

Problems of Ukraine's Recovery: A Business Perspective on Sustainable Local Development

By Inna Semenenko¹, Nataliia Shvets¹, Iaroslav Burko¹, Oleksandr Olshanskyi¹,
Olha Maslosh¹

ABSTRACT

Supporting business development in Ukraine is crucial for the rapid recovery and further sustainable development of the national economy, which suffered heavy losses during the war. To develop effective and sustainable action plans on the local level, it is important to consider the views of business representatives and the local context. This is especially true for war-affected communities. The goal of the article is to identify the key obstacles, problems and needs of Ukrainian businesses located in war-affected communities. Considering these needs and problems is important to promote entrepreneurs to recover and sustainably develop their activities in the territories of four war-affected communities. The survey of business representatives of the war-affected communities was conducted to define the needs, problems and obstacles. The results of the survey showed that the key problems are situational security factors, as well as systemic factors related to insufficient interaction between local authorities and businesses. In order to return to the frontline areas and restore and develop their activities, businesses need the development of effective incentive mechanisms and the creation of an attractive investment climate.

Keywords: business, recovery, sustainable development, war-affected communities, Ukrainian business, recovery problems.

1. Introduction

Today, the topic of Ukraine's recovery and further sustainable development is very popular both in the professional and research circles. Ukraine's losses since the beginning of the full-scale Russian invasion in 2022 have been great. As a result of the war in Ukraine, after one year, the real GDP fell by 29.1% (National Bank of Ukraine 2023a), the direct damage to Ukraine's infrastructure during the war has already reached almost \$63 billion; and the overall economic losses are estimated at around \$543-600 billion, where commerce and industry prevail over other directions (Kyiv School of Economics 2024), (World Bank 2023). In addition, there are 3.7 million internally displaced persons in Ukraine (Displacement tracking matrix 2023), about 6.3 million people have moved and registered as refugees abroad (OPD 2024), and the rate of unemployment at certain point went up to 26% (National Bank of Ukraine 2023b). Territorial communities' own revenues have decreased by 17%, and more than 70% of the damage caused by the war is in Donetsk, Luhansk, Kharkiv, Sumy, Chernihiv, Kherson and Zaporizhzhia regions – the territories close to the battle line or the Russian border (Economic Truth 2024). Of course, these numbers are based on estimates of destroyed infrastructure, lost jobs, and lost profits by businesses over the past two years. However, these estimates do not consider human

¹Volodymyr Dahl East Ukrainian National University, Ukraine.

losses and the losses that the Ukrainian economy will suffer due to the large number of entrepreneurs and businessmen who died because of military actions, population migration abroad, loss of purchasing power of the population remaining in Ukraine, etc. According to (CEPS 2024), Ukraine's economic development has been set back 15 years, and the minimum forecast for the duration of recovery amounts to decades of years (European Commission 2023). But of course, many factors will influence the progress of recovery, and above all, the timing and conditions of the war's end. The main obstacle to the start of full-fledged recovery processes today is the hostilities themselves, which directly increase the likelihood of new destruction and hinder foreign investors' investment, the construction of new infrastructure facilities, and the return of people from abroad. In turn, businesses are an important source of funding for Ukraine's recovery and sustainable development, as they generate funds within the country and thus contribute to the budgets of the communities where they operate. Therefore, in order to ensure Ukraine's recovery and further sustainable development, and formulate appropriate policies at the national and local levels, it is necessary to study the factors and obstacles to business operation and development, which is the focus of this research.

2. Literature review

Scholars have different attitudes to the recovery of Ukraine. Thus, (Salikhova & Krekhivsky 2023) insist that it is necessary to look for ways and approaches to ensure accelerated economic recovery through a retrospective analysis of various post-war policies, rather than through the implementation of modern policy measures of already developed countries. Some stress the importance of considering sustainability principles in economic recovery of Ukraine (Flamm & Kroll 2024; Oleshko et al. 2023). Our position is that an effective path for Ukraine's postwar revival should be formed by combining the following areas of research: taking into account the experience of postwar recovery, relying on modern theories of economic growth and applying sustainable development principles. This is the only way to develop truly effective strategic and tactical recommendations for the rapid recovery of Ukraine's economy and its further sustainable development. There is a widespread opinion that the experience of rebuilding Europe after World War II is relevant for Ukraine. Some researchers (Borodina & Lyashenko 2022; Brenner 2022; Danylenko & Yershova 2023; Kravchenko et al. 2023; Pidorycheva 2022) focus on the Marshall Plan (1948-1951), which is considered a historical example of a successful program to create a model of postwar growth in the Western European economy. Also, as examples for Ukraine, some consider the comprehensive measures to rebuild the economies of Japan (1949-1965) (Borodina & Lyashenko 2022; Danylenko & Yershova 2023; Kravchenko et al. 2023) and South Korea (Borodina & Lyashenko 2022; Kravchenko et al. 2023; Pidorycheva 2022) (1954-1960). Some researchers study the experience of countries that have undergone post-war economic recovery that took place later: S. Shults and O. Lutskiv (2023) emphasize the similarity of the structural features of the economies of Ukraine and the Balkan countries in the 90s of the twentieth century and the relevance of the measures of financial support for post-war transformation applied to them. Of course, studying the experience of other countries is important. However, the history of Ukrainian business recovery will likely develop according to a new scenario.

Instead, the experience of other countries is more likely to show mistakes and bottlenecks that can occur and need to be addressed.

Experiences from post-conflict regions such as Sierra Leone, Mozambique, Guatemala, DRC, Afghanistan and others demonstrate the importance of creating business support mechanisms, such as business councils, business incubators, and other local economic development policies, to better address real business needs and foster sustainable recovery (United Nations Development Program 2008).

Therefore, first of all, it is necessary to study the key needs of the business in Ukraine and the problems it sees as the most urgent.

Researchers (Borodina & Lyashenko 2022; Brenner 2022; Danylenko & Yershova 2023; Kravchenko et al. 2023; Pidorycheva 2022; Salikhova & Krehivskiy 2023; Shults & Lutskiv 2023) generally identify historical analogies and effective tools and approaches to ensure rapid recovery and form an economic foundation for the further sustainable development of Ukraine's economy. Summarizing the results of studies of international experience, the following key elements of successful postwar reforms can be noted that deserve attention: (1) addressing humanitarian issues, social protection and rebuilding the destroyed infrastructure; (2) introducing mechanisms of institutional partnership support for the accumulation, redistribution and control of the use of international assistance funds; (3) determining economic development priorities at the state level and focusing on their implementation; (4) introducing an effective policy to support and stimulate business entities to innovate and develop high-tech production and exports; (5) facilitating foreign investment through risk insurance and a system of preferences; (6) ensuring a healthy competitive environment; (7) developing science and education as fundamental components of accelerated economic recovery; and (8) applying the sustainable development and 'build back better' principles also to creation of favourable investment climate.

It is necessary to critically analyze the preconditions in Ukraine for post-war recovery and the adequacy of the authorities' actions to implement effective economic policy measures (Borodina & Lyashenko 2022; Brenner 2022; Danylenko & Yershova 2023; Kravchenko et al. 2023). It is the government, through targeted political levers and institutional conditions, that can create an environment that will ensure the success of the country's economic revival (Borodina & Lyashenko 2022; Salikhova & Krehivskiy 2023). High corruption risks (Kravchenko et al. 2023; Pidorycheva 2022) and the raw material-oriented low-tech structure of the Ukrainian economy (Kindzerskiy 2022; Pidorycheva 2022) are considered to be serious obstacles to this. In our opinion, government support is important for business development. However, such support should be based on the needs identified at the local level. It is impossible to implement solutions for business without asking the business itself for such support. And in the context of Ukraine today, businesses can be divided into those registered and operating in the communities directly affected by the hostilities, and those in the hinterlands, which essentially provide the rear regions and support the country's economy.

S. Pylypenko et al. (2024), identify the following characteristic features of the business environment during the war: high instability of economic conditions, high risk and uncertainty, increased demand for adaptability, loss of labour, falling demand and restricted markets, and the rising cost of resources. To this list should be added the

catastrophic destruction of energy infrastructure and significant complications of transport logistics. The identified features of the business environment during the war and business needs can help governments at both the local and national levels focus on areas of support for local businesses, create an appropriate business climate, and introduce tools to stimulate recovery and further development of business activities.

Thus, this article aims to identify the key obstacles, problems and needs of Ukrainian businesses located in war-affected communities. Identifying such obstacles, problems, and needs will allow focusing attention on relevant policies at different levels of government to create a favourable environment for local economic development and ensure rapid recovery and sustainable development of the territories of Ukraine.

3. Methodology

Given the geographical location of Ukraine's territory and the different involvement of various regions in direct military operations, we can propose to divide Ukraine's regions into several types:

- (1) territories that are occupied. In terms of business recovery, these territories can be divided into those occupied before February 2022, where Ukrainian businesses do not operate, and those occupied after the outbreak of full-scale hostilities, where businesses may cease operations or relocate to the territories controlled by the Ukrainian government.
- (2) territories close to the line of hostilities and the border with Russia. Some of these territories may have been temporarily occupied and liberated. The proximity of the territories to the border and the line of direct hostilities means higher security risks, which affects the operation of the business, as well as the number of people living in these territories, and, accordingly, the consumption of goods and services by the business.
- (3) hinterlands, which are conditionally safe and subject only to rocket or long-range drone attacks. Business in such areas is almost fully operational.

In our article, we examined businesses located in areas of the second type close to the battle line. In our opinion, support for such businesses may differ from other businesses, as the task of local authorities is not only to attract new business, but also to retain business on the ground.

The results of a survey conducted as part of the project "Support to recovery, rehabilitation and reconstruction of local governments and communities in Ukraine" were used to identify key obstacles, problems and needs of such businesses. This project was implemented in 2022-2024 by the International Cooperation Agency of the Association of Netherlands Municipalities (VNG International) in partnership with the Association of Ukrainian Cities and funded by the Ministry of Foreign Affairs of the Netherlands, and is a part of the bigger 'Sustainable development through improved local governance' program (VNG International 2022). The project aimed to increase local government representatives' capacity in four war-affected territorial communities in Ukraine to carry out post-war recovery and sustainable local development. In particular, recovery and development plans were developed for each of the four war-affected territorial communities. The plans identified key priorities for the recovery and sustainable development of the territorial communities, taking into account the opinions of community residents and business representatives. The communities selected for the

project are located in southern Ukraine, were fully or partially occupied by the Russian Federation and liberated in 2022, which caused significant disruptions in the provision of public services and local economic development. These communities are located in relative proximity to the battle line, which affects the demographic situation in these areas, as well as sustainable economic development and business activity.

A survey of business representatives of the target communities was conducted as part of the project's activities. The questionnaire was distributed online in 2023 to entrepreneurs and businesses in the area. It was distributed through the websites and official resources of local governments and social media. The questionnaire was anonymous. The number of respondents from the four communities was 197. The questionnaire was answered by different business representatives: those who stayed in the communities, those who left and returned, and those who left and plan to return. Among the respondents, 57% were male and 43% were female. The majority of respondents (63%) are between the ages of 36 and 50. 15% of respondents are younger than 35 years old. 22% of respondents are over 51 years old (3% of them are 65 years old or older). The largest number of respondents were entrepreneurs without employees and other micro businesses with up to 10 employees (78%). Large enterprises with more than 250 employees accounted for 2% of respondents, medium-sized enterprises (50-250 employees) - 12%, and small enterprises (10-50 employees) - 8%. When filling out the survey, 41% of respondents were located directly on the territory of their community. Approximately the same number of respondents (41%) temporarily moved to another region within Ukraine. 19% of respondents left Ukraine and were in other countries when filling out the questionnaire. Of the respondents, 63% plan to continue, restore, or develop their business in their communities, and 32% are considering this issue. Only 5% do not plan to restore their business.

The questions in the questionnaire included both multiple-choice and detailed answers. The project's expert team partially used the survey results in developing recovery and development plans for four war-affected communities. Some of the results in aggregate form were used in this study to identify the key problems and business needs of war-affected communities, which can then be used to develop recommendations for local economic development for this type of territory.

4. Results

To accelerate the country's recovery, it is advisable to pay attention to the development of entrepreneurship and business in general, as this is an internal source of funding for recovery projects. Unfortunately, Ukraine's losses and recovery needs only increase, and external resources are insufficient. Therefore, Ukraine needs to learn how to attract more funds from outside and generate more sources of funding within the country as soon as possible. Despite the identification of economic development as key to Ukraine's recovery (Ukraine facility 2024), and the attention paid to business development in Ukraine by international organizations (Mercy Corps 2024), local economic development faces both objective and subjective obstacles. To identify the key obstacles, problems, and needs that need to be addressed to create a favourable business climate, restore and develop communities, a survey was conducted.

The communities whose business representatives answered the questions were temporarily occupied in 2022 and liberated by the Armed Forces of Ukraine in the same year. The respondents were asked to assess their community as a place to do business, in particular by various components. The scores ranged from 1 (the worst value) to 5 (the best value). For almost all indicators, the average score was in the range of 2 to 3. Unfortunately, the component with the lowest average value was 'Openness of the authorities': representatives rated it at an average of 2.18 out of 5. It is clear that martial law has led to the establishment of military administrations in some communities, which directly affects the openness of the authorities and implies a sole decision-making style in some situations. At the same time, respondents could assess the state of doing business even before the start of full-scale military activities, and the value of this indicator is not directly related to the war.

The other components of the community as a business environment with the lowest values are 'Access to finance' and 'Quality of roads'. Unfortunately, access to finance is really limited for communities located in the vicinity of the combat line. Due to the significant risks of shelling and destruction, it is very difficult for businesses to obtain loans or substantial grants for their recovery and further sustainable development. In particular, this is confirmed by the data of the regular reports on implementation of the most attractive governmental program for Ukrainian business, "Affordable Loans 5–7–9%" (Entrepreneurship Development Fund 2025). According to Table 1, it is clear that along with the increase in the number of concluded agreements, the number of refusals also increases proportionally. Their ratio to the indicator of signed loan agreements remains about 60%. This means that access to credit is limited for a significant part of businesses, including due to high risks.

Table 1: Actual indicators of submitted applications review

Report date	Number of applications rejected	Number of signed loan agreements	Ratio of rejections to agreements, %
24.06.22	27,120	44,896	60.4
30.12.22	31,409	54,991	57.1
23.06.23	38,830	64,485	60.2
22.12.23	47,497	78,303	60.6
28.06.24	54,620	91,314	59.8
27.12.24	61,245	103,710	59.5

Source: Entrepreneurship Development Fund 2025

At the same time, the table shows the percentage for Ukraine as a whole. Analysis by regions shows that only about 8% of agreements are signed in the frontline areas (where the business survey was conducted). However, there are a lot of problems in these territories, the solution to which requires funding.

One of these problems is that the land of the communities (including agricultural land) under occupation was mined. Farmers often used "artisanal" methods of de-mining on their own, without access to the processes of approved demining by the relevant services, and therefore funding for activities within the self-demined land. Roads were also destroyed by heavy military equipment. Bridges and some important road sections were

often blown up to slow the movement of troops. Restoration of such infrastructure is difficult as the fighting continues near these areas.

The only indicator that averaged more than a 3 was 'Availability of communication' (internet, mobile, post) (3.39). It should be noted here that the vast majority of communication services are provided by private businesses. All mobile and Internet operators are private companies. Postal services are provided partly by the state and a private company. That is, it is a business activity that received the highest score among the components of the business environment. Of course, their activities were also affected by the hostilities. For example, delivery of parcels to dangerous areas is difficult. The shelling also affects the condition and efficiency of the mobile and Internet infrastructure. In addition, mobile communications and the Internet may not work in areas close to the frontline for security reasons.

The next components with higher scores are 'Environmental safety' and 'Quality of utility services'. Regarding 'Environmental safety', it should be noted that there is currently limited data on the impact of the war on the environment in areas close to the combat line, including due to security factors. Obviously, due to the impossibility of physically observing the negative impact of the war on the environment, many people do not think about the state of the soil, atmosphere and water resources.

The distribution of scores is shown in Fig. 1. The indicators are arranged in descending order of average scores.

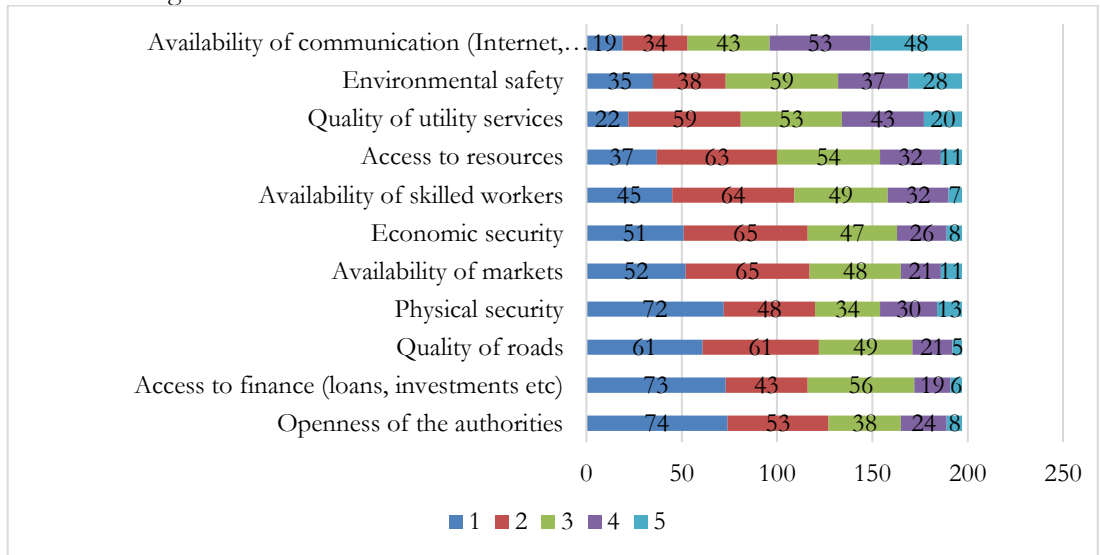


Figure 1. Distribution of assessments of a community as a business environment by business representatives

In general, business representatives gave an unsatisfactory assessment of the work of local authorities in supporting local economic development and attracting investment. Moreover, only 12% of respondents assessed the overall performance of local authorities in the area as good or excellent. 60% of respondents assessed the performance of local authorities in supporting local economic development and attracting investments as unsatisfactory. However, subjective and objective factors obstruct creating a favourable

business climate. The factors that have the most negative impact on business development in the communities, according to respondents, are shown in Fig. 2.

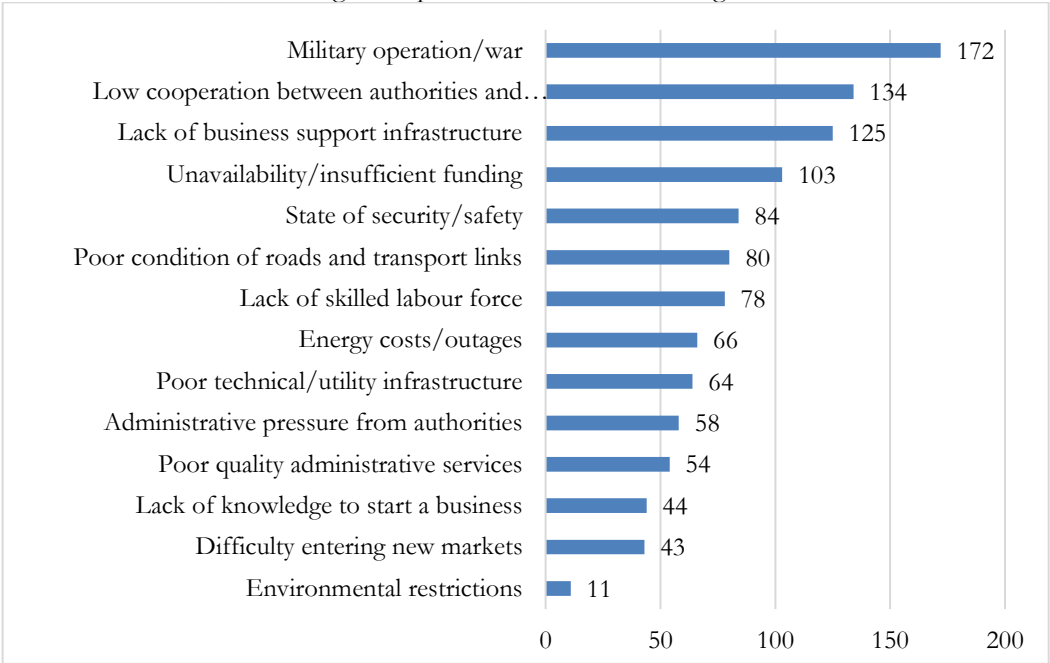


Figure 2. Factors that have the most negative impact on business development in the communities

The military operation has the greatest negative impact on sustainable business development, physically limiting the ability of enterprises to operate and produce products/services, as well as affecting the migration of the population and their incomes, which reduces or stops consumption locally. This factor was chosen as negative by more than 87% of respondents. This is a purely objective criterion that does not depend on the actions of local authorities. However, the second most negative factor affecting local economic development is the 'Low cooperation between authorities and business', as indicated by 68% of respondents. This is a purely subjective factor and depends on the openness and willingness of both parties to cooperate. It should be noted that another factor is 'Administrative pressure from authorities', which was mentioned by 29% of respondents. This indicates not only the lack of support as such, but also the possible creation of obstacles to doing business.

One of the key factors associated with the lack of cooperation between local authorities and businesses and an understanding of the latter's problems and obstacles is the lack of business support infrastructure. In particular, the need to create appropriate institutions to support sustainable business development has been emphasized at the national and international levels (Regional development agencies 2024). However, in reality, these institutions either do not function properly or have not been created at all. 63% of respondents see the lack of such infrastructure as a factor that has a negative impact on sustainable business development and, therefore, requires appropriate decisions to be made and institutions to support local businesses.

Lack of funds and insufficient financing is the next problem for business development. However, it should be noted that only 52% of respondents indicated that this is a negative factor. For war-affected communities, this is further complicated by the reluctance of financial institutions to provide loans to businesses, including due to the high risks of damage or destruction, and the lack of insurance against these risks. And as of 2024, there is already such support from the state in the form of grants for the creation and development of business, regardless of where it is located (Diia 2024). But of course, such support may not be enough, and it would be good to attract funds from private investors to create new or develop existing enterprises.

The next most important factor that has a negative impact is the state of security/safety (42.6% of respondents mentioned it). Thus, it is clear that entrepreneurs are willing to take risks at their own peril and conduct business in areas close enough to the battle line. This remains an obstacle, but it is far from being the first. Approximately the same number of respondents (40%) chose the poor condition of roads and transportation as a negative factor. Indeed, problems with roads were relevant even before the war. However, more roads were damaged during the war: some roads became damaged due to the fighting or closed due to the security situation.

The lack of skilled labour is only in sixth place (39.5%). This is because most respondents are individual entrepreneurs who do not have or need employees. However, large and medium-sized enterprises are experiencing such problems. The reasons for this include significant migration from these communities, people's reluctance to return due to the security situation, mobilization of people into the armed forces, etc. At the same time, the lack of skilled labour and the low capacity of local government representatives also hinders the establishment of cooperation and support for business by local authorities.

Energy costs and power outages are not at the top of the list, primarily because the shelling of energy infrastructure and long blackouts occurred later than the survey was conducted. However, power outages in the frontline communities often occurred more frequently and earlier than the average in Ukraine. Today, many business representatives are prepared for power outages: the most capable have provided themselves with generators, appropriate powerful batteries, and energy storage devices.

The most insignificant factor for respondents was 'environmental restrictions'. This is influenced by the generally low population awareness of the state of the environment and the impact of the war on it (Society and the environment 2024). Recognizing the need to take care of the environment and implement the principles of sustainable development and green recovery, not all business representatives are ready to take care of it and consider environmental restrictions in their activities.

The respondents' answers were distributed as follows regarding the most important factors for locating and developing business in war-affected communities (Fig. 3).

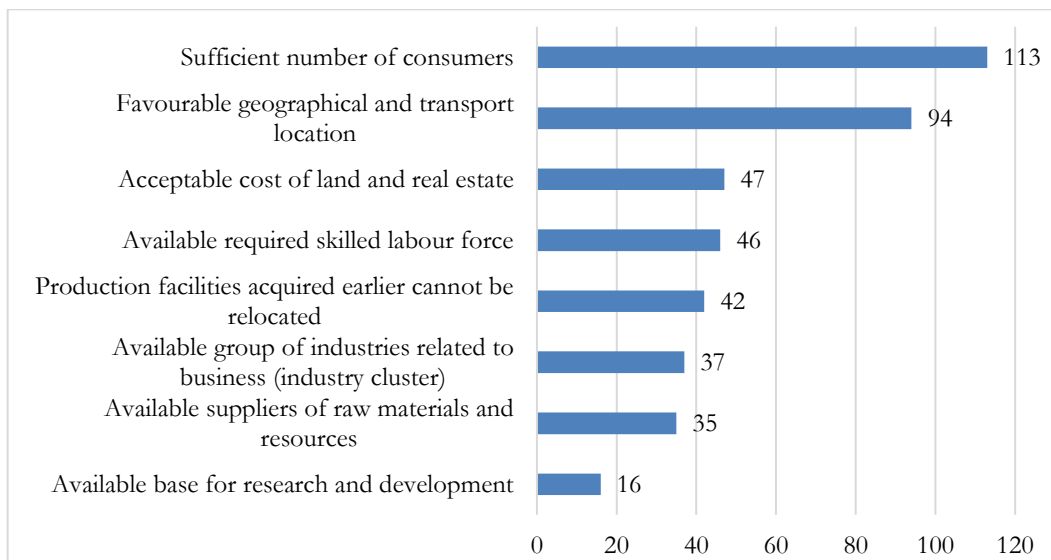


Figure 3. Factors that have the most decisive influence on the location and development of business in the community

Obviously, the most decisive factor for business location and development is the presence of consumers of the products and/or services to be produced/provided (57% of respondents). The return of the population is also directly related to the creation and development of business in these territories. The return of people is also influenced by the availability of goods and services necessary for life, the state of provision of key social, medical, educational and other public services, as well as employment and leisure opportunities.

Favourable territorial and transport location is the next factor important for sustainable business development. This was mentioned by almost half of the respondents (48%). It should be noted here that, provided that the location of the community itself remains unchanged, two factors are important: (1) the presence of hostilities close to the community itself (which will affect the creation of new markets and the safety of transport infrastructure); (2) the need for local government to create appropriate conditions for sustainable local economic development, maintain a favourable business climate in the community and transport infrastructure in a satisfactory condition.

Very close in terms of the number of respondents are such factors as the acceptable cost of land and real estate (24% of respondents), the availability of the required skilled labour force (23%), and the availability of certain production facilities that were acquired or created (built) earlier and cannot be transported to another community (21%). Of course, the first of these factors is also related to the policies of local governments regarding the business climate and sustainable local economic development. The second of these factors is related to the return of the population to their communities, as local enterprises employ local people. As for the available production capacities, this refers to the incentives for business representatives to return to their communities.

The presence of a group of industries related to the business and important suppliers of raw materials and components for business development is relevant only for some

businesses. Only 18-19% mentioned these factors as important for business location and community development. The least important factor for the respondents was the base for research and development needed for business. Only 8% of respondents indicated it as important.

It should be noted that more than a third of respondents (37%) experience a shortage of skilled workers for their company (Fig. 4). Moreover, the shortage of professions ranged from engineers, builders, and labourers to doctors, IT specialists, accountants, and agronomists. 28% of respondents expect a shortage of workers in the near future. And about a third of respondents (35%) did not indicate that the shortage of specialists was an urgent problem at the time of the survey. At the same time, the mobilization of the population eligible for military service is increasing every month. The problem of providing employees in general is becoming more and more urgent. Moreover, the issue of training and subsequent employment of women in traditionally male professions in Ukraine is also coming to the fore.

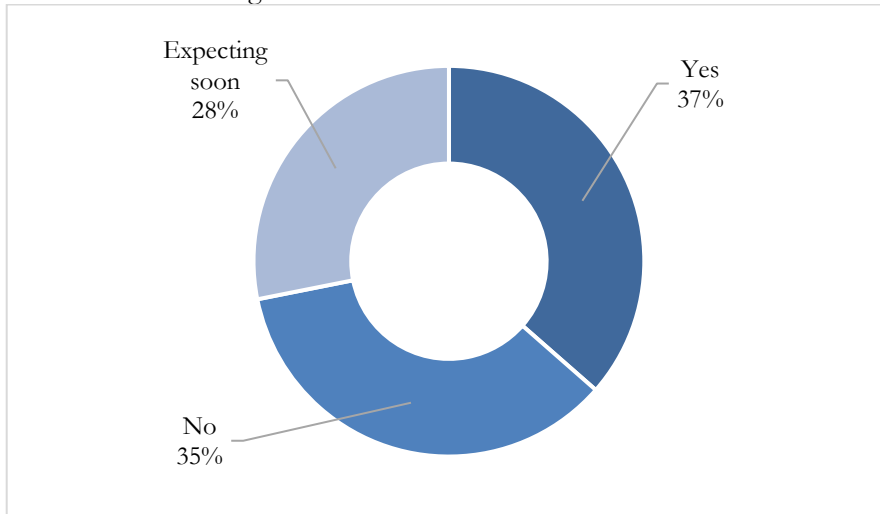


Figure 4. Lack of skilled workers for respondent companies

A positive factor for business development in these communities is that almost two-thirds of businesses and entrepreneurs plan to restore, expand, and develop their businesses (Fig. 5). Thus, business respondents have either already returned or are planning to return to their communities. However, almost a third of respondents are undecided, and 5% do not plan to resume business in their communities. Of course, many factors influence the willingness and ability of businesses to return, including those mentioned earlier in the article. In particular, the following reasons were mentioned: lack of demand and low solvency of the population for the products and services of enterprises, relocation of business representatives to other regions of Ukraine, specifics of work and the ability to work only in safe areas, corruption, etc.

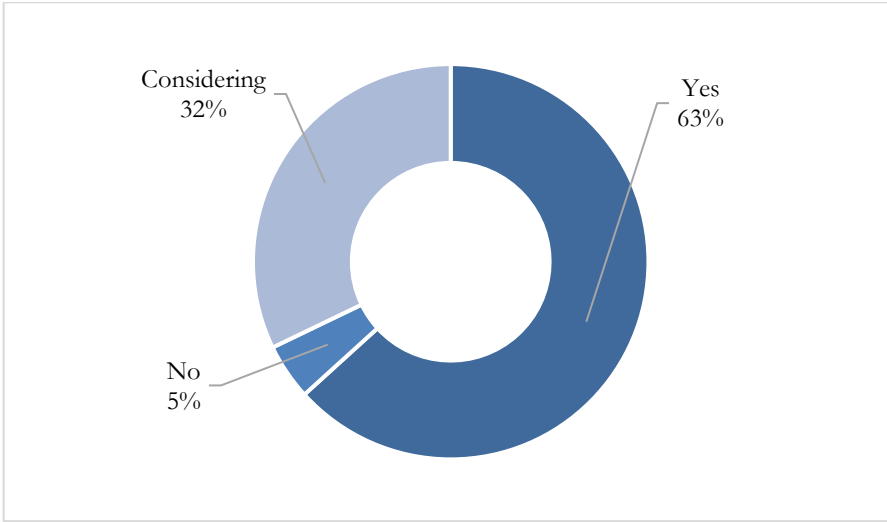


Figure 5. Planning for business recovery in war-affected communities

Business representatives were also asked to select the key and most important areas of economic recovery and stimulation of local economic development in the community. The respondents' answers are presented in Fig. 6. They could choose several answers, i.e., what they considered most important regarding their business operation and their own perception of the situation and experience.

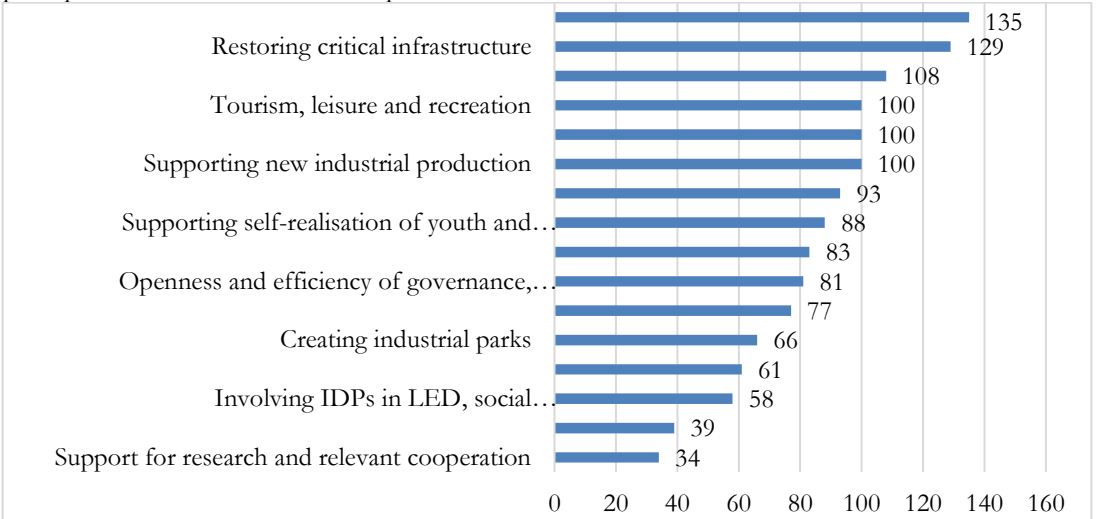


Figure 6. The most important areas of economic recovery and stimulation of local economic development of the communities

Obviously, attracting investment is at the top of the list of the most important areas for economic recovery and stimulating economic development. 69% of respondents indicated this as the most important area of community economic recovery. Attracting investment means rebuilding infrastructure, creating new jobs, resuming operations of returning

businesses, and, accordingly, replenishing local budgets to ensure the provision of public services to the entire population.

Restoration of critical infrastructure is the second highest priority, with 65% of respondents indicating that this work is necessary for economic recovery. It should be noted here that the survey was conducted last year, while these communities (as well as others) are subject to periodic rocket and artillery attacks. There may be more destruction now, so more respondents could also choose this area if the survey were conducted now. At the same time, attracting investment will remain in the first place, as communities lack resources for both physical reconstruction of infrastructure and economic recovery and the creation of new businesses to employ their residents.

The third most important area is developing business infrastructure, chosen by 55% of respondents. It should be noted here that there is a need to create clusters of enterprises, new product creation chains, and infrastructure to enter new markets (including through the loss of old ones). However, the issue of critical infrastructure and some business infrastructure facilities may often go beyond the powers and functions of the communities themselves as local governments. Some facilities may fall under the authority of regional authorities or even the national level. While some business infrastructure facilities may relate to the need to attract private capital. At the same time, communities can make an inventory and allocate vacant plots and premises that can be used for business infrastructure development. So, the local level provides the basic conditions for implementing this area.

Several areas are next in priority, with the same number of votes - slightly more than half of the respondents (51%). These include security and law enforcement, support for new industrial production, tourism, leisure and recreation. With regard to security and law and order, some of the activities in this area are related to general security due to the war. In contrast, others are related to protection against industrial espionage, unfair business practices by other stakeholders, and transparency and absence of corruption on the part of regulatory authorities. With regard to support for new industrial production, business representatives are obviously aware of the need for the authorities to support newly established enterprises, create an appropriate business climate and facilitate their unhindered development. Tourism and leisure relate to the cultural and entertainment aspects of community recovery. On the one hand, tourism and leisure are the same types of business activities. On the other hand, it is one of the factors that makes it possible for residents to return home, as cultural and entertainment activities are important to them in addition to work and livelihoods.

Between 40 and 50% of respondents chose the following areas: support for innovation and startups, support for self-realization of youth and women, energy efficiency and energy saving, openness and efficiency of governance, and digitalization. For these areas, it should be noted that due to the mobilization of a significant number of men, it is young people under 25 (25 is the lower limit age for mobilization) and women who will have to carry out economic activities, contribute to local economic development, implement innovations and develop startups. This issue needs to be addressed by local governments (to create appropriate conditions and support businesses, including "young" ones). In addition, mobilization also increases the need for women employees, who are usually not subject to mobilization and thus ensure the stability and continuity of enterprises.

With regard to energy efficiency and energy saving, it should be noted that due to the shelling of energy systems and blackouts, business representatives, as well as representatives of local governments, should pay attention to energy independence and alternative sources of electricity. This applies to the energy supply of industrial enterprises, various institutions, and other facilities that form critical and business infrastructure. Focusing on alternative sources of electricity is also one of the Sustainable Development Goals (United Nations 2024) and touches upon the principles of building back better and sustainable development, which were declared as key principles of recovery at the Ukraine Recovery Conference in Lugano in 2022 (URC 2022). In addition, providing sustainable energy sources is a priority of the updated State Strategy for Regional Development (Government of Ukraine 2024). Other principles of recovery and sustainable development include openness and efficiency of governance and digitalization of management. Ensuring these areas will facilitate cooperation between local authorities and the public, speed up decision-making at the community level, and ensure transparency in allocating funds for reconstruction and recovery.

According to respondents, the environment, the creation of industrial parks, training and retraining of the labour force are not a high priority for ensuring local economic recovery and sustainable development. It should be noted here that environmental protection issues were not very relevant in the past, which is confirmed by the answers to the previous questions. Today, on the one hand, the need for "green recovery" is declared, and "green transition and environmental protection" is one of the key sectors in the Ukraine Facility plan (Ukraine Facility 2024). On the other hand, many people believe that this is not the right time to pay attention to sustainable development principles (Navchas 2024).

Among the specific tools that, according to business respondents, will stimulate the recovery and sustainable development of business in general, were tools for attracting foreign investment (73%), tax benefits and financial incentives (73%), transparent mechanisms for providing land plots (62%), support for start-up entrepreneurs (for example, the development of business incubators) (61%), transparent mechanisms for the use of municipal property (60%), development of technical and municipal infrastructure (roads, electricity, water, gas supply networks) (58%), quality administrative services and their digitalization (58%), streamlining local rules for development and landscaping (53%), revitalization of abandoned industrial sites (53%), and creation of Business Service Centres (52%). Some of these instruments are within the powers and capacities of local authorities, while others will require support from the national level or the international community.

5. Conclusions and recommendations

For Ukraine today, developing small and medium-sized businesses is an important task to ensure the generation of resources within the country. During the ongoing hostilities, constructing large industrial enterprises is risky due to the inability to ensure security conditions. Instead, small businesses, which do not require large investments and therefore have fewer risks of destruction of their infrastructure, will contribute to the employment of local people, replenish local budgets, and thus ensure local recovery and the return of residents (internally displaced persons and migrants) to their territories. The following conclusions can be drawn from the survey results.

Of course, the war has had a significant impact on business. A large part of Ukraine's territory is occupied, and significant areas are close to the frontline, which increases the likelihood of shelling and causes significant damage to infrastructure and residential buildings, and migration of people, and makes it impossible for businesses to operate stably. The security factor is crucial for sustainable business development. At the same time, some factors that are not related to the war have a negative impact on sustainable business development. These include, first and foremost, the lack of cooperation between local authorities and businesses and, thus, the absence of mechanisms for identifying business needs and problems and tools to support and stimulate them. These 'subjective' factors exacerbate the negative impact of the war and further hinder the economic development of war-affected communities. Business recovery and sustainable development should undoubtedly be based on strategic cooperation and partnership between local authorities and the private sector to identify obstacles to business recovery and further sustainable development and to determine how to remove them. In particular, the following frameworks for such strategic cooperation are suggested to be taken into account to promote the sustainable development of Ukrainian businesses:

- One-stop shops for business services – institutions that can be created locally or regionally to provide offline services for the start-ups, business-returnees, and operating businesses. Such institutions can provide registration services, consultations on business development, and access to finance in one place.
- Digital business platforms – as web-resources which provide online services to businesses, such as roadmaps for registration, applying for grants, loans etc.; training, mentoring, and knowledge-sharing resources, search for partnerships, communication channels between businesses and public authorities. Such platforms allow businesses to access services remotely, which is especially important during the war time and relocation of businesses.
- Business support councils – as advisory boards, created locally or regionally to promote dialogue and cooperation between local / regional authorities and businesses, through identifying and communicating the needs and requirements of businesses, discuss joint solutions to solving the problems, create local economic development policies and coordinate relevant projects together.

International organizations can contribute to creation and operation of these frameworks, also providing financial funds to business recovery through established institutions.

Such a policy to promote strategic cooperation and partnership between local authorities and the private sector does not deny the importance of market forces and private entrepreneurship for economic development, but it also emphasizes the importance of the government, which, in addition to ensuring property rights, contractual fulfilment and macroeconomic stability, should create additional incentives for business during the war.

Communities that were occupied and then liberated have lost many people and entrepreneurs, and should focus their activities and policies primarily on their return. Martial law does not diminish the need to think strategically and plan for the future, which is necessary in the face of the highest degree of uncertainty and a critical decline in national investment capacity. Such circumstances make it imperative to find new opportunities to ensure the continued successful existence and development of domestic business. It is

advisable to base these opportunities on the already identified problems and needs of business, and thus to introduce tax incentives and a favourable investment climate, create a roadmap for creating a new business, as well as provide all possible support to businesses that return or re-enter the community, introduce transparent mechanisms for the provision of land and other municipal resources, cooperate with national and international institutions to restore infrastructure, etc. The future research should focus on the evolution of the intentions of entrepreneurs from war-affected communities over time. Observing how factors such as infrastructure development, local governance, local business support and market conditions affect business return will provide valuable insights to support sustainable recovery in post-conflict areas.

It is possible to apply the experience of other countries in recovery, but primarily in the direction of identifying mistakes that need to be avoided and sustainable development principles that can be applied. It would be beneficial to perform a deeper analysis of historical post-war recovery models, such as the Marshall Plan and Japan's post-war reconstruction, particularly regarding their relevance to sustainable development concept and potential adaptation to Ukraine's realities and decentralized governance structure. Access to international support can be key not only in attracting resources, but also to providing knowledge and technical assistance. At the community level, such assistance can be in the form of developing appropriate business incentive policies. For business representatives, it could be informing them about new business models and cooperation at the level of small businesses and entrepreneurs. It is also advisable to implement the smart specialization approach at the regional level and the process of entrepreneurial discovery as its separate component. This will also facilitate productive communication between business and government, as well as the involvement of other stakeholders in this process.

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