

Review Paper

# State Business Support Programs in Wartime Conditions

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Received: 14-11-2022

Revised: 03-01-2023

Accepted: 22-01-2023

## ABSTRACT

The relevance of the stated topic is determined by the state's goal of creating an environment capable of resuscitating business entities and saving them from bankruptcy to recover from the shock of the national economy. The article describes the government's business support activities in Ukraine. The author presents and analyzes the existing state support programs, both those launched during martial law and those that have continued and transformed to meet the needs of the business. The author emphasizes the cause-and-effect relationship of business problems in the context of Russia's military aggression. The state aid in agribusiness, which constitutes the food security of the state, is systematized. To preserve/resuscitate a business, the state is obliged to create all conditions for its functioning and reproduction under new economic conditions. Based on general scientific and special methods, the author conducted a study of the content of state support under martial law. An important issue is to identify those business representatives who should be supported and discouraged, the so-called zombie firms. Based on the comparison of the scale of state aid and business problems, the author concludes that it should be supplemented and the existing anti-crisis measures and their preferential financing should be revised. The newest directions for further research should be to evaluate the effectiveness of state business support programs and establish clear criteria for selecting the most viable business entities.

## HIGHLIGHTS

- The article aim is to study the peculiarities of state support for business in Ukraine during the war. Based on general scientific and special methods, the author conducted a study of the content of state support under martial law.
- The article describes the government's business support activities in Ukraine.

**Keywords:** Government programs, business support, wartime, crisis, threats, entrepreneurship, business relocation, preferential lending

In 2022, Russia's military aggression against Ukraine was a serious test for both the economy and society as a whole. The Government of Ukraine faced the issue of taking the necessary measures aimed at strengthening the country's defense capabilities and restoring security. In addition, there was a need to

rescue the activities of most business entities, i.e. business. Undoubtedly, business was not ready for

**How to cite this article:** Alekseieva, K., Maletych, M., Ptashchenko, O., Baranova, O. and Buryk, Z. (2023). State Business Support Programs in Wartime Conditions. *Econ. Aff.*, 68(01s): 231-242.

**Source of Support:** None; **Conflict of Interest:** None



such a challenge, which led to the suspension of many business entities. In particular, the production of goods, works, and services decreased as a result of a significant decline in demand (Podolchak N., Martyniuk V., Tsygulyk N., Dziurakh Y. Improving the assessment of personnel security level and its control using human intellectual activity simulation model // XII International Conference on Advanced Computer Information Technologies (ACIT) - 2022 (Slovakia, September 26-28, 2022). – 2022. – C. 194–197. ). This also triggered unemployment, as companies sent their employees on vacation or fired them due to a lack of funds to pay wages.

Ukraine's ability to develop entrepreneurship in wartime directly depends on the state's ability to create a system that will help protect the rights of entrepreneurs. To resolve these issues, a set of measures is needed, primarily in terms of state support for entrepreneurship, financial support for business, removal of administrative barriers, etc. in the face of turbulence. When providing state financial assistance under martial law, time is a key factor (Novakivskiy I., Kulyniak I., Bondarenko Y., Dziurakh Y., Rachynska H. 2022). The Government of Ukraine is still deciding who needs support in the first place and developing programs. As a result, the activities of business entrepreneurs in the most affected industries are immediately suspended.

The article aims to study the peculiarities of state support for business in Ukraine during the war.

## Literature review

State support for entrepreneurial activity is a set of measures aimed at creating economic and legal conditions to stimulate the development of entrepreneurship, as well as its financial and material support. In this process, the interests of both the public and private sectors should be equally protected. This should be the basis of the state strategy for economic development.

It is worth noting that, in general, foreign researchers rarely analyze state support as a significant source of business financing in the example of different countries. The positive effect of government business support programs has been proven by many researchers (Cansino *et al.* 2013; Freixanet, 2012; Jalali, 2012; Lederman, Olarreaga, Zavala, 2016; Leonidou, Palihawadana, Theodosiou, 2011).

Amid the crisis and insufficient availability of loans for businesses, the role of government support is growing significantly.

Cansino *et al.* (2013) conducted an economic evaluation of government export support programs for SMEs in Spain based on such indicators as activity, location, sales, and the number of employees. The analysis showed that companies participating in the program improved the ratio of exports to total sales by about 10 percentage points.

Prelipcean i Boscoianu (2014) suggests that governments should respond more actively to the financial constraints faced by businesses. These include traditional programs of guaranteed loans, direct lending, microfinance, and new innovative schemes.

Budgetary funding, although a key factor in support programs, is not sufficient. Advisory support has traditionally played a significant role in the structure of such programs. Training, recruitment, and R&D are generally more important for SMEs than for large companies (Wilthagen, 2012). Therefore, free access to various types of consulting support, including marketing and business strategy development, is especially relevant for these firms (Aykan, Aksoylu, Sönmez, 2013). Meanwhile, the authors come to different conclusions about the quality of such support in their countries.

Proponents of state regulation point out that the key limitation of the amount of state support is the budget capacity. Therefore, some authors analyze the cost of such regulation (Scuotto *et al.* 2019), and study the problems of public debt and default (Giordano, Tommasino, 2016; Heckelman, Wilson, 2019).

During the war, Ukraine experiences a situation of loss of human capital due to migration abroad and loss of intellectual property (inventions) due to the decline of relations in the field of intellectual property. The state's stimulation of innovative entrepreneurship is an effective mechanism for preserving and developing Ukraine's intellectual capital (Alekseieva K.A. *et al.* 2020). Production and the implementation of organic products produced by agricultural enterprises in Ukraine were analyzed and weighty conclusions were drawn (Ostapenko, R., Herasymenko, Y., Nitsenko, V., Koliadenko, S., Balezentis, T., & Streimikiene, D.,

2020). We studied and detailed the transportation of goods, namely goods with uncertain, vague, and stochastic parameters, with the help of mathematical modeling by various combination models (Kotenko, S., Nitsenko, V., Hanzhurenko, I., & Havrysh, V., 2020). They also did not forget about crime in the border regions of southern Ukraine and developed countermeasures using information technologies (Hubanova, T., Shchokin, R., Hubanov, O., Antonov, V., Slobodianiuk, P., & Podolyaka, S., (2021).

Despite the wide variety of works on the topic under consideration, the issues of the scope and specific instruments of state regulation need to be finalized and updated, as the war has brought the economy into a new reality that has no examples of implementation in Ukraine's past.

## MATERIALS AND METHODS

The methodological basis of this study consists of the fundamental provisions of economic theory, and scientific works of scientists in the field of the national economy. To date, economic science has developed certain methods and tools for state regulation of business. However, a comprehensive approach is needed to identify the main areas of support for the national economy and business. In this study, the authors used dialectical, system-functional, economic-statistical, formal-logical, and scientific abstraction methods.

The method of logical inference was used to suggest identifying and systematizing state support programs in Ukraine under martial law. The statistical method was also used to analyze the implementation of the program "Affordable Loans 5-7-9".

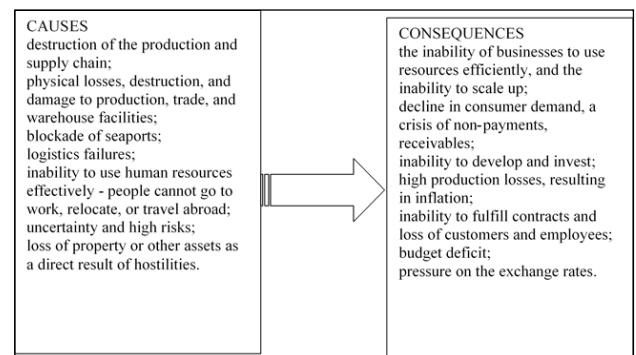
## RESULTS

Before the war, Ukraine had several government programs to support business. The Ministry of Finance and the Ministry of Economy offered various loan programs and government grants to help small businesses and entrepreneurs develop their operations. In addition, the Ukrainian Chamber of Commerce and Industry provided resources to help businesses obtain financial assistance and access to markets.

February 24, 2022, dramatically changed the functioning of the state and its economic sectors

due to Russia's military aggression against Ukraine. The outbreak of hostilities caused a shock to both the national economy and society. The war, as an extraordinary phenomenon, has led to a large number of cases of non-fulfillment of obligations by business entities. This was certified as force majeure in a letter dated February 28, 2022, from the Ukrainian Chamber of Commerce and Industry No. 2024/02.0-7.1.

In general, the impact of the war on business viability depended largely on the destruction of infrastructure, loss of human capital and access to material and financial resources, and the security situation (Fig. 1). The main consequences of the military aggression for business were a significant decrease in demand for goods/services/works, termination/suspension of work of contractors/suppliers/customers, loss/damage of logistics chains, and, as a result, a lack of financial resources for operational activities.



Source: Compiled by the authors.

**Fig. 1:** Cause and effect relationships of business viability in the conditions of war

The war has destroyed some businesses entirely, particularly in the temporarily occupied territories. However, compared to the pandemic, the destruction of business is significant. For example, while the coronavirus pandemic in 2020 led to increased digitization of countries (Aleksieieva *et al.* 2021), the war in Ukraine means that it is impossible not only to develop but also to scale business. Therefore, the end of hostilities and the lifting of some restrictions imposed at the beginning of the war are the basis for macroeconomic stability and for attracting new investments. However, what served as business support for some time is now a restriction on business operations (including the List of Critical Imports, procedures for booking employees for

temporary travel abroad, licensing of exports of wheat and a mixture of wheat and rye; corn; poultry meat; poultry eggs; sunflower oil; and a ban on exports of oats, millet, buckwheat, sugar, salt, rye, cattle, meat, and cattle by-products).

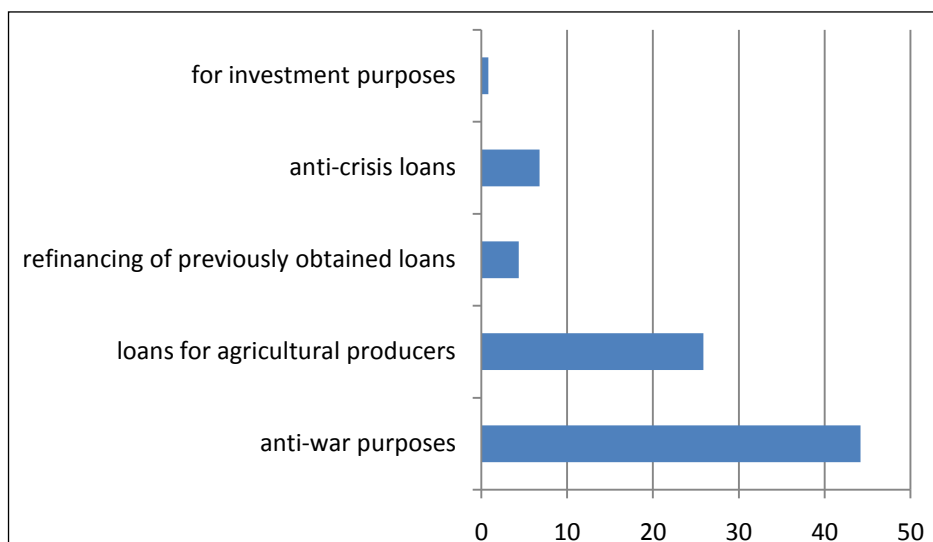
State programs to support business under martial law are programs that establish a mechanism for state assistance and support under a special legal regime introduced in the event of a threat to national security and are developed and implemented in the field of business development. Among them, we distinguish financial, informational, and organizational support (e.g., business relocation programs).

In terms of financial business support, the program “Affordable Loans 5-7-9%” was launched before the war, under which the state provides credit resources (up to UAH 60 million). During martial law, it was revised to meet the changing needs of businesses. In particular, changes were made to the criteria for granting loans, loan guarantees, loan purposes, and interest-free lending to businesses during the war, etc. Thus, these resources can be used to purchase fixed assets, modernize them, purchase, build, and repair production facilities, purchase land plots without the right to lease them, and purchase intellectual property rights (Fig. 2). As can be seen, businesses mostly use credit resources for anti-war purposes and the sowing of crops.

Amendments to the Law of Ukraine No. 2154-IX as of 24.03.2022 “On amendments to certain laws of Ukraine on ensuring the effective functioning of the Export Credit Agency” introduced the Program of Affordable Financing for Exporters during the War “Loans for the Implementation of Foreign Economic Contracts under a Simplified Procedure”, which intensified insurance, guaranteeing and reducing the cost of export credit for Ukrainian exports. However, the level of state support for Ukrainian exports through instruments of the Export Credit Agency is minimal.

Since the beginning of the war, including the reopening of the Unified State Register and the possibility of registering new businesses in early April 2022, 132,000 sole proprietors have been registered. During the martial law period, the types of economic activity changed, with retail and wholesale trade becoming more prevalent (almost 30%).

Entrepreneurship development was facilitated by several government programs to boost entrepreneurship (in particular, the state program “Own Business” for providing microgrants to Ukrainians to start their own business or expand their business up to UAH 250 thousand). In 2022, most individual entrepreneurs (61%) took advantage of this program, while only 12% of legal entities and 27% of individuals started businesses. As part of this program (the Skills LAB: Own Business educational



Source: Compiled by the author based on the data of the Ministry of Finance of Ukraine.

Fig. 2: Targeting of loans granted under the state program “Affordable Loans 5-7-9%”, billion UAH (as of February 20, 2023)

program), you can not only get funds to start or develop a business by registering through the Diia. Business portal, but also learn how to develop a business plan to visualize your business idea.

This state program is one of the other ones included in the eRobota grant programs launched in July 2022. In addition to it, there are also IT startups (up to UAH 3.5 million) and IT startups (tuition fees), but they are still under development. There are programs for the processing industry, which can be used by business entities operating in the agro-industrial complex, metallurgy, woodworking, furniture production, etc. (up to UAH 8 million); for the implementation of startups as a means of creating a new business); for the implementation of start-ups for both developers of ready-made technological solutions and specialists who have a project idea (non-repayable grants from UAH 750 thousand to UAH 3.5 million or repayable assistance from UAH 3.5 million to UAH 8 million); the programs “Your Garden” and “Your Greenhouse” (grants for the implementation of standard projects (greenhouses and gardens) approved by the Ministry of Agrarian Policy).

As a result of Russia’s full-fledged military invasion of Ukraine, domestic businesses suffered losses of \$13 billion. In 2022 alone, 109 large (the largest of which are Ilyich Iron and Steel Works of Mariupol, Azovstal, Nibulon, and Motor Sich) and medium-sized enterprises suffered direct material losses. Other losses are difficult to assess, as they include failure to fulfill the terms of business contracts, lost profits, etc.

The large-scale infrastructure destruction caused by the hostilities and the Russian occupation of certain territories of Ukraine should be considered. Therefore, enterprises that have lost their production facilities are provided with preferential lending programs, which allow them to obtain a loan to restore production facilities at 9% for up to 5 years in the amount of up to UAH 60 million (excluding previously issued loans under state support programs).

The Law of Ukraine No. 2255-IX dated May 12, 2022 “On Amendments to Certain Laws of Ukraine on Improving the Mechanism for Countering Raiding” was adopted. It provides for real-time notification of the founders (participants) of legal entities, the

head of a legal entity through telecommunication (if the information on communication with such persons is available in the Unified State Register) of the facts of certain registration actions in respect of such legal entities. The SMS lighthouse service for monitoring registration actions to real estate objects was also introduced.

Businesses can get information about grants and government support programs on aggregator platforms: Business People Club Ukraine; Diia. Business; and the GURT Resource Center. The Ministry of Agrarian Policy has created a special portal to support farmers.

Business entities as employers are also provided with state support under the Law of Ukraine “On the organization of labor relations under martial law” No. 2136-IX of 15.03.2022. In particular, guarantees for employees and their labor rights have been reduced. Moreover, the Resolution of the Cabinet of Ministers of Ukraine No. 331 dated March 20, 2022 “On approval of the procedure for providing compensation to the employer for labor costs for the employment of internally displaced persons as a result of hostilities during martial law in Ukraine” provides for compensation of UAH 6,500 per month for each employed internally displaced person during martial law and within 30 days after its termination.

The state should be flexible in responding to business needs by taking appropriate measures:

1. Stage - from February 24 to March 2022 - self-preservation of people and businesses. This includes measures such as evacuating employees, relocating businesses, switching to remote work; liberalizing labor relations; and ensuring stable operations of food producers. In addition, the excise tax on fuel was zeroed and VAT was reduced from 20% to 7% (operators switched to more expensive fuel imports from Europe to compensate for the loss of supplies from Belarus and Russia. Additional measures are being taken to curb the rise in prices for fuels and lubricants; farmers are stockpiling for the sowing campaign; and licenses and regulations for certain businesses are being temporarily abolished. Individual entrepreneurs have the right not to accrue, calculate, and pay unified social tax for themselves.

Under the state program of business relocation, according to the CMU Resolution No. 246-r dated 25.03.2022, its temporary relocation is carried out with the assistance of state and local authorities. In particular, this includes free relocation of enterprises; selection of suitable areas for production, relocation, and resettlement of personnel; recruitment of employees in the places of dislocation after relocation. The main thing for business relocation is the availability of logistics capabilities without excessive threats to drivers and railroad workers. After arriving at the new location, experts from regional administrations, the State Employment Service, and the State Labor Service help the company with its setup.

The program is aimed at preserving Ukraine's production and labor potential and is targeted at all enterprises wishing to relocate production to the west of Ukraine. There is a digital engagement platform to assist with business relocation. According to the Ministry of Economy, 761 companies have moved to safe regions since the start of the relocation program.

To search for suppliers in public procurement, the team of SE Prozorro, Professional Procurement, and electronic platforms created Prozorro+, a platform to meet the urgent needs of the state and restore Ukrainian business during the war (food, essential goods, hygiene products, and medicines, home textiles, clothing/ footwear);

2. Stage - from April to October 10, 2022 - adaptation, scaling, business resuscitation: reducing tax pressure, simplifying and improving tax rules, access to financing.

In particular:

- ♦ declarative system of business operation through Diia;
- ♦ business is released from financial and administrative liability if a person fails to pay taxes and fees promptly, submit reports (except for tax reports), and register tax and excise invoices;
- ♦ suspends the time limits for compliance with which the tax authorities are responsible; does not initiate tax audits, and suspends the audits that have been initiated (with certain exceptions);

- ♦ charitable aid to the Armed Forces, the military, civil defense forces, and hospitals, as well as reimbursement of the cost of fuel used to transport such aid, is not taxed, as it is the business that has started to help the military;
- ♦ no sanctions are applied for failure to use payment transaction registers;
- ♦ socially important foodstuffs, medicines, and medical devices, as defined by the Cabinet of Ministers of Ukraine, are not subject to import duty;
- ♦ no criminal liability for failure to submit or late submission of reporting documents; no inspections of the timeliness and completeness of any reports by the authorized bodies;
- ♦ goods imported by companies for free circulation (except for alcoholic beverages and tobacco products) are exempt from customs duties and VAT;
- ♦ the possibility to apply the simplified taxation system (transition to the third group with a rate of 2% without taking into account the income limit and for sellers of excisable goods); sole proprietors - single taxpayers of groups 1 and 2 have the right not to pay the single tax;
- ♦ land tax and rent for state and municipal land are not accrued and paid; the general minimum tax liability is not accrued and paid for 2022-2023;
- ♦ no penalties for the unified social contribution are applied, no penalties are accrued, and the accrued penalties for these periods are to be written off. A moratorium on documentary audits of the correctness of the accrual, calculation, and payment of the unified social contribution has also been established. State payment of the unified social contribution for mobilized employees;
- ♦ No business inspections (including market surveillance and tax control).

3. Stage - from the shelling of critical infrastructure on October 10, 2022, to the present day - business adaptation to interruptions in the supply of resources (water, gas, electricity, communication, and Internet problems), new attacks on critical infrastructure, the transport network and enterprises: state support for access to electricity imports, compensation for the

cost of generators, and the abolition of their VAT. There is also the issue of restoring taxation to pre-war levels.

Launched in 2022, this is a microgrant of up to UAH 20,000 provided by the Ukrainian Veterans Fund to support and implement veterans' initiatives until the end of martial law. The recipients of such assistance under this program are war veterans, members of their families (mothers, fathers, wives, husbands, children), and families of the Heavenly Hundred heroes.

During martial law, the Ukrainian government deregulates business: the need to obtain permits in many areas has been abolished, including education, medical and veterinary practices, mediation in

employment abroad, security activities, household waste recycling, etc.

In times of war, the state should not only support but also cooperate with businesses based on public-private partnerships to implement projects to stabilize the national economy and restore infrastructure. We are talking mainly about those enterprises that can provide defense capabilities necessary for the operation of critical infrastructure and food security, as well as small industries, and small and medium-sized businesses. The Business Ombudsman Council is taking the first steps in this direction, protecting entrepreneurs from the unlawful actions of government officials.

**Table 1:** State support programs for agricultural business during the war\*

Form of state support	Regulatory support	Characteristics
Grants for establishing a greenhouse farm	Resolution of the Cabinet of Ministers of Ukraine dated 21.06.2022 No. 738 "Some issues of providing grants to business"; Order of the Ministry of Agrarian Policy and Food of Ukraine dated 12.07.2022 No. 449; Order of the Ministry of Agrarian Policy and Food of Ukraine dated 06.07.2022 No. 428 "On approval of a standard design of a modular greenhouse"	Up to UAH 7 million The grant is provided for the construction of 1000 greenhouses (0.4-2.4 hectares - one modular greenhouse)
Grants for gardening, berry growing, and viticulture	Resolution of the Cabinet of Ministers of Ukraine of 21.06.2022 No. 738 "Some Issues of Providing Grants to Business"; Order of the Ministry of Agrarian Policy and Food of Ukraine of 12.07.2022 No. 447	Up to UAH 10 million. Grants for planting and arranging a garden, berry, or vineyard (from 1 to 25 hectares)
Program to support farms and other producers of agricultural products:	Resolution of the Cabinet of Ministers of Ukraine No. 918 "On Approval of the Procedure for the Use of Funds Provided for in the State Budget to Support Farms and Other Agricultural Producers" dated August 16, 2022	The program is available in the State Agrarian Register; through the Ukrainian State Farm Support Fund
Budget subsidy per unit of cultivated agricultural land (1 hectare) for agricultural activities		For agricultural producers, both individuals and legal entities, who cultivate at least 1 and no more than 120 hectares of agricultural land. In 2022 - in the amount of UAH 3,100 per 1 hectare, but not more than UAH 372,000 per recipient for agricultural producers who keep 3 to 100 cows in all production areas.
a special budget subsidy for keeping cattle (cows) in all productivity areas		In 2022, the amount will be UAH 5,300 per cow, but no more than UAH 530,000 per recipient.
Program of state support for agricultural producers who grow agricultural products on irrigated lands	Resolution of the Cabinet of Ministers of Ukraine No. 77 "On approval of the procedure for the use of funds provided for in the state budget for financial support of agricultural producers" dated 08.02.2017 and Resolution of the Cabinet of Ministers of Ukraine No. 1070 "On approval of the procedure for the use of funds provided for in the state budget for providing state support to agricultural producers using reclaimed land" dated 11.10.2021	For agricultural producers who use reclaimed land; organizations of water users have transferred ownership of pumping stations.

Exemption from import duty on goods used for storage of grain and/or oilseeds	Law No. 2445-IX dated 27.07.2022 "On amendments to section XXI "Final and Transitional Provisions" of the Customs Code of Ukraine regarding the exemption from import duty of goods used for storage of grain and/or oilseeds"	Products and equipment for storage, transportation, loading, and unloading of grain and/or oilseeds are exempt from import duty: polymeric sleeves and bags with a volume of at least 0.8 cubic meters for storing agricultural products classified in commodity subcategories 3917310090, 3917320090, 3917390090, 3923210000, 3923299000, 3923900000, 5407201100, 5407201900, 6305321100, 6305321900 according to the Ukrainian Classification of Goods for Foreign Economic Activity; trailers and semi-trailers with self-loading or self-unloading for the transportation of agricultural products classified in subheading 8716 20 00 00 according to the Ukrainian Classification of Goods for Foreign Economic Activity.
State support for agricultural insurance	Law of Ukraine No. 4391-VI dated 09.02.2012 "On peculiarities of insurance of agricultural products with state support" Resolution of the Cabinet of Ministers of Ukraine No. 1342 dated December 9, 2021 "On approval of the procedure for providing state support for agricultural insurance" Resolution of the Cabinet of Ministers of Ukraine No. 1285 dated December 9, 2021 "On approval of the limit, structure, and procedure for the application of insurance tariffs for insurance of winter wheat crops with state support against agricultural risks for the period of wintering"	Insurance of agricultural products carried out with state support, in particular, insurance of winter wheat crops with state support against agricultural risks for the period of wintering
Simplified procedure for registration of agricultural machinery	Amendments to the Resolution of the Cabinet of Ministers of Ukraine No. 694 "On approval of the procedure for departmental registration and deregistration of tractors, self-propelled chassis, self-propelled agricultural, road construction and reclamation machines, agricultural machinery and other mechanisms" dated 08.07.2009	It is allowed to operate agricultural machines without their mandatory registration: issuance of temporary registration coupons for the machine; if possible, an inspection of machines by state inspectors and machine inspection specialists; temporary registration of machines.
Extension of land use	Amendments to the Land Code of Ukraine (Law No. 2145-IX of 24.03.2022).	Agricultural land plots leased by local governments are considered renewed for one year without making appropriate changes to documents and registers
Non-refundable grants for the creation and development of processing enterprises	Resolution of the Cabinet of Ministers of Ukraine No. 739 dated 24.06.2022 "Some issues of providing grants for processing enterprises"	Up to UAH 8 million within the eRobota project. For expenses related to: <ul style="list-style-type: none"> <li>♦ purchase of fixed assets (machine tools, technological equipment);</li> <li>♦ commissioning of machine tools and technological equipment;</li> <li>♦ delivery of purchased machines and technological equipment.</li> </ul>



The state program "Affordable loans 5-7-9%"	Resolution of the Cabinet of Ministers of Ukraine No. 28 "On approval of the procedure for providing financial state support to business entities" dated 24.01.2020	An investment loan for the purchase of agricultural machinery or a loan to replenish working capital for the purchase of seeds, fertilizers along with fuel and grease materials
Program to refinance measures to support the rural lending system	Resolution of the Cabinet of Ministers of Ukraine No. 1405 of 9.10.2006 "On implementation of the project "Program for refinancing measures to support the system of lending in rural areas"	Financing of production, working capital, or launch of an investment project for small enterprises operating in industries considered by the Entrepreneurship Development Fund as a priority and strategically important (all classes of sections A, C, D, E, F, I according to the NACE-2010). The project is also designed for individual entrepreneurs and micro, SMEs.

*\*participation in all state and international support programs for farmers is currently possible only through the State Agrarian Register or Diia.*

*Source: Compiled by the authors.*

For each industry, appropriate government programs are appropriate. For example, in agribusiness, while at the beginning of the war, there were various forms of state support (Table 1), in 2023 the state budget does not provide funds to support the agricultural sector, although lending to agricultural producers is expected to expand. This year, the state offers only grants, loans, and compensation to agricultural businesses. To support farmers, the Ministry of Agrarian Policy has created an Agrarian Platform to collect the current needs of farmers for the sowing season in real-time and an online platform to improve the logistics routes of farmers under martial law.

To support the machine-building industry, the government introduced localization, which is aimed at guaranteeing the participation of domestic producers in public procurement. Localization sets requirements for the country of origin of products sold through the Prozorro system. The mining and metals industry also needs state aid. After all, logistics issues, including unblocking seaports, increasing the capacity of railway border crossings, and reducing railroad transportation tariffs, have come to the fore during the war. At the same time, the cost of production increased significantly due to the rising cost of energy resources (electricity, gas) and a rather high rent for iron ore mining.

## DISCUSSION

Currently, there are quite a few government business

support programs. They are aimed both at the business in general and at specific industries, with a lot of attention paid to agriculture in particular. Unfortunately, however, quantity has not translated into quality. Therefore, state aid to business should be complemented by international aid, with clear criteria for its recipients and monitoring of its effectiveness.

The development of crisis phenomena in the domestic economy as a result of the war and the application of restrictive measures makes the state face the need to make quick anti-crisis decisions. The analysis of state support programs for business conducted in this article shows that the main areas of influence are the tax and credit spheres.

While there may continue to be a need for business support measures in the short term, there will come a time when they should be phased out or refocused to avoid emergency measures from turning into long-term structural support. Structural support has implications not only for the current distortions of global markets and competition but also for medium- and long-term economic resilience after the crisis. It is also important for jobs and, ultimately, for public support for open global markets. Attention should be paid both to the structure of support currently provided and to plans for the eventual unwinding and exit of this support, including emergency government support measures such as loans and equity injections, which could become means of long-term structural support.

From a competition perspective, state support measures should be consistent with the principle of “competitive neutrality,” whereby emergency support to viable firms is transparent, time-limited, should not distort competition in the domestic market, and is consistent with long-term objectives.

What is the reason for the low efficiency of government business support schemes? In our opinion, the current support mechanism does not sufficiently reflect the needs of small, medium, and large businesses. First of all, this is due to the high level of transaction costs associated with the loss of benefits from staying in the “shadow”.

To receive state aid, entrepreneurs have to solve a dilemma: either come out of the shadows and receive a subsidy or stay in the shadows, relying on unofficial sources of financial assistance (money - from relatives, friends, consumer loans from founders).

Another reason for the lack of demand for government support programs among businesses during the war is the rather strict requirements for applicants. Small entrepreneurs are prejudiced that they will not be able to meet all the necessary conditions to receive funding, so they do not try to apply for help. Self-confidence combined with low trust in the government is a distinctive feature of Ukrainian small entrepreneurs, which binds them to the shadow economy. Until this mindset is corrected, no effective measures, not even targeted government support, will be in demand by businesses.

To address the crisis resulting from the war, the government introduced various business support measures, including a preferential tax system, grants, loans, and loan guarantees. While these business support programs are likely to have reduced bankruptcies and unemployment, there is a possibility that these programs may support not only firms that faced temporary liquidity shortages during the war but also firms that are not viable in the long run and are artificially supported by the state. If this is the case, business support programs will slow down economic restructuring, impede the efficient allocation of resources, and ultimately reduce aggregate productivity. Such cases of the existence and support of zombie firms, in particular during the pandemic, have been considered by Acharya, Crosignani, Eisert, and Steffen (2022).

To address such issues, in addition to creating programs of state support for business, it is advisable to consider the following three groups of questions. First, which firms are more likely to receive state support? Were firms that suffered from the war more likely to receive support and were they the main targets of the programs? On the other hand, were businesses with poorer performance before the war more likely to receive state support? In other words, were the so-called “zombie firms” - i.e., firms that were not viable without government or bank support before the war - more likely to receive support than “healthy” firms? If so, do such programs pose a risk of helping zombie firms survive and slowing down economic restructuring? Second, did the programs reduce firm bankruptcies and increase employment? This question refers to whether the programs achieved their goals of keeping businesses afloat and preventing unemployment from rising. Third, did the surviving firms that received state support perform better than those that did not? Thus, while the first set of questions focuses on the determinants of the use of state support, the other questions address its effects.

At the same time, in many other countries, the presence of zombie firms has also become an important policy issue in recent years, especially after the onset of the pandemic (Banerjee and Hofmann, 2022; El Ghoul, Fu, Guedhami, 2021; Acharya *et al.* 2022), which Ukraine should consider.

The study has certain limitations since the practices of other countries to support businesses that have found themselves in war conditions have not been studied, as this experience is currently incomparable and outdated. In particular, the identification of the most optimal and promising cases for further implementation in Ukraine to support systemically important enterprises to replenish working capital in such conditions also remains an open question.

## Conclusion

In general, the Ukrainian government is significantly limited in terms of providing support to businesses by the state budget. Meanwhile, the scope of state business support programs is not proportionate to the losses caused by the hostilities. Ukraine currently receives large amounts of international financial assistance, but there are no bills that would motivate donors to purchase the necessary goods

from domestic producers, which in turn would help to load them and reduce logistics costs for delivery. Therefore, state support for business should be the basis of state regulatory policy. Destroyed infrastructure, catastrophic decline or lack of demand, and lack of access to finance and insurance, etc. are the current challenges for domestic business during martial law. Business resuscitation requires solving not only new problems that arose during the war but also old, pre-war ones. In particular, this concerns the fight against corruption, the need for judicial and tax reforms, and the tasks of restoring human capital and financing Ukraine. Our state should focus on deepening value chains, building logistics, promoting investment, etc.

New directions for further research should include assessing the effectiveness of state business support programs and establishing clear criteria for selecting the most viable business entities since state aid is significantly limited by budgetary resources.

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