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Conceptual Foundations of the National Business Recovery Strategy in Ukraine

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ABSTRACT

The article examines the theoretical and applied foundations of formulating a national business recovery strategy in Ukraine under conditions of war economy and post-war reconstruction. The relevance of the research is driven by the unprecedented scale of damage inflicted on the national economy by full-scale hostilities, with documented direct losses to Ukraine's infrastructure exceeding $143.8 billion in the first year of war alone, which requires not merely sectoral recovery but a comprehensive structural transformation of the economic system. International experience in implementing recovery strategies is analyzed, in particular that of the Republic of Korea, which demonstrated the effectiveness of comprehensive enterprise restructuring programs combined with large-scale technological modernization investments after the 1997–1998 Asian financial crisis, and Israel, whose YOZMA system illustrates a viable model for supporting technological entrepreneurship under permanent security threats through state-venture investment and tight cooperation between the defense-industrial complex and the civilian sector. The necessity of a comprehensive approach to strategy development is substantiated, taking into account sectoral specifics, the regional dimension, and institutional preconditions. A conceptual model of the national recovery strategy with a 7–10-year implementation horizon is proposed, and its priority areas are defined: reintegration of small and medium-sized enterprises, digital transformation of business, attraction of foreign direct investment, and implementation of public-private partnerships. A three-level institutional architecture for strategy management is developed, comprising strategic, operational, and implementation levels with clearly defined competencies between the Interagency Recovery Council, the Recovery Agency of Ukraine, and its regional offices. A monitoring system based on evidence-based policy principles is proposed, including input, process, and outcome evaluation supplemented by key performance indicators such as GDP and gross value-added growth rates, the dynamics of operating enterprises, attracted FDI volumes, and the Purchasing Managers' Index. It is established that effective recovery requires the synchronization of state support measures, reform of the regulatory environment, and the stimulation of innovative activity of enterprises.

KEYWORDS

business recovery, national strategy, war economy, public-private partnership, small and medium-sized enterprises, digital transformation, investment environment.

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Концептуальні засади національної стратегії відновлення бізнесу в Україні

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АНОТАЦІЯ

У статті досліджено теоретичні та прикладні засади формування національної стратегії відновлення бізнесу в Україні в умовах воєнного часу та повоєнної реконструкції. Актуальність дослідження зумовлена масштабом руйнувань національної економіки та необхідністю розробки системних механізмів її відбудови, що виходять за межі ситуативного антикризового управління. Проаналізовано міжнародний досвід реалізації стратегій відновлення, зокрема Республіки Корея та Ізраїлю, з акцентом на можливість його адаптації до української специфіки. Обґрунтовано необхідність комплексного підходу до розроблення стратегії, що враховує галузеву специфіку, регіональний вимір та інституційні передумови. Запропоновано концептуальну модель національної стратегії відновлення з горизонтом реалізації 7–10 років, визначено її пріоритетні напрями: реінтеграція малого та середнього підприємництва, цифрова трансформація бізнесу, залучення іноземних інвестицій і реалізація державно-приватного партнерства. Розроблено трирівневу інституційну архітектуру управління стратегією – стратегічний, операційний та імплементаційний рівні. Встановлено, що ефективне відновлення вимагає синхронізації заходів державної підтримки, реформування регуляторного середовища та стимулювання інноваційної активності підприємств.

КЛЮЧОВІ СЛОВА

відновлення бізнесу, національна стратегія, воєнна економіка, державно-приватне партнерство, малий та середній бізнес, цифрова трансформація, інвестиційне середовище.

1. Introduction

Full-scale hostilities on the territory of Ukraine have caused enormous damage to the national economy and business environment. According to estimates by the Kyiv School of Economics, the total volume of direct documented losses in the first year of the war alone exceeded USD 143 billion [1]. The destruction of production infrastructure, the forced relocation of enterprises, the large-scale movement of skilled labor and a significant deterioration in the investment climate have become challenges, to overcome which there are not enough situational measures – a systematic recovery strategy is needed.

Despite the active discussion of recovery issues at the level of international institutions (the International Monetary Fund, the World Bank, the European Union), the comprehensive scientific development of a national business recovery strategy remains an urgent task. A significant part of the available research focuses either on the macroeconomic aspects of the recovery or on sectoral damage assessments, while the issues of institutional support of the strategy, implementation mechanisms and monitoring require further elaboration.

2. Literature Review

The problem of Ukraine's post-war recovery and transformation of its economic system in the face of ongoing aggression is in the focus of attention of a wide range of scientists and practitioners. The scale of the challenges is due to the critical level of damage: according to monitoring, direct damage caused to infrastructure alone exceeds $143.8 billion [1], which requires not just repairs, but a complete structural restructuring of the economy.

The theoretical basis and critical review of approaches to the reconstruction of the post-war economic model are laid down in the works of the team of authors [2], where attention is focused on the need to move away from the raw material model. The issues of strategic planning and state policy in the field of critical infrastructure restoration have been thoroughly studied by O. Lazor, I. Yunyk and A. Zabolotnyi [3], who emphasize the priority of the security component in the state strategy.

A separate array of studies is devoted to business support mechanisms. In particular, V. Zaichenko and O. Bondar consider the national context of supporting entrepreneurship through the prism of international experience [4]. O. Safronova proposes to use the concept of "Smart Regulation" as a methodological basis for improving the state regulation of economic activity [5], and N. Kotvytska and colleagues focus on modeling financial instruments to support small businesses [6]. Digitalization plays an important role in adapting business to the realities of war, the analysis of the challenges and opportunities of which was carried out by N. Yevtushenko and D. Stetsenko [7].

The issues of territorial development and regional sustainability are covered in the works of R. Chornyi and N. Chorna [8], which define regional policy as a key dominant of the entire recovery process. At the same time, a special role is given to the instruments of interaction between the state and the private sector. O. Chaltseva and D. Loboda substantiate public-private partnership as a promising mechanism for attracting resources [9], and S. Bondarenko and co-authors expand this approach to the tripartite partnership "state – business – science" [10].

The international aspect and experience of other countries that have experienced armed conflicts are analyzed in detail in the works of G. Duginets and N. Kolodko [11]. Complementing this topic, I. Shovkun emphasizes the strategic role of foreign direct investment in the restructuring of the Ukrainian economy, based on the world post-war experience [12].

Despite a significant number of developments, the rapid change in the security and economic situation requires further search for integrated approaches that would combine digital transformation, investment attractiveness and institutional sustainability of the national economy.

3. Problem Statement

The purpose of the study is to substantiate the conceptual foundations and structure of the national strategy for business recovery in Ukraine, to determine its priority areas and implementation mechanisms, taking into account international experience and domestic institutional realities.

4. Methods and Materials

The methodological basis of the study is a set of general scientific and special methods that made it possible to provide a systematic approach to the development of a national strategy for business recovery in Ukraine. The study is based on the principles of objectivity and scientific validity, which makes it possible to reproduce the results obtained under the condition of using similar analysis algorithms. The method of theoretical generalization is used to determine the essence of the national business recovery strategy and the formation of its key principles. The method of comparative analysis is used in the study of foreign models of economic transformation to assess the possibility of their implementation in Ukraine. The method of structural and functional analysis is used to substantiate the three-level model of strategy management (strategic, operational and implementation levels) and the distribution of powers between public authorities.

5. Results and Discussion

The National Business Recovery Strategy (NSSS) is a systemic document of state policy that defines priorities, mechanisms and institutional architecture for the recovery of the business environment in the medium and long term. Unlike situational anti-crisis plans, the strategy provides for an implementation horizon of 7-10 years and is focused not only on restoring the pre-war level of business activity, but also on the qualitative transformation of business models [10].

The key principles of the NSWAS should be:

– priority – concentration of resources on sectors with the highest multiplier effect;

– inclusiveness – equal access to support mechanisms for enterprises of different sizes and regional affiliations;

– adaptability – the ability to adjust measures in accordance with the dynamics of the military, civilian situation and international conjuncture;

– transparency – publicity of the criteria for the distribution of support and the results of monitoring.

Structurally, the NSS covers five blocks: strategic environment (analysis of losses and needs), institutional design (distribution of powers between authorities), financial mechanisms (budgetary and extra-budgetary sources), sectoral and regional programs, as well as a system for monitoring and evaluating results.

The analysis of international experience allows us to identify several relevant models. The experience of the Republic of Korea after the Asian financial crisis of 1997–1998 demonstrates the effectiveness of comprehensive enterprise restructuring programs combined with large-scale investments in technological modernization. Israel demonstrates a successful model of supporting technological entrepreneurship in the face of permanent security threats – in particular, through the YOZMA (public-private venture investment) system and close cooperation between the military-industrial complex and the civilian sector [11].

At the same time, direct copying of foreign models should be avoided. The specificity of Ukraine is: the scale of destruction, which has no analogues in post-war Europe; parallelism of recovery and ongoing hostilities; the need to coordinate with international donors in the context of significant external financial dependence; deep regional differentiation of losses and needs.

Based on the analysis of the structure of losses, international experience and available research, it is proposed to identify four priority areas of the NSS.

The first direction is the reintegration of small and medium-sized businesses. SMEs form a significant share of GDP and provide employment for the vast majority of the economically active population [4]. The strategic objectives in this direction are: simplification of procedures for the resumption of activities (permits, registration, restoration of assets); compensation mechanisms for enterprises that have suffered direct losses; development of microcredits and grant programs with prioritization of enterprises returning to the de-occupied regions.

The second direction is digital transformation of business. Digitalization is not only a tool to increase efficiency, but also a means of protecting against further physical destruction – moving assets and processes to the cloud reduces vulnerability to hostilities. The priority measures are: scaling up the digitalization grant program for SMEs; expanding access to broadband Internet in the de-occupied and frontline areas; support for the development of the IT industry as a "locomotive" of recovery [7].

The third direction is the attraction of foreign direct investment. Domestic financial resources for recovery are fundamentally insufficient. The key instruments for attracting foreign direct investment (FDI) are: guarantees of investment protection (insurance of war risks); special economic recovery zones with preferential taxation; simplified permitting procedures for international companies participating in restoration projects.

The fourth direction is public-private partnership. PPP allows attracting private capital and managerial competence to restore critical infrastructure, reducing the burden on the state budget [9]. The priority areas for PPP implementation are: restoration of logistics and energy infrastructure; construction of affordable housing for internally displaced persons; modernization of communal enterprises.

Effective implementation of the NSWAS requires a clear institutional architecture. Based on the analysis of domestic regulatory practice and international experience, a three-tier model of strategy management is proposed.

At the strategic level, there is the Interdepartmental Council on Recovery chaired by the Prime Minister, which includes relevant ministries, the NBU, regional administrations and representatives of business associations. The Council formulates priorities, approves annual action plans and monitors the implementation of the strategy.

At the operational level, there is the Ukraine Recovery Agency (UBA), which coordinates the implementation of sectoral and regional programs, administers financial mechanisms and provides a single "window" for international donors. The experience of the State Agency for Recovery, established in 2022, shows the feasibility of such a model, but it requires expanding its mandate and powers [8].

At the implementation level, there are regional offices of the AWU, authorized banks and non-bank financial institutions, as well as cluster managers responsible for the implementation of industry programs. An important component is the involvement of civil society and business organizations in monitoring at the grassroots level.

The NSWAS monitoring system should be based on the principles of evidence-based policy and include three levels of evaluation: input monitoring (the amount of resources allocated), process monitoring (implementation of activities) and monitoring of results (achievement of strategic goals). The key performance indicators are: GDP and GVA growth rates by sectors; dynamics of the number of operating enterprises; volumes of attracted IPI; the level of employment in the business sector; business activity index (PMI); coverage of enterprises with support measures by size and regional affiliation.

An important element of the evaluation system is regular independent impact evaluation, which allows timely adjustment of ineffective measures and reallocation of resources. It is recommended to involve international analytical organizations (EBRD, IFC) and domestic research institutes in such assessments.

The National Business Recovery Strategy (NSSS) should function as a systemic document with an implementation horizon of 7–10 years, focused on the qualitative transformation of business models. The conceptual model of the strategy can be based on four priority areas that should provide a synergistic effect for the economy.

The first priority can be identified as the reintegration of small and medium-sized businesses, which form a significant share of GDP. Tasks include the development of compensation mechanisms for enterprises that have suffered direct losses and stimulating their return to the de-occupied regions. The second area covers digital transformation, where the Diia portal has already provided access to more than 70 public services for tens of millions of users, creating a basis for transferring business processes to the cloud environment.

The third direction is the attraction of foreign direct investment. Given that the need for financing recovery over a ten-year horizon is hundreds of billions of US dollars, war risk insurance is identified as a key tool. The fourth direction is the development of public-private partnerships for the modernization of energy and logistics infrastructure.

The issue of regional differentiation requires a special discussion. As noted by R. Chornyi and N. Chorna [8], regional policy is the dominant of recovery. However, the results of this study supplement this view with the need to create special economic zones with preferential taxation in the regions that need priority restoration.

The proposed three-tier management model allows solving the problem of coordination between government agencies and international donors, in contrast to situational anti-crisis plans. The mechanism of war risk insurance needs further discussion, since without effective financial guarantees, attracting private capital in significant volumes will remain problematic.

6. Conclusions

The study allows us to formulate the following conclusions. Firstly, the development of a national strategy for business recovery is an urgent task of the state economic policy, which requires an integrated approach that goes beyond situational anti-crisis management. Secondly, the strategy should be based on four priority areas – reintegration of SMEs, digital transformation, involvement of IPI and PPP development – while ensuring their synergistic interaction.

Thirdly, the institutional architecture for the implementation of the strategy should provide for a clear distribution of powers between the Interagency Council, the Recovery Agency and regional structures, while maintaining mechanisms for the participation of business and civil society. Fourthly, international experience (primarily in Israel and the Republic of Korea) shows the critical role of the quality of the regulatory environment and the protection of property rights as prerequisites for attracting private capital to recovery.

Prospects for further research are the development of detailed models for financing certain areas of the strategy, the analysis of regional features of recovery and the assessment of the effectiveness of already implemented business support measures.

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