodies, employers and trade unions, carried out through public dialogue, contributes to the coordination of management strategies and measures.

Ukraine, assessing the situation in the sphere of public dialogue, faces the lack of traditions, experience and culture of public dialogue in the conditions of a market economy. The existing institutional system does not provide effective socio-economic influence, and public dialogue remains mostly formal. The low quality of public dialogue and partnership between the state and the public negatively affects the quality of management decisions.

Taking into account the experience of European countries, an important stage in the development of public dialogue in Ukraine is the institutionalization of this process. The success of such development depends on the effectiveness of state policy, the development of a culture of social dialogue, and the introduction of specialized education for specialists in this field.

And, therefore, the modern context of public administration determines the necessity and relevance of the study of the role and significance of public dialogue in the creation of effective and resource-saving management systems.

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Among the identified researchers who dealt with issues of social dialogue, scientists from various fields of scientific direction can be noted. O.Amitaev studied the interaction of citizens, public organizations and state institutions in the context of modern public administration; I.Petrenko researched the analysis of public dialogue in the spheres of politics and development of public services; O. Kovalchuk, whose research covers various aspects of public dialogue, in particular its role in the formation of public policy; Y.Mykhaylenko researched the spheres of social communications and interaction between citizens and the authorities through the mechanisms of public dialogue; A.V. Kravchuk devoted his work to the influence of information technologies on the development of social dialogue and interaction of participants. These scientists made a significant contribution to the understanding and study of the problems of public dialogue, however, its participation in the context of modern public management systems currently requires additional elaboration.

Institutional theory arises at the turning point in the formation of sociology and is closely related to the perception of "social institution" as a key element of practical reality and theoretical construction. By the term "social institution" H. Spencer understood "formation" that establishes norms and rules of social regulation. To social institutions, he included state and socio-political institutions, the family, the church and trade unions, as well as customs, ceremonies and etiquette. The scientist claimed that social institutions are constituent elements of the structure of society and arise as a result of its differentiation. He connected the growth of social institutions with the development of the regulatory system of society.

According to Durkheim, social institutions are "factories of the reproduction of social relations" that organize human activity, establishing certain patterns of behavior. The nature of social institutions is interpreted in the context of the integrity of society. According to Durkheim, society is an organic whole consisting of separate groups and institutions, each of which fulfills its functional role. The main task of the science of society is to reveal how institutions arose - political, legal, moral, economic, religious, etc., what motives gave rise to them and what needs they meet<sup>2</sup>.

At the end of the 19th century, as a result of the scientific activity of

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<sup>2</sup> Durkheim, E. (1982). The rules of the sociological method. Tr. by W.D. Halls. New York: The Free Press.

outstanding American and English scientists, such as T. Veblen, J. Commons, J. Hobson, institutionalism was formed as a separate direction in the field of economic science. Over the years of its existence, the institutional approach has gained wide recognition in economic research, as evidenced by the identification of different approaches to its classification:

1. Early (old) institutionalism, founded by T. Veblen, J. Commons, J. Hobson, W. Mitchell and followers such as A. Burley, G. Means, R. Tugwell and others. Representatives of this approach are characterized by taking into account the evolutionary theory of nature of Ch. Darwin, as well as the principle of interconnection and interdependence of all social relations, including economic and socio-psychological ones.

2. Traditional (orthodox) institutional theory, which is an evolutionary continuation and development of the Veblen tradition. Its representatives include J. Hodgson, E. Screpanti, and others.

3. New institutional economic theory (neo-institutionalism) with numerous structural ramifications, such as the theory of transaction costs (R. Coase, O. Williamson), the theory of property rights (A. Alchian, R. Coase, G. Demsen, etc.), the theory social choice (J. Buchanan, D. Muller, M. Olson), new economic history (D. North, R. Vogel, J. Wallis), etc. These approaches are interdisciplinary, combining economics, law, organizational theory, sociology, and anthropology.

4. Evolutionary institutionalism, which examines the evolution of the institutional environment over time and its impact on socio-economic development. Representatives are R. Nelson, S. Winter, J. Hodgson, D. North<sup>3</sup>.

T. Veblen is the creator of the key ideas and concepts that make up the modern institutional-evolutionary theory. The main feature of economists of this direction is the desire to investigate non-economic phenomena and take into account social, political, psychological and other influences in economic research, which was manifested in the introduction of the term "institute", which became key for this direction.

A significant contribution to the development of the institutional approach to the analysis of social phenomena was made by Nobel Prize laureates, creators of the modern theory of market equilibrium and well-

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<sup>3</sup> Communications in Public Authorities: manual. Kyiv: Ukrainian Crisis Media Center, 2016. 100 p.

being, D. Hicks and K. Arrow (1972). The socio-institutional direction, distinguished within the framework of neo-institutionalism by laureates D. Buchanan (1986) and R. Coase (1991), using economic methods in the study of ecological, political and sociological processes. In 1992, G. Becker received the Nobel Prize for expanding the provisions on the connection between economic theory and human behavior and their interaction. In 1993, for the use of economic history and quantitative methods in the study of economic and institutional changes, the Alfred Nobel Memorial Prize in the field of economic sciences was awarded to R. Vogel and D. North.

Since the end of the 1990s, interest in institutional issues has been growing rapidly in Ukraine. The research program of institutionalism, which in the early and mid-1990s was on the periphery of scientific interests, is becoming one of the dominant directions of modern theory in Ukraine. The increase in scientific interest in institutional theory in Ukrainian science from the late 90s of the 20th century to the beginning of the 21st century is due to the need to analyze processes, measure results, identify prospects for reforming existing and forming new social institutions of Ukrainian society<sup>4</sup>.

The basis for the integration of all considered theories and schools into a single institutional direction is the similarity of methodology, which emphasizes changes and dynamics of social (economic, political, social, cultural) structures and society as a whole. This methodology uses a similar categorical apparatus with a special emphasis on "institutions".

In modern social, political and economic theories, the term "social institutions" defines:

1) historically determined forms of organization and regulation of social life that ensure the performance of vital functions, including a set of norms, roles, prescriptions, patterns of behavior, special institutions and a control system;

2) ordered and to a certain extent established social formations, which include social organizations, support officially and conventionally adopted rules regulating social behavior in a certain sphere of social life based on the forced or voluntary agreement of the majority of society members with

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<sup>4</sup> Gaidai, T.V. (2013). The evolution of the methodological foundations of the institutionalist paradigm: avtoref. dys. nazd. nauk. stdoct. ekon. nauk: spec. 08.00.01 Ekonomichna teoriia ta istoriia ekonomichmoii dumky. Kyiv: Taras Shevchenko National University of Kyiv [in Ukrainian]

the presence of these rules and organizations;

3) a stable complex of formal and informal norms, principles, attitudes that regulate various spheres of human activity – economic, political, spiritual and, in fact, social spheres<sup>5</sup>.

The term "social institutions" is most often used in the context of ordering, formalizing and standardizing social connections and relations. The very process of ordering, formalizing and standardizing social connections and relations was called "institutionalization", which explains: the process of forming stable patterns of social interaction based on formalized rules, laws, customs and rituals; legal and organizational consolidation of forms of behavior and relations formed in society; formation of the institute.

Institutionalization, considered as an important part of the modernization of social systems and social relations, also defines phenomena in the political sphere related to the formation and organization of state institutions or individual bodies responsible for the development and implementation of policies.

The well-known social researcher H. Lenski identified the key social needs that give rise to the processes of institutionalization: the need for communication (language, education, communication, transport); the need for production of products and services; the need to distribute benefits and privileges; the need for citizens' safety, protection of their lives and well-being; the need to support the system of inequality (placement of social groups by positions, statuses, etc.); the need for social control over the behavior of members of society (religion, morality, law)<sup>6</sup>.

Fundamental to institutional research is the realization that the process of meeting social needs has an evolutionary structure that characterizes the stages of the formation of a social institution: the emergence of a need that requires coordinated, organized actions; regulation of common goals; the emergence of social norms and rules in the course of spontaneous social interaction, which is carried out by trial and error; emergence of procedures related to norms and rules; institutionalization of norms and rules, their adoption, practical application; establishing a system of sanctions to support norms and rules;

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<sup>5</sup> Kurnosenko L.V. Transformation of social institutions in crisis conditions. Publ. upr. reg. rozvit. 2022, №16: 517-536. <https://doi.org/10.34132/pard2022.16.11>

<sup>6</sup> Popova I.M. Sociology: a textbook for higher education institutions K.: Tandem. 1998.



differentiation of their application in individual cases; creation of a system of statuses and roles covering all members of the institute.

Their functional purpose follows from the essence of social institutions: regulation and social control; integrative function; broadcasting function; involvement of people in activities, or communicative function.

Each social institution defines its own system of values and normative expectations that determine its goals and objectives. This system guarantees consistency in people's behavior, directs their intentions, determines ways to satisfy needs, resolves conflicts in everyday life, ensures a state of balance and stability within the social community and society as a whole.

Public dialogue is a relatively new concept in the system of public relations, appearing in Western Europe in the first half of the 20th century, and the greatest development took place in the 80s of the 20th century and at the beginning of the 21st century. The formation of public dialogue is determined by a long process (see table 1).

Table 1

The evolution of scientific ideas into the development of the concept of social dialogue

Ideas	The period of theoretical design of the idea
Solidarity	antiquity
The creative function of the conflict under the condition of its regulation by the state	middle of the 16th century
Social contract	beginning of the 17th century
Criticism of the bourgeois revolution, peaceful settlement of conflicts, associational form of organization of society, cooperation between labor and capital, social harmony, solidarity, justice and equality	30-40 years of the 19th century.
Partnership, liquidation of hired labor, creation of cooperative production associations	middle - second half of the 19th century.
Socio-economic harmony, the priority of public interests, the productive power of the unity of society	middle - second half of the 19th century.
Class struggle, antagonistic irreconcilability between labor and capital	the second half of the 19th century.
Creation of cooperatives (in the interests of the working class) that compete with capitalist enterprises and destroy them	the second half of the 19th - the beginning of the 20th century.

Solidarity, "companionship" between labor and capital, the participation of workers in the company's profits, the decisive role of the state in reconciling the conflicting interests of workers and capitalists	the second half of the 19th - the beginning of the 20th century.
Denial of class struggle, Christian understanding of social justice, solidarity, industrial democracy, growth of cooperative and municipal ownership, activation of the trade union movement, development of local self-government	the end of the 19th century
Industrial constitutionalism, the spread of industrial democracy at the regional and national levels	the beginning of the 20th century
Social market economy, industrial democracy, social partnership in the economy, class cooperation	middle of the 20th century
Industrial society, social partnership, industrial democracy	the second half - the end of the 20th century.
Post-industrial society, information society, knowledge society, social dialogue	the end of the 20th century - the beginning of the 21st century.

Ideas of solidarity are the basis of the concept of social dialogue, they represent the unification of different aspects of unity, such as interests, beliefs, values and actions, forming a certain social integrity.

The concept of solidarity has an important place in ancient philosophical thought, starting with Aristotle, Plato, Cicero, as well as in the works of the Roman Stoic M. Aurelius. Augustine defined consensus as a key element of organizing society and strengthening the state.

The greatest development of the idea of solidarity and other aspects of social dialogue is observed during the onset of capitalist relations. This development was due to the progress of social production, the emergence of private ownership of tools and means of production, the expansion of the social structure of society and the formation of the state. The transition from a primitive communal to an early class society led to the deepening of social stratification processes, the strengthening of socio-political and economic contradictions, the intensification of conflicts between the family nobility and impoverished communal members, between the rich and the poor.

The Italian theoretician and statesman N. Machiavelli stands out among the scientists of the period of the formation of the capitalist mode of production, who tried to analyze the essence of social relations. He made one of the first attempts at a systematic economic and social analysis of the conflict, defining it as not only a destructive, but also a creative function.

Ideas of cooperation between classes to overcome conflicts in the

socio-economic development of society became key concepts of the theory of the social contract, which received significant development in the works of H. Grotius, T. Hobbes, B. Spinoza, D. Locke and S. Montesquieu<sup>7</sup>.

A deep consideration of the concept we are investigating was carried out by the French philosopher J.-Zh. Rousseau. In his treatise "On the Social Contract, or Principles of Political Right," published in 1762, he considers a society built on laws before which all are equal, protecting the personal freedom of each citizen. According to Rousseau, an important condition for the functioning of the social contract is a high level of civic maturity of the population. The social contract should solve the main problem of finding a form of association that, through joint efforts, ensures the happiness and well-being of all citizens, their freedom and equality before the law, the equal right to participate in the creation of laws, etc.

In the era of the industrial revolution and the development of a large factory industry, which led to the formation of new classes and the exacerbation of class contradictions, the ideas of solidarity, conflict resolution and social contract, developed in the field of socio-political relations, are reflected in the socio-economic field.

The works of the English philosopher and sociologist R. Owen, who initiated numerous socio-economic reforms, deserve special attention. He began his practical experiments with patronage institutions, where workers' housing with gardens, canteens, factory shops, savings banks, etc., were created at his factory in New Lanark. Owen, acting half a century ahead of the factory legislation, reduced the working day for adults to 10 hours, abandoned the work of children under 10 and established secular schools for them, and also abandoned the fines of the time<sup>8</sup>.

J.S. Mill, an English economist and supporter of harmonious social relations based on cooperation between labor and capital, contributed to the development of ideas. He was considered the author of the term "partnership". JS Mill proposed a social reformation of society to eliminate wage labor, improving the institution of private property and creating cooperative and productive associations. He saw the resolution of contradictions between owners of capital and hired workers in partnership relations.

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<sup>7</sup> Popova I.M. Sociology: a textbook for higher education institutions K.: Tandem, 1998.

<sup>8</sup> Ibid.

The French economist F. Bastia proposed the concept of socio-economic harmony in society, similar to partnership. According to his conviction, achieving such harmony requires the creation of associations united by a common goal and the coordination of various interests through exchange and consumption, where each person finds his place in society, satisfying the needs of others in the process of interaction<sup>9</sup>.

Since the second half of the 19th century, the idea of employee participation has gained wide popularity in social theory. Rejecting the philosophy of class struggle, its supporters proposed to solve the labor question through the gradual growth of cooperative and municipal ownership, the activation of the trade union movement and the development of local self-government. These concepts, developed on the basis of deep theoretical and practical analysis, were embodied in the new concept of "industrial democracy" formed by the British socialist reformers, economists S. Webb and B. Webb.

Of great importance for the practical implementation of the concept of a peaceful resolution of social relations was its announcement in the documents of the Catholic Church, in particular in the message of Pope Leo XIII (encyclical "On Capital and Labor", 1891), which highlighted the need to harmonize interests between the government, business, employees and the Church.

The ideas of public dialogue are also closely intertwined with the theory of "social market economy", the creators and innovators of which are the German economists V. Eucken, V. Röpke, A. Müller-Armack, L. Erhard, K. Adenauer. The main principles of building a social order according to the theory of social market economy are: a successful economic policy must simultaneously be an effective social policy; public protection against general life risks; principle of equal opportunities; social partnership in the economy.

So, having gone through numerous stages, the concept of peaceful coexistence of labor and capital during the 20th century turned into the doctrine of social partnership. In the practice of social interaction, the system of principles of social partnership spread after the Second World War in Germany, Austria, Sweden, Belgium, France, Great Britain and other countries in response to the significant scope of the strike movement. In

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<sup>9</sup> Danyliuk T. I. Essence of concept "service": theoretical aspects. *Efektivna ekonomika*, 20146 № 8. URL: <http://www.economy.nayka.com.ua/?op=1&z=3247>

the second half of the 20th century, solidarist ideas based on various scientific theories and schools defined the concept of "social dialogue" as the basis for the development of the democratically governed countries of Western Europe. prefix "dia1..." [Greek. dia – through], which means through movement, division, strengthening, completeness and parts of compound words "... log" [Greek. logos - word, thought], which corresponds to the concepts of "word", "language". In a general sense, dialogue is:

1) a conversation, a series of statements by two or more people on a certain topic;

2) figuratively - free exchange of ideas, negotiations; the exchange of ideas or points of view on a specific subject in order to achieve understanding.

At the same time, fundamental to the essence of dialogue are the provisions about its much broader semantic load than just the highest form of communication. The defining features of dialogue are: equality of participants; subject-subject character; the presence of a goal aimed at finding the truth in complex issues; the desire of all participants to establish the essence of the problem; presentation of one's own position, subordinated to the higher goal of finding the truth; the birth of a new meaning in the positions of the dialogue participants; achieving mutual understanding through the exchange of essential concepts; the desire for rational interaction in the field of communicative and practical activity; orientation to the result and measurability of the result of the dialogue<sup>10</sup>.

The term "public" [lat. socialis – sociable, public], which in translation means social, public; the one related to the life and relationships of people in society; which concerns the social order, relations in society. In its most general sense, the category "social" covers the entire system of social relations and corresponds to the concept of "social".

In this context, the concept of "public", "social" refers to all four main subsystems (economic, political, social, spiritual) of society as a social system, that is, society as a whole, as well as the processes that take place in it.

Today, public dialogue has been recognized and spread in the system of social-labor and social-economic relations of the international community (Table 2).

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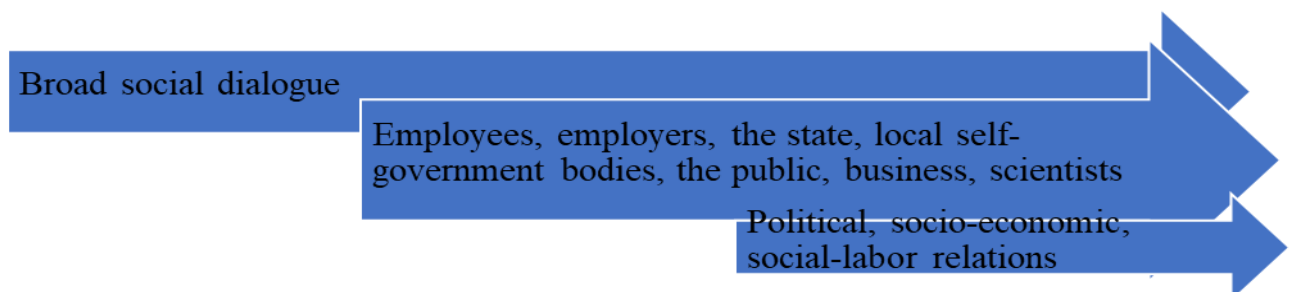
<sup>10</sup> Petroye O. M. Social dialogue in state administration: European experience and Ukrainian realities: monograph. Kyiv, NADU, 2012.

## Definition of public dialogue in ILO and EU documents

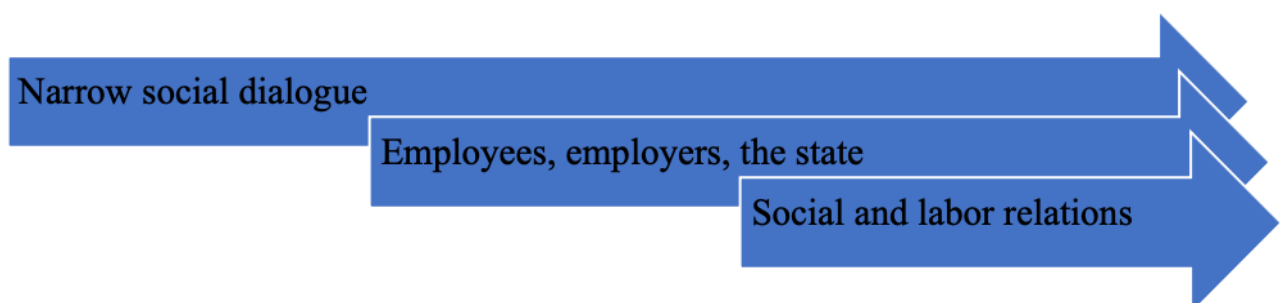
Public dialogue is:
all forms of interaction, including negotiations, consultations and exchange of information between representatives of governments, employers and workers, aimed at discussing and solving issues of common interest and related to socio-economic policy (SEP).
the procedure of joint consultations of social partners at the European level includes discussions, implementation of joint activities and, in some cases, negotiations between European social partners. This procedure also involves discussions between the social partners and the institutions of the European Union

In modern worldview concepts, dialogue is considered in two aspects. First, in a broad sense, it is defined as a social dialogue between classes and social groups aimed at creating conditions for their coexistence based on the coordination of interests. Secondly, in a narrower sense, dialogue is considered as a means of coordinating the interests of social groups in the field of employment.

Thus, the impact of public dialogue is determined by its two key parameters: the composition of participants and the scope of its application (Figure 1-2)



**Figure 1. - Broad social dialogue**



**Figure 2. - Narrow social dialogue**

According to modern concepts, public dialogue exists in two main formats: narrow and broad.

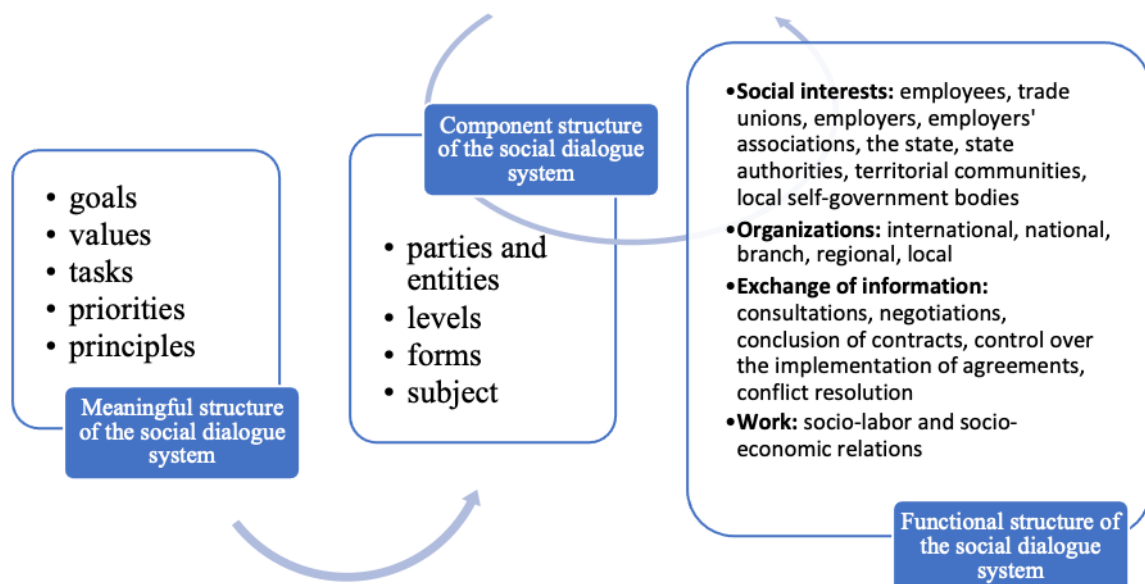
In a narrow sense, public dialogue represents the process of agreeing positions, reaching common agreements and making agreed decisions in the field of labor and social-labor relations between representatives of the interests of employees, employers and the state.

The broad format of social (public) dialogue involves the participation of two, three or more parties, discussion of political, socio-economic and social-labor relations.

Public dialogue, as an institution of public administration, can be characterized from the point of view of its external, formal structure, as well as internal, from the point of view of the essential analysis of system elements.

The structure of this complexly organized multifunctional system of public dialogue in public administration is formed by three groups of system-forming elements: component, substantive and functional<sup>11</sup>.

In the system of public administration, public dialogue is a system of goals, tasks, functions, principles, forms, formats and mechanisms that contribute to the coordination of interests between employees, employers, the state and other social groups.



**Figure 3. - Basic elements of the public dialogue system**

They ensure the adoption and implementation of legitimate decisions

<sup>11</sup> Petroye O. M. Social dialogue in state administration: European experience and Ukrainian realities: monograph. Kyiv, NADU, 2012.

of the government and social partners (employees, employers) regarding tasks in the field of socio-labor and socio-economic relations at various levels - international, national, sectoral, regional, local and enterprise level.

The key components of the public dialogue system are its participants, represented by parties and subjects (see Fig. 4).

<b>Salaried employee</b>
<ul style="list-style-type: none"> <li>• Representative organizations of employees or their body</li> </ul>
<b>Employer</b>
<ul style="list-style-type: none"> <li>• Representative bodies of employers or their body</li> </ul>
<b>State</b>
<ul style="list-style-type: none"> <li>• Bodies of legislative power</li> <li>• Executive bodies</li> <li>• Judicial bodies</li> <li>• Local self-government bodies</li> </ul>
<b>Specialized bodies of social dialogue</b>
<ul style="list-style-type: none"> <li>• Socio-economic councils, committees, working groups, commissions, etc.</li> <li>• Conciliation and mediation bodies, etc.</li> </ul>
<b>Joint social funds</b>
<ul style="list-style-type: none"> <li>• Social insurance funds, etc.</li> <li>• Social development funds</li> </ul>

**Figure 4. – Parties and subjects of social dialogue**

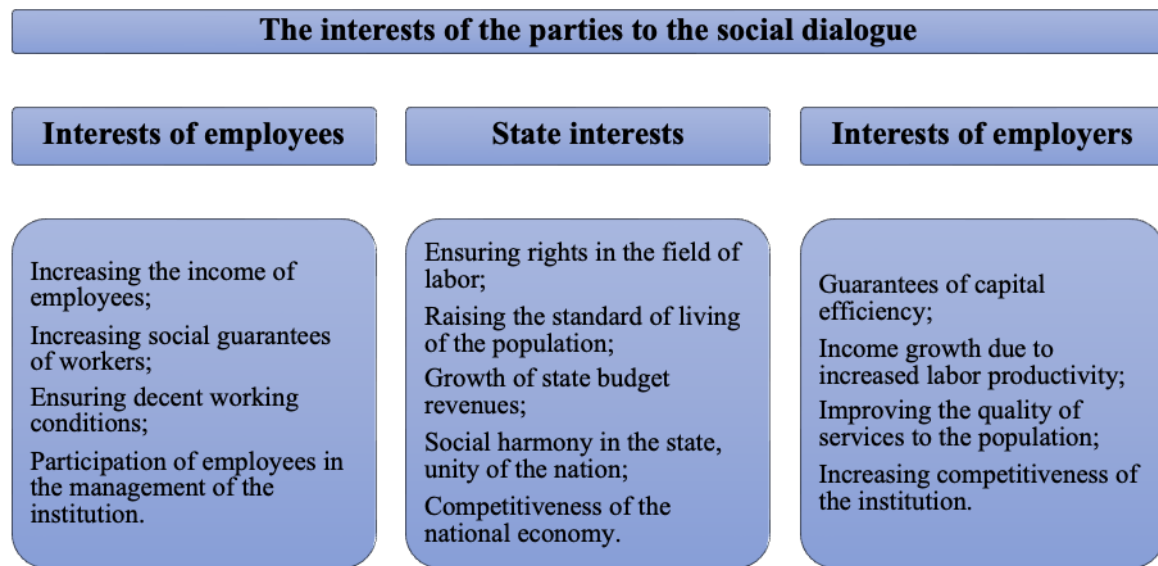
The parties to the social dialogue are defined as bearers of primary law in the field of labor and socio-economic relations, and include employees, employers and the state. The subjects of public dialogue are the bearers of both primary and delegated law, such as employees and their representatives, employers and their representatives, bodies of executive power, local self-government bodies, labor collectives, specialized bodies of public dialogue, bodies for resolving labor disputes, as well as other subjects, such as independent mediators, labor arbitrators, fund management, etc<sup>12</sup>.

Public dialogue acts as an effective tool for harmonizing the conflicting

<sup>12</sup> Petroye O. M. Social dialogue in state administration: European experience and Ukrainian realities: monograph. Kyiv, NADU, 2012.



interests of its participants, creating a forum for constructive interaction with the aim of achieving common socially significant goals (see Figure 5).



**Figure 5. – The interests of the parties to the public dialogue**

Interest is a concept that refers to what is of greatest interest or content in someone's thoughts and concerns, including aspirations and needs. In the context of social dialogue, the social interests of the parties are based on the patterns that arise during the relationship between employers and employees, where the eternal contradiction continues.

Owners intend to obtain maximum profit by cheapening the labor force, while workers, aiming for high wages, seek to receive what they deserve for their work for the well-being of their families.

These contradictions, which are characteristic of a market society at all its stages, are determined by the difference in economic interests between the parties. A socially produced product acts as a joint satisfaction of the interests of both owners (main profit) and employees (high wages). However, the more the owner receives, the less is left for the employee, and vice versa. Thus, economic interests determine the main sources of social conflicts in social dialogue. They are determined by the place of individuals in the economic system, reflecting differences in the types of ownership (private, collective and state) and are expressed through the corresponding economic needs and their awareness by individuals, labor groups and society.

Dialogue relations differ in the degree of commonality of positions in relations of cooperation, competition and antagonism:

– cooperative relations are characterized by joint efforts of subjects aimed at achieving a common goal from the very beginning of communication and activity.

– competitive relations are determined by the fact that subjects have a common goal, but compete among themselves for better results, using different methods and following established rules.

– relations of antagonism consist of fundamentally irreconcilable contradictions between subjects who try to overcome these conflicts in different ways, but adhere to general rules of interaction. In this case, public dialogue becomes a mechanism for the rational resolution of social conflicts and adjustment of the social policy of the state, corporations and enterprises in order to satisfy the interests and ensure the needs of social groups.

The ideological basis of public dialogue is the recognition of the need for the existence in society of various social groups with their specific interests, the objectivity of the conflict of interests and the possibility of conducting this struggle within a civilized framework. By aligning interests and contributing to the achievement of participants' goals, public dialogue is a forum for constructive interaction to achieve socially significant goals (Table 3).

Table 3

The goals of public dialogue as defined by the ILO, the EU, and Ukraine

ILO	promoting consensus and democratic participation among key labor stakeholders
EU	increasing the efficiency of management of economic and social reforms based on the active participation of all interested parties in the process of decision-making and implementation
Ukraine	development and implementation of state social and economic policy, regulation of labor, social, and economic relations

The main goal of public dialogue is:

1. Defense of social justice.
2. Strengthening democracy by allowing the parties to public dialogue to participate in policy formation and decision-making processes in the field of economic and social policy.
3. Increasing social standards to the European level.
4. Promotion of the social orientation of the economy and prioritization of human development.

5. Prevention of social and labor conflicts, prevention and mitigation of social risks.

6. Increasing social, labor, innovative and entrepreneurial activity of the population.

7. Ensuring equal opportunities, decent level and quality of working life of the population, social activity and freedom of personal development.

8. Study of the experience of public dialogue of foreign countries and adaptation of best practices in the field of public dialogue.

Successful systems of public dialogue have a powerful potential for solving important economic and social tasks:

1. Activation of interaction between the parties of socio-economic relations at all levels.

2. Encouraging effective management and democratization of socio-economic relations.

3. Achieving public consensus and compromise between interested parties in society.

4. Formation of the contract economy system.

5. Formation of a stable and fair society and promotion of public peace.

6. Ensuring economic stability and progress<sup>13</sup>.

To ensure the effectiveness of public dialogue, the following conditions are fundamentally important:

1. Legality and rule of law.

2. Representativeness and authority of the parties and their representatives.

3. Independence and equality of the parties.

4. Constructivity and interaction.

5. Voluntariness and acceptance of real obligations.

6. Mutual respect and search for compromise solutions.

7. Mandatory consideration of the parties' proposals.

8. Priority of reconciliation procedures.

9. Openness and publicity.

10. Mandatory observance of the agreements reached.

11. Mutual responsibility of the parties and their representatives for

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<sup>13</sup> Visyn V., Martyniuk Ya. Social dialogue as a mechanism of public administration in the sphere of social and labor relations. Dnipro scientific journal of public administration, psychology, law, 2022, Issue 6, pp.9-14.

non-fulfillment of obligations under collective agreements and agreements.

## 12. Promotion of the development of social dialogue by the state.

The scope of social dialogue can be conceptually divided into two significant areas: socio-labor relations and socio-economic relations.

Labor relations, as defined by the Canadian scientist H. Woods, are power relations between employees, trade unions, employers and society. The strength of a trade union is revealed by the strength of its members, the degree of organization and consolidation of their actions. An entrepreneur wields power by controlling jobs and protecting property rights. As an employer, he has an arsenal of tools to control the behavior of employees and influence their financial condition. Social power is manifested in the ability to create legal norms and rules of behavior of employees and entrepreneurs, as well as use state mechanisms to regulate relations between these interested parties<sup>14</sup>.

Labor relations rarely manifest themselves in their pure form, since functional labor relations are closely related to social relations. Social relations in the field of work arise in the interaction between individuals and social groups that differ in status, lifestyle, income level, etc. They define social aspects such as community, alienation, conflict and partnership. These relations are not only related, but also conditioned by labor relations, which explains the use of the term "social-labor relations".

The subject of social dialogue in the field of social and labor relations covers the peculiarities of interaction and coordination of interests between employees (their representatives) and employers (their organizations) (Table 4).

Social and labor relations are recognized as an open system of interaction, interconnected with the processes of the entire social and economic structure.

Table 4

### **The subject of social dialogue in the field of social and labor relations**

Components of the subject of social and labor relations:	relations related to compliance with the norms of labor legislation and agreements and contracts
	employment relations
	relations related to internal labor regulations
	relations related to conditions and labor protection
	relations arising in connection with personnel development (qualification

<sup>14</sup> Chaban Yu. The essence of social dialogue in the system of labor relations. Social dimensions of society. 2012. Issue 4. S. 316-326.

	improvement, retraining, etc
	relations in connection with the assessment of individual qualities and work results
	relations arising in connection with remuneration for work
	social and labor relations on other issues of working life

Labor processes in all its forms, payment for labor, as well as redistribution and use of the received income form the basis of socio-economic relations. Therefore, the subject of public dialogue covers all aspects of the labor and socio-economic spheres, with the exception of issues that are subject to special regulation (imperative legal norms that are within the competence of relevant bodies, etc.).

In a broad sense, dialogue can cover a variety of topics, but it is usually aimed at solving social issues, such as the economy, education, health care, employment, working conditions, affecting the interests of all members or a large part of society.

In the case when social and labor issues become the object of bilateral or tripartite public dialogue, most often, socio-economic issues are discussed within the framework of multilateral public dialogue.

The public dialogue of employers and employees in the field of social and labor relations determines the key aspects of the social and economic development of society, having a decisive influence on its condition and prospects. In turn, broad public dialogue is a developed form of public dialogue in a limited format. The first way of development includes representatives of public organizations, business associations, political parties, scientific expert organizations and other social interest groups. The second method involves the expansion of public dialogue on issues of socio-economic relations that go beyond purely social and labor relations, including a wide range of representatives of various socio-economic interest groups<sup>15</sup>.

From a historical perspective, it can be determined that the idea of public dialogue in public administration is marked by a long evolutionary path throughout the history of mankind. Questions regarding the interaction of dialogic and state-administrative relations are a key topic of political thought, already in the ancient world. It was in 360 BC. Plato in his work "The State" used the form of dialogue to highlight the ideal state.

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<sup>15</sup> Ilyich L.M., Akilina O.V. Labor economics and social and labor relations: a textbook. Kyiv: Borys Grinchenko Kyiv University, 2020. 952 p.

Cicero's treatise "On the State" also took the form of a dialogue, considering the issue of the optimal state system and actor.

However, dialogue at that time was used by state managers at their will, as noted by N. Machiavelli, where "the ruler must always consult with others, but only when he wants it, and not when others need it."

Only at the end of the 20th century, as a result of the increased interest in the theory of public administration and the complication of the administrative process, which arose as a result of administrative crises in the economy and politics, the prerequisites were created for the institutionalization of public dialogue on an equal basis.

At the current stage, public dialogue in public administration functions as an effective tool for establishing specific social relations between participants, including both common and opposing social, economic and political beliefs. These relations are aimed at social cooperation and ensuring an optimal balance of interests, where the entrepreneur (owner) can get a sustainable profit, and the employees have decent living conditions. All social groups and the state are interested in the development of this dialogue, as it contributes to political and social stability, as well as progressive socio-economic development of society.

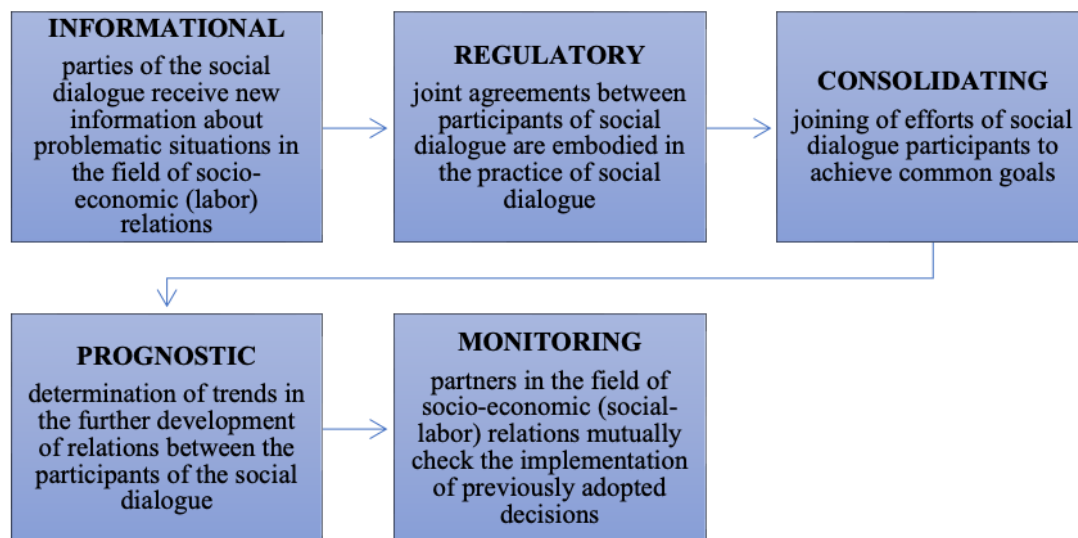
Public dialogue, considered as an institution of public administration, occupies a central place in ensuring the active participation of employers and employees in the formation and implementation of social, labor and socio-economic policies. This tool plays a unique role in ensuring a balance of interests between employees, entrepreneurs and the government for the benefit of society as a whole. In the context of public management systems where it functions, public dialogue is an effective mechanism aimed at achieving better living and working conditions, greater social justice, and improving the effectiveness of management in various areas. Its influence encompasses the formation of productive and efficient enterprises, as well as a fair and efficient economy. Public dialogue also contributes to the flexibility of the labor market, ensures the democratization of socio-economic relations and the achievement of public consensus or compromise between various stakeholders in society<sup>16</sup>.

This institute performs important regulatory, consolidation,

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<sup>16</sup> Pysmennyi I.V., Lypovska N. A. Civic dialogue as a form of cooperation between the authorities and society. Public administration aspects, 2015, # 9 (23), pp. 5-11.

informational, forecasting and control functions in the system of socio-economic and socio-labor relations (Fig. 6).



**Figure 6. Functions of public dialogue**

Public dialogue, defined as an institution of a civilized system of public administration in the field of social-labor and socio-economic relations, requires its own institutionalization. Normative-legal, organizational, cultural (social-psychological) definition of subjects as equal partners, as well as the development of social regulations for their functioning become key conditions for parity interaction and reconciliation of conflicting interests.

To ensure the effectiveness of public dialogue, the following conditions are of fundamental importance: legality and the rule of law, representativeness and authority of the parties and their representatives, independence and equality, constructiveness, interaction, voluntariness and acceptance of real obligations, mutual respect and the search for compromises, the obligation of consideration proposals of the parties, the priority of negotiation procedures, openness and transparency, the obligation to observe the agreements reached, the mutual responsibility of the parties and their representatives for non-fulfillment of obligations under collective agreements and agreements, as well as the promotion of the development of social dialogue by the state<sup>17</sup>.

Successful systems of social dialogue show a powerful potential in

<sup>17</sup> Riabets K.A. Legality and rule of law as principles of public administration. Scientific Bulletin: State Administration. 2023. No. 1(13). [https://doi.org/10.33269/2618-0065-2023-1\(13\)-70-85](https://doi.org/10.33269/2618-0065-2023-1(13)-70-85)

solving economic and social tasks, in particular, by intensifying interaction between the parties of socio-economic relations, encouraging effective management, democratizing socio-economic relations, achieving social consensus, forming a system of contractual economy, ensuring stability and justice in society , maintaining social peace and promoting economic stability and progress.

By institutionalizing the right to decision-making on the part of trade unions and employers, public dialogue contributes to the development of the welfare state and guarantees long-term economic growth in a globalized world. The definition of public dialogue in modern society is determined not only by the internal features and development of the country, but also by the achievements of world civilization and the level of integration of the international community. International standards in the field of public dialogue, established by official documents of international organizations, become an important element of this process.

The main regulator of interstate relations on a global scale is the United Nations, as well as international organizations such as the International Labor Organization, the Council of Europe, and the European Union. They establish the basic standards of social dialogue, which ensure its effectiveness and development within the limits of civilizational achievements<sup>18</sup>.

Among the universal initiatives of international institutions regarding public dialogue in all countries, the UN International Bill of Human Rights should be identified. Composed of the Universal Declaration of Human Rights, approved by the UN General Assembly in 1948, the International Covenant on Economic, Social and Cultural Rights and the International Covenant on Civil and Political Rights, approved in 1966, these documents form an important basis for the guarantees of public dialogue.

The standards of social dialogue enshrined in the Universal Declaration of Human Rights and the International Covenant on Economic, Social and Cultural Rights include the right to association and the prohibition of forced labor (see Table 5).

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<sup>18</sup> Recommendation on strengthening social dialogue in the European Union. URL: <https://data.consilium.europa.eu/doc/document/ST-10542-2023-INIT/en/pdf>



Table 5

**International standards of social dialogue in the sphere of labor  
and socio-economic relations**

Universal Declaration of Human Rights	International Covenant on Economic, Social and Cultural Rights
<p>The right to work. The right to free choice of work. The right to unemployment protection. The right to fair and favorable working conditions. The right to equal pay for equal work without any discrimination. The right to a fair and satisfactory remuneration, capable of ensuring a dignified human existence for the worker and his family and supplemented, if necessary, by other means of social protection. The right to create trade unions and join them to protect their interests. The right to rest, leisure, including the right to a reasonable limitation of working hours and to paid periodic leave.</p>	<p>The right to work. The right to fair and favorable working conditions, including fair wages without discrimination. Satisfactory living conditions for employees and their families. Safe and healthy working conditions. The conditions for job promotion are the same for everyone, based solely on work experience and qualification level. The right to rest. The right to trade union organization. The right to strike. Special protection of work and interests of women-mothers, children and teenagers.</p>

The International Covenant on Civil and Political Rights defines the guarantees of social dialogue in the field of labor and socio-economic relations.

The key principles of the International Labor Organization (ILO), in particular the principle of tripartism, have been embodied and developed in the ILO Conventions, which are recognized as fundamental standards both within the organization itself and beyond. Recognition and implementation of the basic principles of public dialogue are intended to serve as a tool for identifying and managing risks, as well as developing a more effective competitive management model. Both conventions and recommendations aim to influence specific working conditions and social dialogue practices in every country of the world.

The development of public dialogue on the European continent is the result of the policy of the Council of Europe and the European Union. Two main documents, the Convention for the Protection of Human Rights and Fundamental Freedoms (1950) and the European Social Charter (revised, 1996), constitute a single mechanism for ensuring human rights and fundamental freedoms in the activities of the Council of Europe.

According to the Convention for the Protection of Human Rights and

Fundamental Freedoms, public dialogue is one of the means of achieving the goal of the Council of Europe, which is to establish greater unity among members based on the protection and development of human rights and fundamental freedoms, including the right to freedom of assembly and association , in particular the right to form trade unions to protect one's interests (Article 11)<sup>19</sup>.

The European Social Charter (revised) obliges states to promote full employment, guarantee fair working conditions, create career guidance services and a vocational training system, guarantees the right to create trade unions and employers' organizations to protect economic and social interests. It also prohibits discrimination and defines a number of other social guarantees.

The Convention on the Protection of Human Rights and Fundamental Freedoms and the European Social Charter (revised) have become important international documents that have significantly influenced the formation of standards of social dialogue and socio-economic policy of the European Union and other countries of the continent.

From the very beginning of the process of European integration, issues of public dialogue and the involvement of representatives of economic and social interests are recognized as a key component in the formation of European legislation, occupying an important place in the legal acts of the European community (see Table 6).

Table 6

**Organizational and functional provision  
of social dialogue in EU treaties**

EU treaties	Organizational forms of social dialogue in the EU	Functions of public dialogue organizations in the EU
Agreement on the establishment of the European Coal and Steel Association (Paris, April 18, 1951)	Coal and Steel Advisory Committee	Consideration of common goals and programs
Treaty on the Establishment of the European Atomic Energy Community (Rome, March 25, 1957)	Economic and social committee	Development of draft conclusions on certain issues or in certain areas

<sup>19</sup> European Court of Human Rights Council of Europe 67075 Strasbourg cedex France [www.echr.coe.int](http://www.echr.coe.int)

Treaty establishing the European Economic Community (Rome, March 25, 1957)	Economic and social committee	Council and Commission consultations; preparation of draft conclusions on specific issues or specific areas
Treaty on the European Union (Maastricht, February 7, 1992)	Economic and social committee	Council and Commission consultations; preparation of draft conclusions on specific issues or specific areas
Treaty on the Functioning of the European Union (Lisbon, December 13, 2007 - entered into force on December 1, 2009)	Economic and social committee	Consultations of the Parliament, the Council and the Commission; study of the opinion of European organizations that are representatives of various sectors of the economic and social sphere and civil society

At the current stage, the structure of the European public dialogue includes tripartite and bilateral dialogues. The tripartite dialogue involves interaction between partners with the participation of European authorities. Bilateral dialogue is carried out between European employers and trade union organizations.

Intersectoral dialogue in the system of bilateral European public dialogue is of key importance, covering all sectors of the economy and all employees. Its main purpose is to agree the positions of the parties on the most important topics in the spheres of labor and social relations. Intersectoral dialogue defines results and norms that are binding for all employers and employees in the countries of the European Union. In the system of intersectoral bilateral public dialogue at the European level, the key institution is the Committee for Public Dialogue. The sectoral social dialogue committees are a platform for sectoral social dialogue, while forming the institutional basis for social dialogue at the level of European companies through interaction with European works councils. In the modern world, public dialogue is a complex multifaceted phenomenon, and its elementary differentiation depends on the approaches underlying its structure and oriented models.

Public dialogue in the European Economic Community (EE) has turned into an important tool that is considered a necessary component of governance and contributes to increasing competitiveness and social justice in member countries.

According to the logic of the structure, the first model consists of countries where the inter-sectoral social dialogue, which takes place at the

national level, has the greatest development; the main representatives of this model are Belgium, Ireland and Spain, as well as, under certain conditions, Romania. The second model is formed by countries where sectoral public dialogue has gained the highest recognition, such as Austria, Slovenia, Germany, Greece, Italy, the Netherlands and Portugal. The third model is characterized by countries where public dialogue at the sectoral and local level is combined, such as Cyprus, Denmark, Finland, Luxembourg, France, Slovakia and Sweden. The fourth model of the system of national public dialogue is determined by the experience of countries such as Bulgaria, Estonia, the Czech Republic, Hungary, Latvia, Lithuania, Malta, Poland and Great Britain, where public dialogue mainly takes place at the local level<sup>20</sup>.

Despite existing differences and national differences, the key role of dialogue at all levels of government is common to the public dialogue of the member states of the European Union. Various institutions and subjects at the European and national levels interact in a complex system of vertical and horizontal relationships, ensuring the effective functioning of the public dialogue system.

Serving as a unique and necessary component of the European social model within which the European Union implements its activities, public dialogue plays a key role in achieving the goal of bringing the European Union closer to European citizens. It is also aimed at strengthening democracy in Europe and strengthening the legitimacy of institutions. During the in-depth analysis of the theoretical aspects of public dialogue as a key institution of public administration, the essence and role of public dialogue in the context of modern challenges and transformations of society was investigated.

One of the main topics is the conceptual idea of public dialogue, its role in the formation and improvement of public administration. The author's interpretation of the concept of "public dialogue" takes into account its multifaceted nature and influence on the formation of strategies for the development of society.

A significant emphasis in the research was made on consideration of theoretical approaches to classification and levels of social dialogue. The

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<sup>20</sup> Davydenko V.V. Forms of European Social Dialogue. *Journal of Kyiv University of Law* • 2023/2. <https://doi.org/10.36695/2219-5521.2.2023.45>

analysis of various approaches to classification made it possible to single out the key characteristics and features of each level, which contributes to a deeper understanding of the structure and functioning of public dialogue in modern society.

A separate aspect is the study of the role of public dialogue in the context of public administration. It is noted that effective public dialogue contributes to the creation of a constructive partnership between the government, business and the public, which, in turn, determines the success of public management strategies.

Equally important is the clarification of the theoretical foundations of the formation and development of public capital through the mechanisms of public dialogue. It is emphasized that social capital is a key factor for ensuring sustainable economic and social development of society.

In general, the analysis of theoretical aspects of public dialogue provides grounds for further research and development of recommendations for optimizing management processes at the micro- and macro-levels of society. The obtained results are an important contribution to the development of the theoretical basis of public administration and the expansion of understanding of the role of public dialogue in modern society.

The theoretical and practical aspects of the introduction of public dialogue as an important component of the modern system of public administration are studied.

This opens a new approach to solving the scientific problem of the development of the welfare state and its regions, contributing to the activation of this process based on the effective management of social dialogue in the context of ensuring social interaction as an integral component of national activity. The following conclusions can be made as a result of the study of the work.

Approaches that provide a more complete understanding of this concept have been identified. The main components of social dialogue are defined, among which special attention is paid to the safety of residence, education, employment, health, recreation, nutrition, personal and criminogenic safety. It is emphasized that the absence of a separate element of social dialogue or its low level negatively affects the development of society.

Systematic analysis of scientific works of scientists allows to

determine approaches to the interpretation of the concept of "public dialogue", which is considered as a negotiation process between parties representing the interests of employees, employers, executive authorities and local self-government. This process is aimed at finding a consensus in solving socio-economic problems and conflicts, reaching joint agreements and adopting agreed decisions in the areas of formation and implementation of state social and economic policy, as well as regulation of labor, social and economic relations.

For a deeper understanding of the essence of the concept of "public dialogue", its principles, levels, sides and forms of implementation are defined. The role of social insurance in the development of social dialogue was also considered, it was found that this area needs reforming, despite the reforms in the field of social insurance, social dialogue did not become more effective, but on the contrary, faced new problems.

## *Afterword*

Thus, the study aims to identify the features and prospects of the process of reforming Ukraine's public administration system as a factor that strengthens the state's potential, taking into account European standards; to analyse the mechanisms of public administration in the context of factors that slow down the strategy of its reform, considering tools for rational forecasting; and to explore opportunities for enhancing the efficiency of state governance, including identifying strategic directions for its development and considering post-war recovery prospects.

The study paid particular attention to the issues of Ukraine's migration policy and that of the EU countries. According to data from the United Nations High Commissioner for Refugees (UNHCR), since the start of the war in February 2022, more than 8 million Ukrainians have been forced to leave the country, making them one of the largest groups of refugees in the world. These figures underscore the importance of harmonising Ukraine's migration policy with the EU to meet the requirements for joining the Union and for the country's post-war reconstruction.

The research also focuses on state governance issues of sustainable regional development in the present context. According to the Ministry of Regional Development of Ukraine, by 2023, more than 90% of the country's territories had undergone decentralisation reform, significantly increasing local budgets and enabling communities to manage their own resources. This indicates progress toward strengthening territorial communities and improving the interaction between local authorities and the population.

A significant part of the study is analysing financial support for sustainable economic development. In 2023, Ukraine received over \$12 billion for infrastructure reconstruction projects from international financial institutions such as the World Bank and the European Investment Bank. These funds were directed to priority projects for the country, which significantly impacted achieving sustainable development goals.

Additionally, the National Bank of Ukraine reports that the country's economy showed growth of 3.2% in 2023, indicating the beginning of the recovery of critical sectors and a return of investor confidence. Despite

current challenges and limitations, this positive trend offers hope for further successful recovery and modernisation of the Ukrainian economy.

The analysis of women's social entrepreneurship and its role in Ukraine's recovery also takes a central place in the study. According to data from the Ukrainian Women's Initiative Centre, more than 40% of women entrepreneurs have faced difficulties accessing financing and resources for business development since the start of the war. Nevertheless, women entrepreneurs play a significant role in economic recovery, creating jobs and stabilising local economies. These women demonstrate high resilience, inventiveness, and adaptability, making them crucial in the post-war recovery process.

Regarding financial support for innovative entrepreneurship in Ukraine, in 2023, investments in start-ups and technology projects aimed at recovery totalled about \$1.5 billion. These investments reflect the high interest of international partners in supporting the innovative sector and creating favourable conditions for its development. At the same time, experts note that Ukraine needs to improve its institutional mechanisms for managing projects financed by international organisations to make the most efficient use of the provided funds.

The study also emphasises the importance of introducing innovations into the country's economic sectors. According to the Ministry of Economy in post-war Ukraine, more than 60% of enterprises plan to use innovative technologies and implement new business models in their production processes. However, achieving this will require government support and the creation of specialised infrastructure to foster the development of innovative solutions and support small and medium-sized enterprises.

Regarding water resource management, data from the State Agency of Water Resources of Ukraine indicate that about 30% of the country's water bodies have suffered significant environmental damage due to military actions and infrastructure destruction. In this context, a comprehensive water sector reform is critically important for ensuring sustainable water use and restoring ecological balance. The measures proposed in the study, such as developing public-private partnership programs and attracting international investments, will be an important step toward the rational use of water resources.

Looking forward, it is clear that the road to Ukraine's recovery will be complex and multifaceted. The strategies outlined in the study emphasize



the need for robust institutional frameworks and the importance of transparency in governance to channel both domestic and international resources efficiently. Enhancing the efficiency of public institutions and establishing strong legal foundations for business development will be pivotal in attracting sustainable investments and ensuring that funds are used effectively for reconstruction efforts.

A major focus should be on leveraging Ukraine's rich human capital by promoting educational initiatives, especially in technology and engineering fields, to foster innovation-driven growth. Empowering young entrepreneurs and supporting their ventures with access to international markets and technological know-how will play a crucial role in rebuilding a modern and resilient economy. The involvement of the diaspora community can also provide a valuable source of expertise and investment, helping to bridge the gap between Ukraine and global economic opportunities.

Additionally, fostering closer ties with European and other international institutions will be essential to aligning Ukraine's recovery efforts with global standards. This alignment will not only expedite Ukraine's integration into the European Union but also reinforce its role as a key player in the regional economy. Enhancing infrastructure, digital transformation, and adopting sustainable practices in agriculture and energy sectors will ensure long-term resilience and growth.

The importance of a gender-inclusive approach cannot be overstated in this context. Women's involvement in decision-making processes, economic activities, and community leadership will be critical to achieving a balanced and equitable recovery. Supporting women's initiatives, particularly in social entrepreneurship and innovation, should be a strategic priority to ensure that development benefits are widely distributed across all sectors of society.

In parallel, ensuring social cohesion and addressing the needs of internally displaced persons (IDPs) and other vulnerable populations will be a significant challenge for Ukraine's post-war society. Strengthening social protection systems, providing housing and employment opportunities, and ensuring access to healthcare and education for these communities will be crucial to fostering a sense of stability and belonging.

Lastly, the environmental restoration of damaged ecosystems and the adoption of green technologies must be central to Ukraine's recovery

strategy. The emphasis on sustainable development and responsible management of natural resources will not only protect the country's unique biodiversity but also create new economic opportunities through the development of green industries and renewable energy sources.

The collective effort of the Ukrainian government, civil society, and the international community is essential for rebuilding a nation that is not only resilient but also prosperous, innovative, and forward-looking. The path to recovery may be long, but with sustained commitment, strategic planning, and unwavering support from global partners, Ukraine has the potential to emerge stronger and more unified than ever before.

Continuing from the previous points, it is crucial to recognize that Ukraine's post-war recovery will also depend heavily on the reformation and modernization of its economic sectors. The integration of innovative technologies and digital transformation across industries will be a decisive factor in creating a competitive economy capable of meeting the demands of the global market. Ukraine's IT sector, which has already shown remarkable resilience and adaptability, can serve as a cornerstone for broader economic revitalization, attracting international investments and talent.

Investment in infrastructure will be another critical component of Ukraine's economic reconstruction. Given the extensive damage to transport, energy, and urban infrastructure caused by the conflict, a comprehensive rebuilding plan must prioritize the development of sustainable and climate-resilient infrastructure. This includes not only the physical rebuilding of roads, bridges, and public facilities but also the modernization of energy grids, with a focus on renewable energy sources such as solar, wind, and hydroelectric power. Developing these sectors will reduce Ukraine's dependency on traditional energy sources and contribute to energy security in the face of future uncertainties.

Moreover, agricultural innovation and modernization should be at the forefront of Ukraine's recovery agenda. As one of the world's leading agricultural producers, Ukraine has the potential to further boost its productivity through the adoption of advanced farming techniques, smart technologies, and sustainable agricultural practices. Strengthening the agricultural supply chain, from production to export, will not only stabilize the national economy but also reinforce Ukraine's position as a key player in global food security.

The role of small and medium-sized enterprises (SMEs) cannot be overlooked in this context. SMEs have always been the backbone of Ukraine's economy, and their resilience will be vital for long-term economic recovery. Tailored support mechanisms, including financial incentives, tax relief, and simplified regulatory frameworks, will enable these businesses to thrive in the post-war economy. Encouraging entrepreneurship and providing platforms for innovation will also create opportunities for young people and help counteract the brain drain that has been accelerated by the conflict.

Equally important is the focus on the health and well-being of the Ukrainian population. The psychological and physical toll of the war on citizens, especially on vulnerable groups like children, the elderly, and war veterans, needs to be addressed through comprehensive healthcare reforms. Investing in mental health services, rehabilitation programs, and community support systems will be crucial in healing the nation and ensuring that the social fabric remains strong and cohesive.

Cultural revival and preservation are also significant aspects of Ukraine's holistic recovery process. Protecting and promoting the nation's cultural heritage, arts, and traditions will not only help restore a sense of identity and pride among its people but also enhance Ukraine's cultural diplomacy on the global stage. Supporting cultural projects and fostering creativity will contribute to developing a vibrant and dynamic society that can adapt to the challenges of the modern world.

Lastly, establishing a robust legal and regulatory framework is essential to ensure transparency, accountability, and the rule of law during the reconstruction phase. Fighting corruption and strengthening democratic institutions will be pivotal in gaining the trust of both domestic stakeholders and international investors. By implementing effective anti-corruption measures and enhancing governance structures, Ukraine can pave the way for a more open, fair, and prosperous society.

In conclusion, the comprehensive approach outlined in this research emphasises that Ukraine's path to recovery is not solely about rebuilding what was lost but also about reimagining and reinventing the nation's future. With the active involvement of its people, strong leadership, and unwavering international support, Ukraine can transform the challenges it faces today into opportunities for sustainable growth, innovation, and lasting peace. This study's statistics and analysis highlight the obstacles

and immense potential that lie ahead, offering a roadmap for Ukraine's journey toward a resilient, united, and thriving future.

In conclusion, the study underscores the importance of a comprehensive approach to Ukraine's recovery in the post-war reality. The involvement of international partners, the implementation of decentralisation strategies, and the creation of sustainable financial mechanisms are key factors that will ensure the country's sustainable development and integration into global processes. The statistical data presented in the study further affirm the necessity of joint efforts by the Ukrainian government and the international community to ensure the country's effective and long-term recovery.

Thus, the study emphasises the importance of focused efforts to rebuild Ukraine at all levels – from the state governance system to local communities. In the face of ongoing conflict and complex economic realities, a comprehensive approach to reform, modernisation, and innovation will be the key to successful recovery and sustainable development in Ukraine. The statistical data indicate significant challenges facing the country but also highlight opportunities for progress and the strengthening of its position on the global stage.

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