RESTART OF BUSINESS IN THE DE-OCCUPIED TERRITORIES AS A TOOL TO RECOVER THE ECONOMIC STABILITY OF THE TERRITORIAL

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The purpose of the study is to analyze the processes of restarting and relocating business in Ukraine during the war, as well as to find effective mechanisms for restoring the business environment in the de-occupied territories. Objectives: to determine the specifics of business functioning in a crisis and high-risk environment; to analyze the processes of restarting and relocating business in Ukraine during martial law; to search for effective mechanisms for restarting business in the liberated territories. The study identifies and characterizes the main risks of Ukraine's business environment during martial law. The main problems and the mechanism for restoring business in the de-occupied territories are identified. The dynamics and trends of business activity of Ukrainian business are analyzed.

Keywords: business environment, restart, business relocation, de-occupation, business activity.
Formulation of the problem. As in the whole world, Ukrainian business had just begun the process of overcoming the consequences of the economic crisis caused by the COVID-19 pandemic at the beginning of 2022, when Ukrainian entrepreneurs faced new obstacles caused by the full-scale invasion of Ukraine by the Russian Federation. Occupation, destruction of infrastructure, damage to assets, disruption of logistics, blocking of ports, closed airspace, outflow of labor and highly qualified specialists, and pollution of territories are just a small list of problems that Ukrainian businessmen face daily. Therefore, the results of the study presented in the paper below are quite relevant today.

Analysis of recent research and publications. The issue of risk management in the business environment of Ukraine was studied by such domestic scientists as I. V. Okhrimenko, N. M. Vdovenko, E. I. Ovcharenko, I. A. Hnatenko, in their works they studied innovations in the system of strategic management of national security economy in conditions of risks and uncertainties of globalization. H. Ruko and P. Figueiredo investigated the challenges and opportunities of business in times of uncertainty and turbulence, while Orlova O.M. devotes his works to highlighting the problem of the risks of industrial enterprises in the conditions of the covid-19 pandemic.

Highlighting previously unresolved parts of the overall problem. Despite significant scientific developments in the field of business risk in the war and post-war period, the issue of restoring business processes in the de-occupied territories of Ukraine remains open.

Formulation of the goals of the article. The object of the study is the business environment of Ukraine. The subject of the study is the business processes related to the restart of existing and start of new businesses in the de-occupied territories of Ukraine.

Presentation of the main research material. Risk is a commonplace phenomenon in the business environment. After all, when we are looking for a business idea and formulating a business plan, we calculate numerous possible

**Key words:** business-ecosystem, restart, retranslocation of business, deoccupation, business activity.
and managers at various levels are gaining invaluable experience during the large-scale war with the aggressor.

Since 2014, Ukraine has been under war by the Russian Federation, and since February 24, 2023, this war has escalated into a full-scale invasion. Ukrainian businesses have suffered from constant destruction caused by hostilities, landmines, loss of logistics, loss of suppliers and customers. To escape from the war, hundreds of entrepreneurs were forced to evacuate to safer locations to preserve assets and facilities and

<table>
<thead>
<tr>
<th>№</th>
<th>Type of the risk</th>
<th>Characterization of the risk</th>
<th>The manifestation of risk in Ukraine</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Political</td>
<td>The risk relates to a possible change in the government’s political direction, the introduction of new laws and regulations that fundamentally change the primary conditions for doing business in a country, as well as military actions and riots.</td>
<td>During the military actions on the territory of the country, the risk of nationalization and expropriation without adequate compensation increases, as well as the risk of contract termination due to the decisions of the authorities of the country where the contracting company is located, and the war itself causes devastation that does not avoid the business environment.</td>
</tr>
<tr>
<td>2</td>
<td>Economical</td>
<td>An unstable economy can lead to a decrease in revenues and losses for businesses.</td>
<td>The war in Ukraine brought to the forefront of economic risks a decrease in demand for various types of goods, and some were abandoned altogether, so the activities of some companies lost their meaning, and they had to urgently change their product strategy.</td>
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<tr>
<td>3</td>
<td>Financial</td>
<td>The risk of losses due to financial negligence, default on debts, changes in market conditions, changes in exchange rates and other factors that may affect the financial position of the company.</td>
<td>The war in Ukraine has aggravated the already difficult credit history of domestic enterprises due to the COVID-19 pandemic. Inflation and the depreciation of the national currency made it difficult for companies to plan their cash flow.</td>
</tr>
<tr>
<td>4</td>
<td>Personnel</td>
<td>The risk associated with the probability of problems with the employees of the company, which may adversely affect its financial results and reputation.</td>
<td>The war forced many people to migrate internally and externally, which led to a huge shortage of professional staff, which in turn caused a decrease in labor productivity and profits.</td>
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<tr>
<td>5</td>
<td>Manufacturing</td>
<td>The risk is related to any type of production activity during which entrepreneurs face problems of inadequate use of raw materials, rising costs, increased working time losses, etc.</td>
<td>Power outages and shortages of fuels and oils, destruction of buildings, factories, machinery and other assets, disruption of logistics routes, rising prices for raw materials and supplies all lead to higher production costs.</td>
</tr>
<tr>
<td>6</td>
<td>Commercial</td>
<td>Risks arising from the sale of goods and services produced or purchased by an entrepreneur. The main reasons for the commercial risk of a decrease in sales volumes as a result of a drop in demand or need for goods.</td>
<td>Closed airspace over Ukraine and closed ports have cut off export opportunities for Ukrainian producers, sales channels for agricultural enterprises have been blocked, the tourism industry is struggling to attract customers, and entrepreneurs are losing consumers and clients due to the reduced purchasing power of the population.</td>
</tr>
</tbody>
</table>

Table 1

Types of risks in business and their characteristics

Developed by the author on the basis of [1–4]
continue to work for the economy of the country that is defending itself and provide jobs to the population. According to the European Business Association, about 70% of companies in Ukraine are currently operating in full or limited mode, and 27% have unfortunately had to stop their activities but want to resume them [7]. Those businessmen who cannot do this in their usual place due to active hostilities are trying to move to safe locations. Some entrepreneurs have been able to move their businesses to safe areas on their own, while others need government assistance because they are too large. By December 15, 2022, 792 businesses had been relocated to safe regions under the relocation program. 80% of them have already resumed their work [8].

Among those business entities that managed to restart their business activities in a new safe location in 2022, the largest share was in wholesale and retail trade, repair of motor vehicles and motorcycles, manufacturing, information and telecommunications, professional, scientific and technical activities, and construction. For more details, see Figure 1.

The government realizes the importance of keeping businesses in Ukraine despite any challenges, so it helps them to relocate to other parts of the country. For this purpose, a digital platform is available in the “Diia” app, where entrepreneurs register an application for assistance; as of March 1, 2022, more than 1,700 entrepreneurs have already used this platform.

Ukrzaliznytsia and Ukrposhta transport the equipment of relocated enterprises free of charge [10], or entrepreneurs move their own transport with further compensation for the expenses.

We can create a ranking of the most popular regions of Ukraine chosen by businesses for relocation (in order of popularity): Zakarpattia, Lviv, Chernivtsi, Ternopil, Ivano-Frankivsk, Vinnytsia, and some others. This is not surprising, as the list mainly includes regions that do not border Russia or Belarus. Most of the relocations were made by entrepreneurs from Kyiv and Kyiv region, Kharkiv, Donetsk, Luhansk regions, as well as several representatives from Chernihiv and Sumy regions.

As for the general state of Ukraine’s business at the end of 2022, we see positive trends in its recovery. And given the ongoing war in Ukraine, the growth rate of business activity is impressive. This is evidenced by the analysis of the Ukrainian Business Activity Index (UBI), shown in Figure 2. Despite the above life-affirming indicators, we do not forget that domestic business has suffered significant losses and destruction since the beginning of Russia’s full-scale invasion of

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**Figure 1. The share of enterprises in different business sectors in the total number of displaced enterprises in 2022 in Ukraine**

*Created by the author based on data from [7; 8; 9]*
our territory. According to research conducted by the Ministry of Digital Transformation, from the beginning of the war to the current time, 47% of enterprises have been stopped or are in the process of being stopped, and the total direct losses of small and medium-sized businesses since February 24 are estimated at $85 billion [13].

But despite seemingly insurmountable challenges, Ukrainian business is holding its own. That is why we will discuss further the business that resumes its work in the de-occupied territories, which, in our opinion, is even more important than the issue of business delocalization. After all, with the resumption of business in the de-occupied territories, life returns to these territories. People get access to vital goods and services and, last but not least, jobs are being created. As of January 1, 2023, the Armed Forces of Ukraine have de-occupied about 2,000 settlements in Kyiv, Chernihiv, Sumy, Mykolaiv, Kharkiv, Kherson, and Zaporizhzhia regions. Although in most of these territories, life and business are still dangerous for people. After all, the de-occupied territories remain mined, heavily littered with unexploded ordnance and destroyed infrastructure. Nevertheless, businesses are resuming their operations in the areas liberated by the Ukrainian armed forces. For example, in the Chernihiv region, 92% of businesses that started before the war resumed their work after the de-occupation. Even though they are not working at full capacity and face many risks on a daily basis, they are still working, and this is a major factor in the region’s recovery.

Hence, our country is holding strong not only on the military front, but also on the economic front. The domestic business environment has not only survived, but has also been expanded with new players. Thus, during the period of hostilities in 2022–2023, a fairly large number of new businesses and individual entrepreneurs were registered. Figure 3 shows the dynamics of business registration in Ukraine during this period.

As can be seen from Figure 3, even in March 2022, when the majority of the country was in the active phase of military confrontation and in complete uncertainty about future risks, 14 companies and 2050 individual entrepreneurs were registered. And since April 2022, we have seen a rapid increase in the pace of either starting a new business or re-registering previously established ones as new legal entities. The peak figures were observed in September, namely 2,082 companies and 20,298 new sole proprietorships. In total, during the full-scale war, from February 24, 2022, to February 15, 2023, 17.1 thousand new companies and 178.5 thousand new individual entrepreneurs were registered in our country.
For comparison, this is of course lower than in 2021 (by 39%), by the way, in 2021 the largest number of companies was registered over the past 10 years. At the same time, the figure for 2022 is 26% higher than in 2014 (the year of the first Russian invasion of Ukraine).

Based on the analytical data obtained through the Diia app, we can conclude that the largest number of newly opened business structures during the above period was in Kyiv: 36% of new companies and 15% of sole proprietorships.

Of course, it is expected that Lviv region is in second place, as this region has become a key center of attraction for internal migration. During this period, 9.2% of newly established companies and 8.6% of newly established sole proprietorships were opened there. The third place was taken by Dnipropetrovsk oblast, as it is the city with over a million inhabitants and a major industrial center closest to the frontline. Dnipro is a city that has received many internally displaced persons and relocated businesses from the temporarily occupied territories. The research indicator for this region is 7.6% of new companies and 8% of new individual entrepreneurs. The lowest rate of new business registration is observed in Luhansk region, but nevertheless 849 new businesses were registered in the last 13 months, as well as in Kherson (1229 businesses), Donetsk (2859 businesses), Sumy (4023 businesses), Kropyvnytskyi (4133 businesses), and Chernihiv (4288 businesses).

To summarize, despite the hostilities, rocket attacks on critical infrastructure, population migration, power outages, mined areas, blocking of sea and air transport, and disruption of logistics, Ukraine’s business has survived.

The year 2022 brought so many challenges to Ukrainian business that the world wonders how it hasn't fallen to its knees yet. In addition to the troubles caused by Russia's full-scale invasion of Ukraine, the global financial crisis has been added.

But despite all these challenges, in mid-May 2022, we were able to state that the Ukrainian business withstood the blow and continued to work. Such sectors of the Ukrainian business environment as public administration, defense, banking, information and communication technologies, food industry, retail, healthcare, and education did not cease their operations. Thanks to the deep digitalization of Ukrainian society, there was only a short or no pause in business processes. And after the de-occupation of Kyiv, Chernihiv, Sumy, Kharkiv, and Kherson regions, people returned to their homes, new logistics routes were formed, and the list of businesses that began to recover increased,
as agriculture, transportation, construction, and others were added.

The main reason why Ukraine's business has not only survived, but also started to develop is that Ukrainian entrepreneurs are extremely hardened, because it is difficult to remember a single year of Ukraine's independence when our business felt free. That is why, after our army liberates another territory, there is an immediate movement to restore business activity. To find effective mechanisms for restarting business in the liberated territories, let’s analyze the internal and external environment of the business community in the de-occupied territories. In Figure 4, we have tried to conduct a SWOT analysis of the business environment in the de-occupied territories.

In our opinion, the main driving force for Ukrainian business in the de-occupied territories is an effective mechanism of state and international support. So let’s focus on the main government programs that support the domestic business environment and measures to stabilize the socio-economic situation during the war.

Thus, in our opinion, the resumption of activity of the Ukrainian business environment was primarily facilitated by the new wartime economic policy introduced by the Ukrainian government, the main components of which were [6]:

- a program of relocation of business structures to a safer territory;
- the formation of a state order for products of its own production (especially important for the agro-industrial business sector);
- implementation of a number of important decisions on deregulation of business processes;
- a new tax policy aimed at reducing the fiscal burden on businesses during the period of martial law;
- interest-free lending programs for all business sectors;
- cash payment program for internally displaced persons (IDPs) "ePidtrymka".

We would like to emphasize the huge contribution of the Diia app. We have already mentioned above that about 2,000 applications for state aid for business development were submitted through the Diia app. In addition, this platform itself is the center of information and consulting content and key business projects of martial law. An example of such projects is: "Marketplace of financial opportunities for business on Diia. Business", "Interactive Dashboard: Ukraine's Exports in a Full-Scale War", "Help from the Business Ombudsman Council", "Visionary Women's Accelerator "Vidvazhna"", "Checklist for Business Restart" and many others.

Let’s summarize.

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
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<tbody>
<tr>
<td>State support</td>
<td>Narrow logistics</td>
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<tr>
<td>Immunity to crisis situations</td>
<td>Blocked ports</td>
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<tr>
<td>Professional management staff</td>
<td>Closed airspace (especially for the tourism and hotel industry)</td>
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<td>Digitalization of business processes</td>
<td>Mine contamination of territories</td>
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<tr>
<td>Own raw materials available in many areas of the production business model</td>
<td>Missile attacks</td>
</tr>
<tr>
<td>Production of own goods for commercial business model</td>
<td>Damage to infrastructure (especially energy)</td>
</tr>
<tr>
<td>Diversified production</td>
<td>Damage to property</td>
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<td></td>
<td>Outflow of labor force</td>
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<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Threats</th>
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</thead>
<tbody>
<tr>
<td>International grant programs</td>
<td>Instability of the national currency</td>
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<tr>
<td>Accession to the EU</td>
<td>Long duration of wartime</td>
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<tr>
<td>High intellectual capital of the country</td>
<td>Massive outflow of population abroad</td>
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<td>Geographical location will allow to quickly restore logistics links</td>
<td>Low incomes of the population</td>
</tr>
<tr>
<td>Affordable electricity at a price below the European average</td>
<td>Rising prices for resources</td>
</tr>
<tr>
<td>The prospect of significant resources from partner countries to rebuild Ukraine's economy</td>
<td>Decreased activity of banks</td>
</tr>
<tr>
<td>High level of IT development</td>
<td>Excessive fiscal burden on business and population (return to pre-war levels)</td>
</tr>
<tr>
<td>Development of the smart economy</td>
<td>Length of the process of gaining EU membership</td>
</tr>
<tr>
<td></td>
<td>Rising costs of domestically produced goods, which will reduce the level of price competition</td>
</tr>
</tbody>
</table>
1. The most common risks in the business environment of Ukraine, the probability of which has increased significantly during the war, are political risk (the war itself causes devastation that does not escape the business environment); economic risk (reduced demand for various types of goods, and some refusal to buy them at all); financial risk (the war has made the already difficult credit history of domestic enterprises worse due to the COVID-19 pandemic); personnel risk (internal and external migration); production risk (power outages and shortages of fuel and oil, destruction of fixed assets, higher prices for raw materials and other factors leading to higher production costs); commercial risk (closed airspace over Ukraine and blocked ports, reduced solvency of the population).

2. As of the end of 2022, despite the active hostilities in Ukraine, about 70% of companies operate in full or limited mode, 27% have unfortunately had to stop their operations but want to resume them. Among the latter, many companies were forced to relocate to other, safer parts of the country. Thus, as of mid-December 2023, 792 enterprises have been relocated to safe regions under the relocation program, of which more than 80% have already resumed their operations.

3. The state supports entrepreneurs who decide to relocate to other, safer, territories of Ukraine. For this purpose, government authorities use a digital platform in the Diia application, where entrepreneurs register their applications for assistance to compensate for the costs incurred in transporting their business to a new location. About 2000 Ukrainian entrepreneurs have used this platform.

4. The most popular regions of Ukraine chosen by businesses for relocation are: Zakarpattia, Lviv, Chernivtsi, Ternopil, Ivano-Frankivsk, Vinnytsia, and some others.

5. Most of the entrepreneurs who relocated their business to other regions were from Kyiv and Kyiv region, Kharkiv, Donetsk, Luhansk regions, as well as a few representatives from Chernihiv and Sumy regions.

6. If we talk about the business sectors with the highest number of relocated enterprises, these are: trade, repair services, processing enterprises, information, telecommunications, education and consulting, construction, and other sectors of the economy.

7. It should be emphasized that the overall state of Ukraine’s business as of the end of 2022 is gradually recovering. And given the ongoing war in Ukraine, the growth rate of business activity is, without exaggeration, impressive. In the fourth quarter of 2022, Ukraine’s business activity index was over 80%. However, despite the above life-affirming indicators, we do not forget that domestic business has suffered significant losses and destruction since the beginning of Russia’s full-scale invasion of our territory.

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