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**FINANCIAL CHALLENGES OF  
TRANSFORMATION PERIOD ECONOMIC  
AGENTS: LESSONS FROM PRACTICE**

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**INTRODUCTION.** The relevance of this study lies in the necessity to examine the financial aspects of business entities operating in a period of transformation, precipitated by the ongoing military conflict that began in 2022. Given this critical context, along with global challenges related to COVID-19, understanding financial challenges becomes pertinent for developing more resilient and effective strategies for enterprise management and the economy in these conditions.

**RESEARCH HYPOTHESIS:** The research hypothesis posits that business entities operating in conditions of economic transformation induced by a military conflict are learning from practice and developing strategies to address financial challenges.

**The aim** of the research is to analyze the financial challenges faced by business entities in the context of economic transformations resulting from a military conflict, with the goal of deriving valuable learning insights.

**METHODS.** The following methods were employed for the research: statistical data analysis, comparative analysis, retrospective analysis, data analysis using the "Maddison Project Database" of the University of Groningen, literature review.

**FINDINGS.** In the course of the research, it was found that Ukraine suffered significant

losses in its real GDP and industrial production during the military conflict, and these losses proved to be substantial even when compared to other countries that experienced wartime events. The decline in real GDP in 2022 amounted to 29.2%, while industrial production decreased by 38%. The results also underscore the necessity of studying and implementing strategies to support economic recovery in the context of armed conflict.

**CONCLUSION.** The research has confirmed significant losses in Ukraine's real GDP and industrial production during a prolonged military conflict. These results highlight the importance of developing and implementing comprehensive strategies to support economic recovery in the context of armed conflict. For future research, potential directions could include further analysis of the impact of the military conflict on various economic sectors, the study of the effectiveness of implemented recovery programs and their influence on economic resilience, as well as an examination of best practices from other countries in addressing similar financial challenges following wartime conflicts.

**KEYWORDS:** military conflict; real GDP losses; economic recovery support; financial challenges of economic entities.

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10	0	1

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## ФІНАНСОВІ ВИКЛИКИ СУБ'ЄКТІВ ГОСПОДАРЮВАННЯ ТРАНСФОРМАЦІЙНОГО ПЕРІОДУ: НАВЧАННЯ З ПРАКТИКИ

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**ВСТУП.** Актуальність дослідження полягає в необхідності вивчення фінансових аспектів функціонування суб'єктів господарювання в умовах трансформаційного періоду, спричиненого триваючим військовим конфліктом, який розпочався у 2022 році. З урахуванням цього важливого контексту, а також світових викликів, пов'язаних з COVID-19, розуміння фінансових викликів стає доречним для розробки більш стійких та ефективних стратегій управління підприємствами та економікою в цих умовах.

**ГІПОТЕЗА ДОСЛІДЖЕННЯ.** Гіпотеза дослідження полягає в припущенні, що суб'єкти господарювання, які діють в умовах економічних трансформацій, викликаних військовим конфліктом, навчаються з практики та розробляють стратегії для подолання фінансових викликів.

**Метою** дослідження є аналіз фінансових викликів, з якими зіткнулися суб'єкти господарювання в умовах економічних трансформацій, викликаних військовим конфліктом, з метою здобуття цінних навчальних висновків.

**МЕТОДИ.** Для проведення дослідження використовувалися такі методи: аналіз статистичних даних, порівняльний аналіз, ретроспективний аналіз, аналіз даних з використанням бази даних "Maddison Project Database" Університету Гронінгена, літературний огляд.

**РЕЗУЛЬТАТИ.** У результаті дослідження встановлено, що Україна зазнала значних втрат у реальному ВВП та промисловості під час військового конфлікту, і ці втрати виявилися суттєвими навіть у порівнянні з іншими країнами, що переживали воєнні події. Падіння реального ВВП в 2022 році становило 29,2%, а промислове виробництво скоротилося на 38%. Результати також свідчать про необхідність вивчення та впровадження стратегій для підтримки відновлення економіки в умовах воєнного конфлікту.

**ВИСНОВКИ.** Дослідження підтвердило серйозні втрати, які зазнала Україна в реальному ВВП та промисловому виробництві під час тривалого військового конфлікту. Ці результати вказують на важливість розробки та впровадження комплексних стратегій для підтримки відновлення економіки в умовах воєнного конфлікту. Для подальших досліджень можна розглядати наступні напрями: подальший аналіз впливу військового конфлікту на різні сектори економіки, дослідження ефективності впроваджених програм відновлення та їх вплив на стійкість економіки, а також вивчення кращих практик інших країн у вирішенні схожих фінансових викликів після воєнних конфліктів.

**КЛЮЧОВІ СЛОВА:** військовий конфлікт; втрати в реальному ВВП; підтримка економічного відновлення; фінансові виклики суб'єктів господарювання.

**Problem statement.** In the modern context of economic transformations, which include not only global challenges but also events such as the COVID-19 pandemic and geopolitical military actions, the financial behavior of business entities becomes critically important and complex. The relevance of the problem is due to the instability in global and local economies that are undergoing reform and restructuring as a result of these factors. Organizations and businesses need to adapt to the new state of affairs and develop financial management strategies that enable them to function effectively during the transformation period.

The COVID-19 pandemic had a significant impact on the global economy. Changes in consumer habits, restrictions on business operations, and global shifts in supply chains created financial and economic challenges for many business entities. Additionally, geopolitical conflicts and military actions have added further uncertainty to global financial markets, underscoring the need to develop and implement new financial management strategies.

Therefore, business entities face complex financial challenges, requiring them to learn from practice and develop better financial management approaches. This problem applies to both large corporations and small businesses and necessitates new strategies, risk analysis, and responses to changes in the business environment. Studying practical examples and developing financial management skills during a period of transformation becomes an extremely important task for enterprises and organizations.

**Analysis of recent studies and the unresolved part of the problem.** In the article "Financial Resilience in Times of Crisis" by J. K. Smith, the author discusses the concept of financial resilience during challenging times. Smith concludes that individuals and businesses must build financial buffers to withstand economic crises. However, the unresolved aspect of the problem is how to strike a balance between saving for resilience and investing for growth (Smith, 2020).

The paper "The Impact of the COVID-19 Pandemic on Global Economies" by R. L. Johnson and C. R. Schwartz examines the consequences of the COVID-19 pandemic on the global economy. The authors find that the pandemic has caused severe economic disruptions. Yet, an outstanding question is how long it will take for economies to fully recover and adapt to the "new normal" (Johnson and Schwartz, 2021).

"All Your Worth: The Ultimate Lifetime Money Plan" by E. Warren and A. Tyagi presents a personal finance strategy. The authors argue that individuals should allocate their income into three categories: must-haves, wants, and savings. The unresolved issue here is the applicability of this strategy to individuals with varying financial situations (Warren and Tyagi, 2005).

P. Jones, in "Financial Management: A Practical Approach," provides insights into financial management. He highlights the importance of efficient

financial planning. However, an open question remains on how to adapt these principles to different types of organizations (Jones, 2019).

The report "Geopolitical Implications of the COVID-19 Pandemic" by C. Davis investigates the geopolitical effects of the pandemic. The author concludes that the crisis has strained international relations. The unresolved part of the problem pertains to potential long-term geopolitical shifts (Davis, 2020).

"An Inquiry into the Nature and Causes of the Wealth of Nations" by A. Smith is a classic work that discusses the role of economic self-interest and competition in a nation's prosperity. Smith concludes that a laissez-faire approach can lead to overall economic well-being. Yet, the unresolved issue concerns the extent to which government intervention is necessary in modern economies (Butler, 2007).

A. Osterwalder and Y. Pigneur in "Business Model Generation" introduce innovative methods for business model development. They suggest a visual approach to understanding and adapting business models. The unresolved aspect here is how businesses can choose the right model for their specific context (Osterwalder and Pigneur, 2010).

"Contemporary Financial Management" by R. C. Moyer, J. R. McGuigan, and W. J. Kretlow delves into modern financial management practices. The authors emphasize the significance of risk management in financial decision-making. However, an outstanding question is how to effectively balance risk and return in various financial strategies (Moyer, McGuigan and Kretlow, 2012).

The "Global Risks Report 2020" from the World Economic Forum highlights various global risks, including economic, environmental, and geopolitical threats. The report concludes that the world faces an increasing number of interconnected risks. Yet, the unresolved aspect is the effectiveness of global cooperation and governance in addressing these risks (World Economic Forum, 2020).

In "Making Sense of the World's Economy" by The Economist, the publication aims to provide insights into the complexities of the global economy. The authors conclude that the global economy is influenced by various factors, including geopolitics, trade, and technology. An unresolved part of the problem is how future economic events will impact the world's economic landscape (The Economist, 2021).

The authors discussed various aspects of financial challenges faced during transformative periods, but they did not fully address the concrete strategies required for effectively navigating these challenges in practice. The unresolved issue pertains to the practical application of the discussed concepts and their adaptability to diverse financial situations.

**The aim** of the article is to explore the financial behavior of businesses (economic entities) during periods of economic transformation, highlighting practical lessons and strategies that can be derived from real-world experiences.

**Presentation of the main material.** The global economic landscape has undergone profound transformations in recent decades. These shifts have left a significant imprint on businesses and economic entities worldwide. The shift from centrally planned economies to market-driven systems has created a dynamic environment filled with both opportunities and challenges for these entities. The restructuring of industries, privatization, and the forces of globalization have all played pivotal roles in shaping this evolving economic context.

Amidst these transformative changes, certain regions have encountered distinct challenges, with Bosnia and Herzegovina providing an illuminating case study. The 1997 plan for Bosnia and Herzegovina aimed at addressing post-conflict recovery and economic reconstruction, offering valuable lessons for businesses navigating similar scenarios.

Simultaneously, analyzing military situations in various countries offers vital insights into the intricacies of conflict resolution and post-war recovery. Comprehending the methods employed in these contexts is critical for formulating strategies that can aid in the economic revival of such regions.

To compare war-related losses in Ukraine with those in other conflict-affected countries, data from the "Maddison Project Database" of the University of Groningen in the Netherlands were utilized. Historical episodes resembling major international conflicts were considered, as opposed to local or civil wars. Consequently, the sample included ten episodes from World War II, two episodes from the Yugoslav Wars, two episodes from the Persian Gulf Wars, one episode from Arab-Israeli conflicts, two episodes from Russian-Ukrainian wars, and one episode from the Russian-Georgian war.

Table 1 provides data on the rates of real GDP decline in the first year of military actions in countries within the specified sample. The available data indicate that in terms of the rate of real GDP decline in 2022 (29.2%), Ukraine ranks third among the 18 countries in the sample. Over the examined historical period, wars with more devastating effects on GDP were observed only in Iraq in 1991 (a GDP decline of 60.2%) and in Austria in 1945 (a decline of 58.7%).

The substantial decline in real GDP in the first year of the war sets Ukraine apart from other instances of armed conflicts. A decrease in real GDP of 25–50% within the first year of the conflict typically occurred only in countries that experienced capitulation or devastating defeat in a war (Germany, Austria, Japan, Iraq) or in countries where the military operations covered over 50% of the territory (Bosnia and Herzegovina).

Table 1

**The annual rate of real GDP decline in the first year of military operations  
within a geographical territory**

No	The country and the first year of military operations	Rates of change in real GDP, %
1	Iraq, 1991	-60,2
2	Austria, 1945	-58,7
3	Ukraine, 2022	-29,2
4	Germany, 1945	-28,9
5	Bosnia and Herzegovina, 1992	-28,8
6	Japan, 1945	-24,6
7	Croatia, 1991	-22,0
8	France, 1940	-17,5
9	Iraq, 2003	-16,0
10	USSR, 1941	-13,9
11	The Netherlands, 1940	-11,9
12	Italy, 1943	-9,4
13	Ukraine, 2014	-6,6
14	Finland, 1939	-4,3
15	Georgia, 2009	-3,7

*Source: Madison Project Database, State Statistics Service of Ukraine.*

The study revealed that the average cumulative loss in real GDP during wartime was 40%. Additionally, the average decline in real GDP in the first year of the war amounted to 20%. It's worth noting that in 2022, Ukraine's real GDP fell by 29.2%, with industrial production declining by 38%. This highlights both the severity and mass destruction inflicted by the Russian aggressor on Ukraine and the limited adaptive capacity of the Ukrainian economy in wartime conditions, exacerbated by the absence of comprehensive state support.

One of the key factors for successful economic recovery post-war is the attainment of a stable and lasting peace. Alongside this, according to the EBRD, the speed of economic recovery after a war is positively influenced by other factors such as a short duration of the war, dynamic economic growth, and strong pre-war institutions, as well as minimal economic decline during the war.

The Ukrainian industrial sector suffered significant losses during the war. In 2022, industrial production in Ukraine declined by 38%. The estimated damages to the industrial and trade sectors amount to \$10.9 billion, as assessed by World Bank experts. Out of this sum, 80% pertains to projected costs for the reconstruction and modernization of production facilities, machinery, equipment, and the restoration of inventories over the period until 2033.

The destructive consequences of the war are not only evident in the economy and social sphere but also in the country's financial system. In Ukraine in 2022, the average annual inflation rate reached 20.2%, nearly corresponding

to the average annual inflation rate in 9 European countries most affected by World War II (20.1%). However, Ukraine's inflation rates contrast sharply with the average annual inflation during the war in Croatia from 1991–1995 (471.7%), in Iraq in 1991 (181%), and in Italy from 1941-1945 (77.3%).

In this ever-evolving economic landscape, the experiences of Eastern European countries transitioning from socialist economies to market-driven systems, the consequences of the Soviet Union's collapse in the early 1990s, and lessons from post-war recovery in nations like Rwanda and Cambodia all contribute to the rich tapestry of knowledge that businesses must draw upon. The adaptability and innovation displayed by companies during the 2008 global financial crisis and the COVID-19 pandemic underscore the necessity for flexibility and resilience in today's business world.

Furthermore, the successful case of South Korea's recovery from the Asian financial crisis of 1997 demonstrates how well-planned strategies can effectively steer nations and businesses through challenging economic times. Similarly, the European Union's role in facilitating economic integration and transformation among its member states presents a compelling example of regional cooperation with far-reaching implications for businesses operating within the EU. Additionally, the story of San Francisco's economic recovery and the growth of the tech sector post the dot-com bubble burst in the early 2000s highlights the adaptability and innovation of businesses in a changing economic landscape.

A retrospective analysis of the situation that unfolded in Ukraine in 2022 provides us with a unique opportunity to reflect on the past and learn from it. The complex and challenging circumstances that arose during this time call for a comprehensive review of the events that transpired and their impact on the nation's economy and industries.

One significant aspect under examination is the Project Plan for the Revival of Ukraine in 2022 and the Conference on the Recovery of Ukraine (URC23). These initiatives serve as focal points for discussions and planning regarding Ukraine's recovery strategies. They offer a platform for policymakers, economists, and stakeholders to collaborate, exchange ideas, and map out the path to rebuilding the country's economy post-crisis and conflict. Within this context, an essential part of our inquiry is an in-depth exploration of the 15 national recovery programs designed to support and revive Ukraine's economy. These programs encompass a range of sectors and industries, each playing a vital role in the nation's resurgence.

Through our study, we aim to gain a comprehensive understanding of the various strategies, approaches, and measures proposed within these programs. Additionally, we seek to identify key initiatives and forums that have emerged as critical instruments for the discussion, refinement, and implementation of Ukraine's economic and industrial recovery strategies in the aftermath of the

crisis and conflict. By delving into these lessons from practice, we can discern valuable insights that will not only shed light on Ukraine's recovery journey but also offer broader lessons for regions grappling with similar challenges worldwide.

To derive valuable insights from practical experiences, a retrospective analysis of Ukraine's situation, commencing in 2022, was performed. This analysis laid the foundation for an examination of the "Ukraine Recovery Plan 2022" and the "Conference on Ukraine Recovery (URC23)" – two crucial initiatives aimed at addressing Ukraine's post-conflict recovery and economic reconstruction. Within these efforts, a set of 15 national programs designed to support and rejuvenate Ukraine's economy was explored, addressing essential needs in both wartime and post-war periods.

One critical aspect of this examination involved a comparative analysis between Ukraine and the 1997 Priority Reconstruction Program for Bosnia and Herzegovina. This comparison evaluated the macroeconomic assumptions and forecasts present in the "Ukraine Recovery Plan." The plan appears notably ambitious, with the government forecasting annual real GDP growth rates exceeding 7% for the next decade and aiming to approach a nominal GDP figure of nearly 500 billion USD by 2032. However, assessments suggest that such a substantial increase in nominal GDP, reaching 500 billion USD by 2032, is improbable. To provide context, Ukraine's GDP "starting point" is approximately 100 billion USD in 2022.

Insights were also drawn from a comparative analysis of GDP trajectories in different countries using IMF data from the World Economic Outlook. For instance, the nominal GDP of Bosnia grew 3.1 times during 1996–2005, and Croatia experienced a twofold increase during 1994–2003. Unfortunately, the absence of reliable data from Kosovo and Afghanistan limited the ability to analyze the post-war dynamics of their GDP. Iraq provides a unique case, with its nominal GDP surging 13.8 times during 2003–2012. However, Iraq's experience is unique, largely attributed to the oil price boom in the early 2000s. Therefore, the projection of a fivefold increase in nominal GDP to 500 billion USD in 2032, as presented in the Ukrainian government's plan, is overly optimistic.

Another significant challenge within Ukraine's National Recovery Plan pertains to the distribution of overall funding among sectors and programs. In some instances, this allocation remains ill-defined and inadequately substantiated. Notably, the plan allocates a budget of 50 billion USD for defense and security needs, including military assistance from allies, which Ukraine received in 2022. It is asserted that this amount is understated, given the intensity of the conflict and Ukraine's substantial reliance on Western weaponry.

Conversely, the plan allocates significant resources to the program facilitating business access to financing, amounting to 75 billion USD. The

prioritization of such initiatives for post-war recovery in Ukraine raises questions, especially considering the substantial financial commitment required for their implementation.

**Conclusions:**

The study revealed that Ukraine's "Recovery Plan 2022" is notably ambitious in its economic growth projections. The goal of reaching a nominal GDP of nearly 500 billion USD by 2032 seems overly optimistic, particularly when considering the starting point of around 100 billion USD in 2022. This underscores the importance of realistic and attainable economic targets for post-conflict recovery and reconstruction.

Resource allocation within the plan presents significant challenges, with budgetary allocations for defense and security appearing understated given the ongoing conflict and reliance on Western military support. Conversely, substantial financial commitments are directed toward programs aimed at facilitating business access to financing, raising questions about the prioritization of such initiatives in the post-conflict recovery context.

**Future Research Directions:**

*Refining economic projections:* future research should focus on refining economic projections to ensure they align with the economic realities of post-conflict Ukraine. This would require a comprehensive analysis of the country's starting point and the feasibility of achieving the targeted nominal GDP.

*Resource allocation strategies:* investigating alternative resource allocation strategies that better reflect the priorities of post-conflict recovery could be beneficial. This includes a more nuanced approach to defense and security funding and an assessment of the impact of prioritizing business financing.

*Comparative studies:* conducting comparative studies with other post-conflict nations to better understand the factors influencing economic recovery and the adaptability of different strategies in diverse contexts.

*Role of international aid:* exploring the role of international aid and support in post-conflict recovery, considering the experiences of countries that received substantial assistance in the aftermath of conflicts.

*Resilience and adaptation:* researching the resilience and adaptation of Ukrainian businesses and industries amid economic transformations and post-conflict challenges, which could offer practical insights for other regions facing similar circumstances.

These research directions will contribute to a deeper understanding of post-conflict economic recovery and help inform more effective strategies and policies for nations in similar situations.

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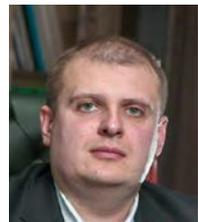
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