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### Management of an organisation's accounting department: Overcoming the challenges of martial law in Ukraine

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**Abstract.** The study of accounting personnel management is relevant since the modern accounting service as a structural unit of an organisation with specific administrative functions is constantly transforming and adapting in response to the pressure of an aggressive environment. Effective management of accounting personnel makes the transformation process manageable, which has a positive impact on the functioning, productivity, and sustainability of the entire company. The purpose of the study was to summarise the practical experience and current trends in the management of the accounting service of a company in the conditions of war. The study is based on scientific works on the organisation of accounting and personnel management, statistical and analytical studies, and legislative acts in the field of accounting. The study employed traditional theoretical methods of cognition (generalisation, deduction, grouping, analysis, synthesis); empirical methods (observation, description of personal experience), and the graphic method. The paper focused on the interaction of managers with the accounting department as a team. It was demonstrated how the unfavourable conditions of martial law

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forced accountants and managers to join forces to adapt the organisation to the new realities. Specifically, the most difficult issues that have arisen in the field of accounting management at Ukrainian enterprises since the beginning of the war were considered. The study investigated such aspects of accounting service management as: staffing, creation of appropriate working conditions for accountants, digitalisation of accounting business processes as a tool for enhancing security, psychological factors of work efficiency. Particular attention was paid to new manifestations of loyalty of accountants and managers in extreme conditions. The problem of social responsibility of managers and the influence of moral and ethical principles on organisational decision-making by accountants was raised. The authors suggested personnel strategies that have proven to be the best in managing an organisation's accounting department in times of war. This study is important and has practical value, as it suggests that organisational managers should pay attention to the needs of accounting staff, as well as apply both conventional and innovative methods of personnel management adapted to martial law conditions to the accounting service

**Keywords:** human resources management; working conditions; organisation of accounting; war

## Introduction

An accounting service (department) is a specific structural element of a company's management system that creates an information product for making management decisions based on accounting and analytical operations and control procedures. P. Aaltola (2019) called accounting "a vehicle for change management". As noted by S. Holovatska *et al.* (2021), "the modernised world means frequent economic changes, financial crises, and high competition". In other words, a changing environment (hostility; uncertainty; financial, economic, political, and environmental crises; turbulence; diversity; national and ethnic differences) puts constant pressure on the stability of many organisations around the world. Existence in such an environment, with limited resources, necessitates enterprises to establish an adaptive financial and accounting management system. This is not only significant, but it is also a requisite for their survival.

The martial law in Ukraine since February 2022 (Decree of the President of Ukraine..., 2022) as a result of Russian aggression has placed new limitations on Ukrainian organisations, placing managers at varying levels in a position requiring problem-solving skills that are of unprecedented content and complexity.

The field of enterprise personnel management is the subject of many scientific studies and the basis of numerous theories of organisation, motivation and incentives (Akdere & Egan, 2020; Lukianykhin *et al.*, 2020; Pavlova *et al.*, 2023). The issue of accounting personnel management as a part of the general management of an enterprise is currently being discussed by a rather narrow circle of specialists. Management of the accounting department is usually considered in the context of organising accounting at an enterprise.

Thus, V. Zhuk *et al.* (2020) consider the modern content of the accounting profession. The researchers consider digital information and its professional interpretation by an accountant to be the product of accounting activities. The accountant, in their opinion, acts as an information broker and accounting guarantor, combining standardised and creative approaches to creating an information product. Scientists argue that in the context of a fully digitalised economy, accounting has a unique mission: to

ensure trust in the digital representation of business. V. Metelytsya (2021) summarised global trends in the field of cross-border migration of accountants and regulation of professional activities of accountants: strengthening public control over accounting activities to prevent economic crimes, regulation of outsourcing services in the context of the spread of innovative technologies, introduction of a taxation mechanism for the digital economy, etc.

I. Vyhivska & V. Makarovich (2018) raised the issue of the influence of personal and professional traits of an accountant on the quality of their management decisions, and proposed a portrait of the competencies of a modern accountant for testing potential employees. V. Lytch & T. Ivanova (2019) summarised the internal documentary regulation of the work of the accounting department at Ukrainian enterprises. The team of Ukrainian authors, S. Holovatska *et al.* (2021), examined the influence of psychophysiological factors on the quality of management decisions made by accountants under conditions of uncertainty.

Research into the digitalisation of accounting processes and operations also remains relevant. A. Esmeray & M. Esmeray (2020) highlighted the impact of digital technologies (electronic and digital accounting, cloud technologies, robotics management, etc.) on the accounting profession and on increasing the availability of accounting information. The team of scientists K. Chulanov *et al.* (2022) assessed the prospects for the involvement of certain digital technologies (artificial intelligence, blockchain and cloud technologies) in accounting work and made recommendations for enterprises and the state to overcome the problems caused by the digitalisation of accounting processes.

All the research of scientists is relevant and useful for Ukrainian organisations in terms of investigating the global and Ukrainian experience of creating, organising, and modernising accounting and control services, as well as generalising, systematising, and analysing the results already achieved, obstacles and risks. However, most foreign researchers, accounting professionals, and company executives did not have the opportunity to carry out and evaluate professional activities in the context of war. The experience and observations of Ukrainian organisations can be useful,

as Ukrainian organisations have demonstrated the ability to adapt to the extremely unfavourable conditions of martial law and find ways to overcome the challenges that have arisen.

The purpose of this paper was to provide a concise overview of practical experience and prevailing trends in managing the accounting services of an enterprise amidst an aggressive environment brought about by martial law. The study used traditional theoretical methods of cognition (generalisation, deduction, grouping, analysis, synthesis); empirical research methods (observation, description); observation and own experience of personnel management in the Classical Professional College of Sumy State University.

### Staffing of the accounting service at an enterprise in times of war

When establishing an accounting department, forming its structure and organising its work, it is appropriate to proceed from the fact that the functioning of such a structural unit is organisationally and economically justified only under certain conditions. This is particularly influenced by the factors of the changing external environment, as discussed earlier, and the internal parameters of the organisation (e.g., the size of the enterprise, the total number of employees, the volume of financial and accounting work, the presence, number, and territorial location of structural units, etc.)

An enterprise's accounting department is a special team of specialists organisationally and regulatory united into a single structural unit of the enterprise, which is responsible for managing and supervising the financial activities and documentation of the organisation. Previously, the main function was to provide accurate and reliable financial information, facilitate sound financial decision-making and comply with relevant regulations. The role of the accounting function in organisations has undergone significant changes in recent years due to a variety of factors, including advances in technology, changing business needs and regulatory requirements.

In general, the functional role of accountants has shifted from a primary focus on transactions to a more strategic and analytical role. Accountants are now involved in decision-making, using technology, collaborating with other departments and playing an important role in risk management and compliance. They are increasingly valued as strategic partners who provide valuable financial information to support the organisation's success. The research conducted by P. Aaltola (2019) showcases managers and company owners' comprehension of the significance of accounting information in validating strategic management determinations.

It is reasonable to agree with V. Lytch & T. Ivanova (2019) that the legitimacy and effective organisation of the accounting service involves the internal regulation of procedures and rules governing the actions, rights, and obligations of accountants:

- the accounting department directly (Regulations on Accounting);

- individual employees of the accounting service (job description of the Chief Accountant, job description of an accountant, job description of a cashier;

- qualification card, competence card, occupational profile, psychogram);

- business processes (Accounting Policy, Document Flow Schedule, Regulations on Costing, Payment Processing Regulations);

- interaction with other structural units.

Today, Ukrainian management lags far behind global trends in building a system of interaction within the accounting team due to the strict regulation of their job responsibilities. According to Deloitte's (2023) Global Human Capital Trends report, "New Fundamentals for a Boundaryless World", structuring work through job descriptions is a good solution for only 19% of employers and 23% of employees. Today, teamwork prevails in business. Accounting is no exception, as the functions of a modern accountant are much broader than documenting business transactions and preparing financial statements. Therefore, the current trend is to use a "skills-based approach to managing work", which gives preference to the personal skills of a particular employee over their position, title, or degree. This, according to the authors of the study, increases productivity, improves organisational flexibility and the ability to quickly redistribute work, allows employees to identify and develop talent instead of looking for specialists from outside, and promotes fairer career development for employees, which increases their value.

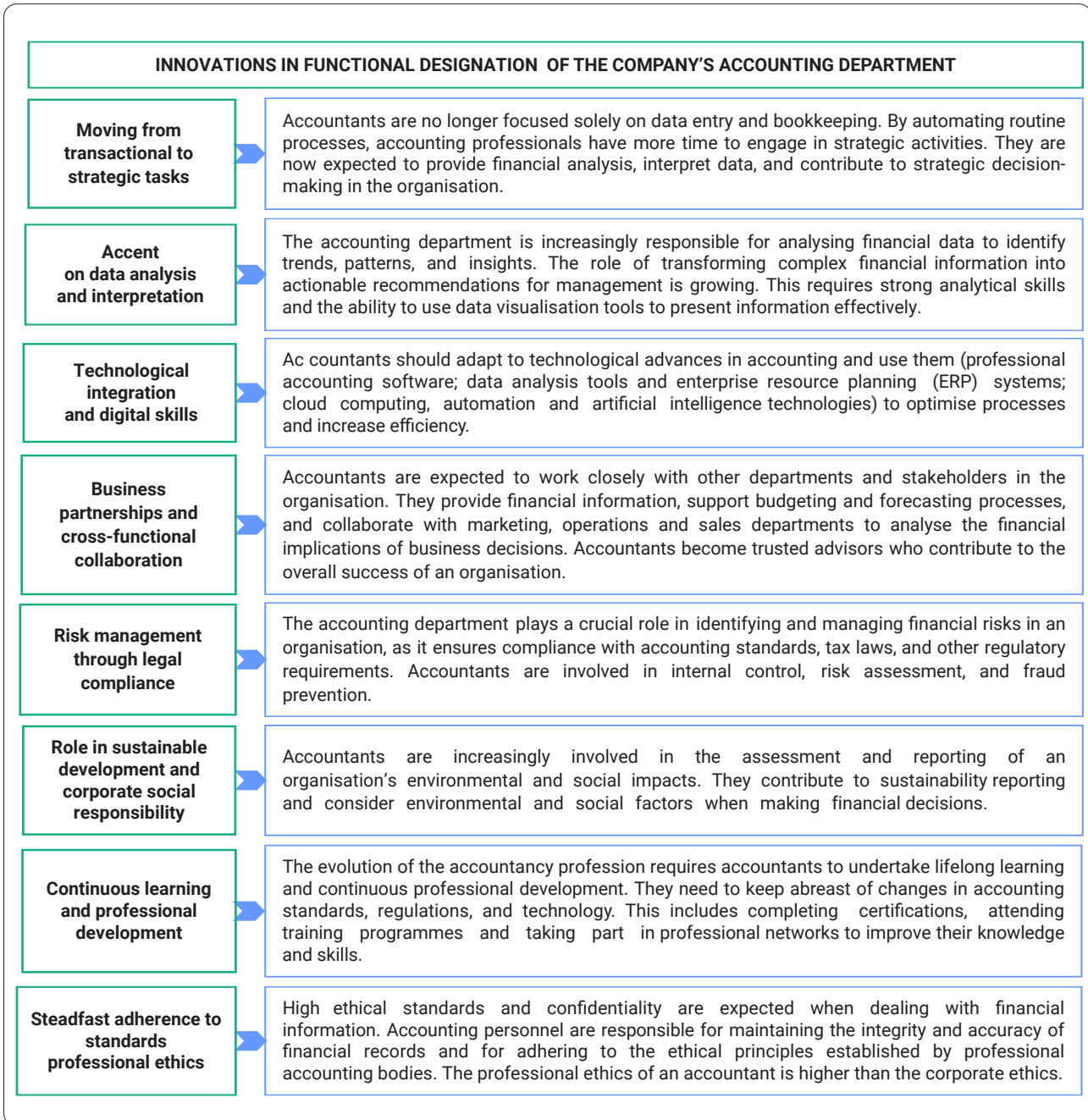
It is important to remember that according to Ukrainian legislation (Law of Ukraine No. 996-XIV, 1999), the owner or a director appointed by the latter is responsible for organising accounting, while the chief accountant is responsible for keeping records. In addition, the chief accountant determines the structure of the accounting service through the distribution of professional responsibilities between accountants, using a functional (homogeneity of accounting work), organisational (areas of accounting work), or mixed (combined) approach (Selivanova & Mini-aijlyk, 2018). The choice of management tools and determination of the relevant places of application of management and control measures form the "backbone" of an organisation's accounting service, while the interrelationships of management decisions and the movement of information and financial flows create its process component.

In the context of wartime operations, owners and managers of Ukrainian organisations faced unique circumstances and challenges in terms of staffing accounting activities, namely: spontaneous and uncontrolled outflow of highly professional and experienced staff due to migration as a result of threats to life and health, or loss of some accounting staff who were unable or unwilling to relocate with the company during the physical relocation of business to safer regions of the country. The shortage of accounting personnel in the labour market has been exacerbated by the mobilisation (voluntary and forced) of some accountants, especially men. Some companies were forced to reduce their staff due

to a decrease in business volumes or a production shutdown, and, as a result, the company was unable to retain the usual number of accounting staff. In some regions of the country, there were also losses of individual accountants due to their deaths, serious injuries, or serious post-traumatic psycho-emotional disorders as a result of hostilities and

terrorist attacks by Russia. The problem of maintaining an adequate level of knowledge and the need to constantly update it among existing accountants has become more acute.

The main changes in the functional purpose of the company's accounting department are presented in Figure 1.



**Figure 1.** Key changes in the functional purpose of the company's accounting department

**Source:** compiled by the authors of this study

The nature of wartime activities requires specialised accounting knowledge and skills that are not typically found in conventional accounting roles. For a more complete discussion of fiscal and accounting innovations during martial law, see O. Prokopova &

N. Kudlaieva (2022) and M. Patuta & T. Shmatkovska (2022). Specifically, this refers to military changes in taxation, tax reporting, and organisation of fiscal audits; accounting for remuneration and leave (especially in terms of labour relations with mobilised employees, internally

displaced persons and employees who have evacuated abroad); accounting for humanitarian and charity aid; depreciation of damaged, destroyed, or occupied property, as well as the procedure for accounting for the transfer and seizure of property for the needs of the Armed Forces of Ukraine.

Addressing these accounting staffing challenges requires careful planning, resource allocation and an organisation's ability to adapt. Ukrainian companies have been quite successful in mastering such HR strategies as cross-training and retraining, interchangeability, search for new specialists, implementation of measures to optimise jobs, motivation, and incentives to mitigate problems and support accounting in the war.

### **Creation of appropriate working conditions for accountants**

Management is closely linked to the creation of appropriate working conditions for accounting staff. As noted by G. Kalda (2017), working conditions are "a set of interrelated production, sanitary and hygienic, psychophysiological, aesthetic and social factors of a particular job, determined by the level of development of the productive forces of society, which determine the state of the production environment and affect human health and performance". When considering the current working conditions of accountants, it is appropriate to state that appropriate working conditions are decent working conditions. Since accounting is intellectual work, when assessing its conditions at a particular enterprise, it is advisable to consider the thesis of L. Amelicheva (2020) that modern accountants need "high-tech, innovative jobs that will provide opportunities for the fulfilment of employees' intellectual capital, the use of their creative abilities and the activation of mental processes inherent in intellectual activity".

Changing approaches to organising the work environment and restructuring employee management models within an organisation is a global trend. According to Deloitte's (2023) Global Human Capital Trends report, "New Fundamentals for a Boundaryless World", 87% of 10,000 respondents (including 1,500 executives at various levels) in 105 countries believe that finding the right workplace model is important to their organisation's success. However, only 24% of respondents believe that their company's management is ready for such changes.

While companies in other countries are rethinking workplace trends mainly because of the pandemic, Ukrainian companies are being forced to rebuild quickly by a full-scale war. It is advisable to discuss the current decent working conditions of accountants in the context of war in the following areas:

1. Organisation of a comfortable workspace. This includes considering the physical requirements of employees, such as personal space, adherence to hygiene standards, provision of necessary tools and equipment, and the availability of free movement. Additionally, it is crucial to be mindful of the psycho-emotional needs and limitations of employees. Specifically, Deloitte's (2023) study refers to

the "ideal workplace", which in today's context is interpreted not just as a physical location dictated by tradition, law, or necessity, but as any place that is best for staff to work. That is, the hybrid workplace is a contemporary phenomenon driven primarily by employees' desires for "workplace models that best support their needs and well-being", rather than employers' preferences.

1.1. Changes in the supply of means of work. The war prompted the company's managers to take special care of the convenience of the workplace: the ability to get to it in the face of unstable logistics and the ability to quickly leave it due to the threat of bombing or shelling. During the autumn and winter period, Ukrainian companies suffered particularly from the lack of stable power supply, when they could use electrical equipment for only a few hours a day. Therefore, the vast majority of Ukrainian enterprises have invested in portable generators to ensure their power supply. And although the cost of electricity from a portable generator is three times more expensive than usual, employers were forced to increase this expense item and thus satisfy the basic need of their accounting departments for access to digital technologies for keeping records and storing accounting information. Some accountants also received laptops from the companies to work from home, as it became physically impossible to do their work in the office.

1.2. Changing the approach to workplace safety. Usually, the work of an accountant is not considered to be a job with an increased risk to life and health. But not in a time of war. Under martial law, a person cannot feel completely safe anywhere. Therefore, decent working conditions for an accountant are, first and foremost, safe conditions. Managers of all businesses are now required to ensure that employees are notified and have access to shelters during an air raid. Some organisations (e.g., the Classical Vocational College of Sumy State University) were able to equip certified shelters or shelters by converting basement premises. This required additional costs (for cleaning, repairing and equipping the shelter premises, purchasing flashlights, first aid kits and thermal blankets, stockpiling food and water, paying for round-the-clock duty officers, aesthetic design of the shelters, considering the needs of both adults and children, etc.) Other organisations should take measures to ensure the unimpeded evacuation of their employees to the nearest public shelter. In addition, organisations face additional risks of injury or death of employees at the workplace, which further increases the cost of compensation. This transformation of workplaces and the change in approaches to labour organisation require greater vigilance and responsibility on the part of company managers. The readiness to respond quickly to environmental changes is one of the main characteristics of a successful leader under martial law.

2. Psychological climate in the team.

2.1. New manifestations of loyalty. Loyalty is usually referred to in the context of employees' satisfaction with their work at a particular enterprise, which leads to long-term cooperation for the benefit and in the interests of that

enterprise in compliance with the rules established in the organisation (Butylina, 2017). During the war, employees of Ukrainian enterprises had the opportunity to express their loyalty in a new way. For instance, in the first months of the war (especially under the conditions of temporary occupation, such as in Sumy region), many employees continued to perform their duties without receiving timely wages. If the company did not have the resources to continue its core business, employees were sympathetic to the situation and took long unpaid leaves.

The majority of accounting employees have joined in a kind of volunteer work for the benefit of their companies. Thus, the accounting department used their own electronic devices and private mobile Internet during their workflow, as the stationary providers could not provide their services due to power outages. They also took on additional professional responsibilities of temporarily absent, mobilised or migrated colleagues; worked modified working hours to adjust to power outages; took part of their work home and thus worked irregular hours and weeks. If necessary, accountants voluntarily worked physically to equip shelter sites and to eliminate the consequences of the destruction, despite the fact that this was not their job description and was not paid by their employers. Moreover, they personally provided financial support to colleagues in dire life situations. Therewith, accountants mostly demonstrated a sincere, correct, amicable, and respectful attitude towards both the management of organisations and employees.

It is also reasonable to say that loyalty was also shown by the owners and managers of organisations to their employees at this time. Specifically, mobilised and internally displaced employees and those who went abroad were not laid off; employees were not punished for being late or absent from work due to logistical issues (in the first months of the full-scale invasion and especially during the occupation, there was a large shortage of fuel and lubricants, which made it impossible for employees to use both private and public transport). Employers have also allowed long unpaid leaves for employees who have moved to safer regions or abroad and who wish to keep their jobs in the organisation; agreed to allow some accountants to work remotely or from home, redistributing responsibilities within the team. Employers have been heavily involved in solving the everyday problems of employees and their families: they have used their own office housing and dormitories to accommodate non-local employees or compensated them for part of the rental costs; temporarily allowed accountants to bring young children to the office who had no one to leave at home, creating appropriate children's areas for them under adult supervision (e.g., during the temporary occupation of Sumy region, all pre-school and school education institutions stopped working, and the level of physical threats was high).

Managers and owners of companies have created additional items in their budgets to help employees who have been personally affected or lost relatives due to the hostilities (humanitarian and financial support, burial, transportation, etc.).

According to the Ministry of Economy of Ukraine (2023), 800 Ukrainian enterprises were relocated during the year of war. In these cases, the owners and managers of the company assisted in both the physical relocation of accounting staff and documentation to a new location and in the arrangement of the accountants' families' living conditions at the new location.

The experience of organising remote work during the pandemic was useful for Ukraine on the brink of the war. The beneficial impact of a menacing setting has been verified by research from Eurofound and the International Labour Office (2017), which evaluated the capabilities of workers to fulfil their responsibilities beyond the customary workplace. O. Yakovenko (2022) highlighted the advantages and disadvantages of remote work for employers and employees, which were later confirmed by the experience of managerial work in wartime.

Ukrainian companies have shown that business is also a matter of values. It appears that in Ukraine, during the war, M. Woodcock & D. Francis (2005) predicted that the internal climate at the enterprise, social orientation, self-respect, pride, and real usefulness to society would be no less valuable to society than "profit".

For instance, in 2023, the Classical Vocational College of Sumy State University merged with the Konotop Institute of Sumy State University, which also led to the reform of the accounting service. Although the financial calculations showed a financial benefit from reducing the number of accountants, the two institutions decided to keep the jobs as a matter of principle. After all, it is clear that women (and their accountants are mostly women) with dependent children in a small provincial town during the war will find it difficult to find a job with a competitive salary.

During the war, the lives, health, and well-being of workers were prioritised over the acquisition of wealth. By doing so, the organisation's leaders demonstrated their commitment to the principles of corporate social responsibility. In other words, the deliberate refusal of part of the profit by managers and the deliberate failure to receive part of the due remuneration by accountants for the sake of the common idea of victorious survival is now the "national culture" of Ukrainian business.

2.2. Strengthening the individual and collective responsibility of accountants. The disruption of communications and the destruction of infrastructure during the war created challenges in maintaining accurate and timely financial reporting and communication between different departments or workplaces. The accounting staff faced difficulties accessing information and collaborating with other departments or remote locations. However, accountants did not treat this as an opportunity to avoid performing their duties due to force majeure. On the contrary, the accounting department has consolidated and increased its efforts to ensure timely documentation of business transactions and submission of tax and financial statements. Even if this sometimes required working from home at night and on weekends.

During the war, the problem of preserving accounting documents and personnel records of employees, as well as the security of confidential financial information, became acute. Today, managers and chief accountants have an action plan to preserve, evacuate and restore paper and electronic accounting documents lost due to the hostilities. Without going into regulatory details, the war does not cancel the obligations of the organisation's officials to preserve and restore documents in case of their loss (Consulting Company "First Economic – Financial Alliance", 2022). But in times of war, it has become much more difficult to do so.

Wartime conditions are accompanied by substantial resource constraints. Sometimes organisations have to work with reduced staff, which affects the ability of the accounting department to perform its duties effectively. The accounting staff overcomes these challenges by finding innovative ways to perform tasks with fewer resources and by being willing to accept temporary cost-saving measures.

2.3. Psychological burnout and stress. Increased workloads increase the stress level of accounting staff. The urgency of financial reporting, the need to effectively track and account for resources, and the general pressures of wartime operations can be exhausting for accountants. Burnout and fatigue can be a concern, potentially affecting the accuracy and efficiency of accounting functions. The natural stress at work is doubled by the long-term stress of warfare. Fear of being injured, losing their homes and property during a missile attack or mortar shelling, fear for family members, constant anxiety about the fate of mobilised relatives and friends, daily air raid sirens, and a large volume of bad news – all of this causes accountants to experience incredibly destructive stress and unprecedented stress.

The work of an accountant takes place mainly in two systems of interaction: "human-human" and "human-machine (computer)". Every person with whom an accountant communicates during professional activity (colleagues, managers, employees of other departments, contractors, government officials, tax authorities, auditors, military personnel, etc.) is also in a state of chronic stress. And this kind of "stress exchange" cannot be avoided. This adversely affects the quality and results of an accountant's work.

As already mentioned, office equipment and the Internet are unstable in war conditions. A sudden power outage can cause the loss of some of the information that an accountant has been working on. This causes frustration and forces the accountant to repeat the work, which also adversely affects productivity. Furthermore, from the beginning of 2022 to June 2023 alone, Ukrainian organisations suffered 3,138 cyberattacks (State Service of Special Communications and Information Protection of Ukraine, 2023). This includes not only public authorities and the military sector, but also business. The accounting departments of these organisations were forced to interrupt their work due to these criminal acts, which could not but affect the psychological state of the accountants.

The study by J. Dickhaut *et al.* (2010), which hypothesises the existence of "neuroaccounting", suggests a link

between neurophysiological processes in the brain and decisions made by accountants. This area is actively developing to this day J. Birnberg & A. Ganguly, A. (2012); A. Tank & A. Farrell (2022) and involves the joint work of medical specialists in human brain research and accountants. However, Ukrainian scientists do not have the relevant experience, sufficient scientific interest, or specialists who could contribute to such research.

However, in recent months, the company's managers have become interested in the principles of behavioural accounting theory (Holovatska *et al.*, 2021) to better understand the relationship between the accountant's mental state and the decisions they make. The purpose is to find recommendations on how to offset the negative and reinforce the positive impact of each accountant's psycho-emotional characteristics to improve their performance. Ukrainian managers of organisations that are generally in comparable circumstances are taking steps to provide psychological support to employees and improve feedback channels. Specifically, psychological trainings and consultations have been organised, trust boxes have been set up to resolve conflicts quickly, the duration of production meetings has been reduced, entertainment events and excursions for employees' children have been organised, and time off to solve personal issues has been granted more frequently. The company's managers have changed the system of motivating employees, substantially shifting the emphasis towards rewards instead of punishment. All these measures are aimed at maintaining an atmosphere of trust and mutual assistance in the team. Errors in an accountant's calculations and judgements are now more often considered not from the perspective of assessing the employee's competence, but from the perspective of psychological factors that could have caused a negative performance. Eliminating or reducing psychological pressure on accountants is currently more effective in increasing productivity than additional training or internships.

### Digitalisation of accounting as a tool for strengthening financial and economic security

In Ukraine, the use of digital technologies is widespread in all sectors, as the population as a whole has a high level of digital literacy and businesses are eager to use digital innovations to improve their efficiency and competitiveness. Ukrainian researcher V. Fostolovich (2019) summarised the tasks, principles and directions of digitalisation of Ukraine's economy as a national strategy.

As regards the objectives of digitalisation of the accounting process, it is appropriate to pay attention to W. Al-Nasrallah & F. Saleem (2022): "accounting software and computers are used for recording, storing, and analysing financial data, while making sure that this information and data are safe from corruption, controlled, and accurate". Admittedly, electronic accounting has its advantages: speed and accuracy of accounting calculations; reduction of costs for additional staff; increased reliability and accessibility of reporting; impartiality; promptness of sampling

and grouping of information for making management decisions, etc.

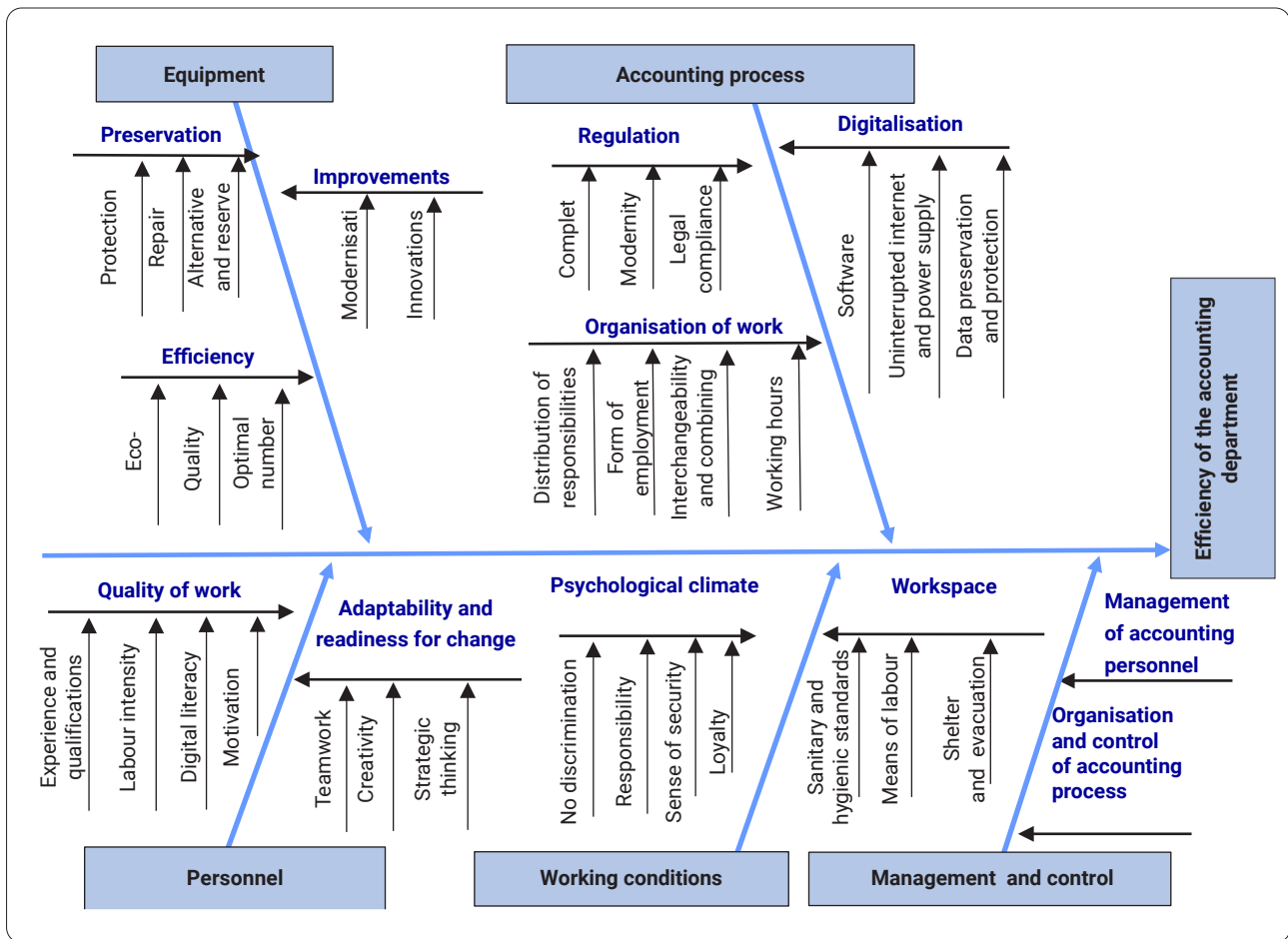
To ensure that the digitalisation of business processes in the accounting department is seamless and active, the theory of perceived usefulness by F. Davis (1989) should be considered: a person must believe that it “would enhance his or her job performance” and that it would not be difficult. In other words, Ukrainian management (especially in public institutions) should avoid the temptation to create “reforms for the sake of reforms” in the accounting department. Any changes should be well thought out, prepared, staffed, and bring financial, reputational, or social benefits to the organisation.

According to the Mind business portal (2022), in 2017, about 90% of Ukrainian companies used Russian accounting software 1C. In 2020, a ban was introduced on the use of 1C software products for state institutions (Decree of the President of Ukraine..., 2020). Commercial companies were not prohibited from cooperating with Russian software developers. However, over the past year, the situation has begun to change. Businesses are more actively abandoning Russian accounting software out of patriotic feelings and

economic security in favour of other developers, including international ERP (Enterprise resource planning)/CRM (Customer Relationship Management) systems (Mind, 2022). Protecting financial data, preventing fraud or theft, and ensuring the confidentiality of financial records has become extremely important. Company managers have to persuade accountants to do so. In case of changes, accounting staff must quickly learn new software products, transfer archived information to them, take additional security measures due to duplication of accounting information on other media and in the cloud, follow strict protocols and be vigilant.

An additional argument in favour of changes in the field of accounting information security was also the example of the National Bank of Ukraine (2022), which allowed the financial institutions to use cloud storage services based in the EU, UK, USA, and Canada to increase the banking system's stability. Later, Ukrainian companies began to use cloud technologies more actively, including those located abroad.

The principles of managing accounting services are summarised in Figure 2, which utilises K. Ishikawa's (1976) Cause and Effect Diagram.



**Figure 2.** Cause-and-effect relationships of management factors that determine the effectiveness of the accounting service of the enterprise, considering the conditions of martial law in Ukraine

**Source:** compiled by the authors of this study

### Accounting service dynamics: A scientific opinion on adaptation strategies

Accounting service management is an offshoot of general HR management and is therefore understudied in scientific papers. However, the scientific studies explored within this paper contain some elements that can be attributed to management: qualification and professional requirements for accountants (Khushvakhtzoda, 2022), approaches to the formation of the structure of the accounting department and the distribution of responsibilities (Selivanova & Miniaijlyk, 2018), documentary regulation of accounting work (Lytych & Ivanova, 2019) and consideration of the impact of the accountant's psychological state on the quality of management decisions (Holovatska et al., 2021).

Behavioural theories (motivation theory, cognitive theory, psychological theory) of accountants' work (BAR) have gained worldwide recognition and further development in various fields of professional activity. Thus, A. Dunk (2001) considers this approach to assessing the effectiveness of accounting work to be particularly relevant in the context of the growing complexity of organisations and their inclusion in the system of international operations. J. Birnberg & A. Ganguly (2012) described the specific features of applying behavioural theories to the work of an individual (accountant), a small group (team such as an enterprise accounting department), an organisation (professional accounting associations) and environmental conditions (accountant in society). The authors also raised the issue of the impact of integrity and business reputation, as well as team pressure in making or rejecting strategic management decisions. Unlike these researchers, this study focuses on the role of an individual accountant and the accounting department in interaction with the company's management, rather than the chief accountant. The focus was not on the social value (prestige) of the accountant in the organisation, but on their ability to adapt their behaviour in times of war, specifically, the ability to perform atypical functions in the interests of the organisation.

This study did not focus on the aspects considered by other researchers (stages of recruitment, distribution of job responsibilities, linear and functional management system within the accounting department) but focused on structuring the areas of applied management of the accounting department from the perspective of the head of the organisation. This study describes the experience of forming an accounting team of universal professionals, which should meet the modern needs of managers under martial law.

The opinion of V. Zhuk et al. (2021) on the accounting department as a team of competent participants in different areas who are "experienced and interested in the results of their work" with the obligatory presence of "high knowledge and achievements" of each individual is confirmed in this study. However, the experience of working under martial law has shown that a combination of professional competence and soft skills is optimal, as such accountants are better capable of adapting to changes.

Assessing the portrait of an accountant proposed by I. Vyhivska & V. Makarovich (2018), it should be recognised that many important personal characteristics are considered. However, it is recommended that the desired competencies include the ability to interact constructively with many people, to come to the rescue and the willingness to take on additional responsibility. In times of war or organisational reform, a manager has no time for persuasion and is very reluctant to engage in forcing an employee to do work that is unusual for them. And this can be vital for an organisation. Admittedly, there may also be abuses and manipulations by unscrupulous managers who try to burden an accountant with additional work outside of working hours for no pay. Therefore, this interaction should be based on transparent rules and mutual trust.

The most similar in its orientation is the study by L. Vasilieva & O. Chepets (2013), who consider the organisation of accounting as a process consisting of methodological (selection of particular application of elements of the accounting method), technical (digitalisation of accounting) and organisational (creation of an accounting service) stages. This study is tangential in terms of the second and third stages, as these authors point out the need to organise staffing, organise workplaces, distribute job responsibilities, motivate and train accountants, build information links between accounting and other departments of the organisation, etc. However, this paper has demonstrated that the modern accountant's workplace is not always and not only an office. In times of war, the requirements for workplace organisation change in favour of safety and convenience for employees. Building information links with other departments and managers is changing towards active digitalisation due to the speed and unlimited nature of such communication. It was also demonstrated that the digitalisation of accounting work in times of war requires a balanced approach to both the choice of software and the provision of enhanced information security. In times of war, digitalisation can also mean changing software for ethical reasons.

From the perspective of an organisational leader, it can be noted that creating decent working conditions for accountants (Shabanov, 2014) – safe, optimally provided and comfortable, with the possibility of personal development, career growth, social protection, with channels of free communication with managers, respect for personal beliefs and proper payment – is an important aspect despite the war. It is demonstrated that employees' requirements for office workplace arrangement have changed during the war (the availability of uninterrupted Internet and electricity is valued more than the design of the premises, and management's attention to the accountant's domestic and psychological needs stimulates better than corporate events).

The existing publications on the specific features of martial law accounting by O. Prokopova & N. Kudlaieva (2022) and M. Patuta & T. Shmatkovska (2022) focus on generalised changes in financial and tax accounting. For instance, the implementation of state contracts, tracking

military spending of property, alienation of property for the needs of the army, management of financial aspects of humanitarian aid, changes in taxation and reporting, and specifics of salary calculation for mobilised and temporarily displaced persons and leave. No studies have been found that focus on the management of the accounting department, which is a structural unit of the organisation. In this area, the authors of the present study found the research on the management of medical institutions in wartime by Dotsenko *et al.* (2022) more useful, as they describe overcoming problems close to those considered in this paper: financial constraints, staff changes due to migration and mobilisation of employees, staff overload, redistribution of functional responsibilities, emotional burnout, etc. Of particular interest was the approach to HR management through the formation of adaptive (both flexible and resilient) teams in a multi-project environment.

V. Pavlova *et al.* (2023) examines the functioning of HR management in the context of global instability, which includes competition and business riskiness. Among the innovative HR management technologies mentioned are the hybrid office and well-being as a way to improve employee comfort in the workplace by arranging the workplace and digitalising business processes. In the present study, HR management is analysed solely with regard to the impact of one negative factor – “war”, which, according to the authors, is currently the most substantial. The term “hybrid workplace” has also been used, which has a broader meaning than “hybrid office”, as remote work can be performed by employees from locations that are not limited to a particular physical space. It is also noted that the feeling of comfort in wartime is substantially different from peacetime conditions. This helps managers determine which expenditures on improving working conditions are more appropriate. Analysing the innovative experience of foreign organisations in the digitalisation of HR management, as presented in Deloitte's (2023) study, it should be acknowledged that Ukrainian companies cannot afford to robotise part of their production operations or remotely monitor employees' activities using web glasses. In addition, Ukrainian accountants do not use artificial intelligence in their work on a large scale. Therefore, this study did not mention these advanced technologies, but highlighted the use of cloud technologies as the leading trajectory of change in the digitalisation of Ukrainian accounting.

## Conclusions

Understanding and monitoring adverse environmental factors is crucial for organisations to identify risks, seize opportunities, develop strategic plans, and maintain long-term sustainability. The challenges of martial law for the management of an organisation's accounting department outlined in the study should be assessed in two ways: 1) the problems, obstacles, and restrictions caused by the war have an adverse impact on the accounting personnel, preventing them from performing their duties as efficiently as possible, reducing the quality of accounting work and increasing the

level of stress among accountants and 2) the organisation's management, faced with unique and complex problems, received an impetus to modernise management approaches and self-development.

A modern accountant is more than just a recorder of business transactions and a preparer of financial and tax reports. The manager needs an active participant in strategic decision-making, who will prepare an expert financial assessment of alternative management decisions and create a unique digital information product that is trustworthy. This is especially true for organisations that do not have the financial means to hire an analyst, auditor, or business consultant. Apart from the standard requirements for an accountant's professional competencies, an important criterion in martial law is the adaptability of employees, i.e., their ability to make rapid changes in extreme conditions.

This study highlights a perspective that currently goes unnoticed: the attitude towards the accounting department as a full-fledged structural unit of the organisation, the management of which is quite specific and subject to rapid changes. Specifically, during the war, the focus of management shifted towards retaining accounting staff and creating improved working conditions for the accounting department. This included enhancing the security of the office environment, implementing hybrid work options, fostering mutual loyalty between employees and employers, and providing various forms of psychological and material support for accountants from the organization's managers. In other words, an accountant today is perceived primarily as a person, not a statistical staff unit. Increasingly, Ukrainian companies are favouring the principles of social responsibility over those of self-sufficiency and profitability. However, the ultimate purpose – the efficiency and productivity of accounting staff – stays unchanged. The scientific originality of this study was to demonstrate the paradoxical duality caused by military actions on the territory of Ukraine: enormous damage, losses, and restrictions (on the one hand) and the impetus to unleash human potential in the field of human resources management in relation to the accounting service of the organisation (on the other hand).

The study is focused on outlining typical challenges of martial law and demonstrating ways to overcome them quickly by summarising the experience of Ukrainian companies. The paper did not provide computational substantiation for the hypotheses put forward. Therefore, in the future, it would be useful to conduct applied research involving managers and accountants of Ukrainian companies. Further research should be directed towards the structuring of management decisions which have been proven to be the most effective in managing accounting services under challenging conditions.

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## Conflict of Interest

None.

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## **Менеджмент бухгалтерської служби організації: подолання викликів воєнного стану в Україні**

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**Анотація.** Дослідження менеджменту облікового персоналу є актуальним, оскільки сучасна бухгалтерська служба як структурна одиниця організації із специфічними адміністративними функціями постійно трансформується та адаптується у відповідь на тиск агресивного навколишнього середовища. Ефективний менеджмент облікового персоналу робить процес трансформації керованим, що позитивно впливає на функціонування, продуктивність та стійкість усєї компанії. Метою дослідження є узагальнення практичного досвіду і сучасних тенденцій управління бухгалтерською службою підприємства в умовах війни. Фактологічною основою дослідження стали наукові праці з питань організації обліку та управління персоналом, статистичні і аналітичні дослідження, законодавчі акти в сфері обліку. Використано традиційні теоретичні методи пізнання (узагальнення, дедукція, групування, аналіз, синтез); емпіричні методи (спостереження, опис власного досвіду) та графічний метод. Стаття зосереджена на взаємодії менеджерів організації з бухгалтерською службою як командою. Було продемонстровано, яким чином несприятливі умови воєнного стану змусили бухгалтерів та менеджерів об'єднати зусилля для адаптування організації до нових реалій. Зокрема було розглянуто найбільш складні проблеми, які виникли в сфері управління бухгалтерською службою на українських підприємствах з початком війни. Досліджено такі аспекти управління бухгалтерською службою як: кадрове забезпечення, створення належних умов праці бухгалтерів, цифровізація облікових бізнес-процесів як інструмент посилення безпеки, психологічні чинники підвищення ефективності роботи. Особливу увагу приділено новим проявам лояльності бухгалтерів та менеджерів організації в екстремальних умовах. Піднімається проблема соціальної відповідальності керівників та вплив морально-етичних принципів на прийняття організаційних рішень бухгалтерами. Було запропоновано кадрові стратегії, які найкраще зарекомендували себе в управлінні бухгалтерською службою організації в умовах війни. Дане дослідження є важливим та має практичну цінність, оскільки пропонує керівникам організації приділяти увагу потребам облікового персоналу, а також застосовувати до бухгалтерської служби як традиційні, так й інноваційні методи кадрового управління, адаптовані до умов воєнного стану

**Ключові слова:** управління кадрами; умови праці; організація обліку; війна

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Public policy in the management  
of the tourism sector at the level of territorial communities

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**Abstract.** The study of public administration within the tourism industry is relevant due to the role tourism plays as a key sector of the economy in most countries and its impact on the international positioning of states and national interests. Tourists play a crucial role in shaping the image of the country, providing valuable information about it. They act independently to offer insights and perspectives that contribute to its overall perception. The purpose of the study was to analyse the effectiveness of application of methods of management of the tourism industry development at the level of territorial communities. The methods used included the analytical method, functional method, system

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analysis method, deduction method, comparison method, synthesis method, and survey. The study defined the concept of public administration of the tourism business and how it affects the development of tourism in the region. The main actors and instruments used for public administration in the tourism sector in the territory of communities were identified, including the advantages and disadvantages of these instruments. The main problems of the tourism business were investigated and possible solutions involving public administration were identified. The study also analysed the practices of other countries in public administration in the tourism industry and suggested their possible applicability. The study determined the prospects for the development of the object under study, how it can affect the socio-economic development of the regions, and developed recommendations that may be useful for local authorities and businesses. The identified results of this study have practical use in enhancing the efficiency of public administration in the tourism sector, thereby elevating the entire process to a new level

**Keywords:** state regulation; regional economy; reform efficiency; sustainable development

## Introduction

Tourism is a crucial factor in the social, economic, and cultural development of communities and regions. Furthermore, the creation of a competitive tourism product and new jobs actively promotes the development of related industries, the construction of new social and transport infrastructure, etc. This highlights the significance of tourism and emphasizes the requisite consideration of this aspect in management and planning in geospatial territories after the end of the war.

To a substantial extent, the success of state regulation of the tourism industry depends on the support of the industry at the state level. An essential aspect of state tourism management involves implementing practical programmes to enhance the tourism industry and integrating them into the socio-economic development plans of regions. This is followed by developing and implementing tourism in particular areas to achieve comprehensive growth. Tourism is an important strategic issue in social policy at the national and regional levels.

L.O. Potravka and I.O. Pichura (2020) argue that in recent times, tourism has begun to play an increasingly significant role due to globalisation in the world, as tourist flows contribute to the spread of social, political and economic interconnections, crossing borders and expanding networks of social activity and power. Developing the reputation as a tourist destination has become a significant concern, and preserving this reputation should be viewed as an essential element of national interests and the primary focus of international information policy. The importance of tourism in the country's socio-economic progress makes it a key factor.

I.I. Kolosovska and M.M. Misyk (2020) argue that the primary objectives of public administration in the tourism sector are to facilitate tourism and recreation, promote rural and ecological tourism, ensure accessibility of tourism services for diverse social groups, optimise the tourism industry's growth in the context of international cooperation, enhance the effectiveness of tourism destination management, and accomplish other related goals.

According to L. Kostyuk (2021), the main issues with inefficient tourism business performance are the unsuitable economic and functional structure of specialised accommodation facilities, inadequate marketing research, low-

efficiency, unsystematic marketing activities of tourism businesses, absence of a territorial tourism zone development strategy with mutually dependent and complementary resources, infrastructure, and services.

S. Zadvorny (2022) argues that to ensure the positive impact of tourism on society, local communities and the economy as a whole, measures can be developed and implemented, such as creation of competitive territorial units of the regional tourist complex; regulation and coordination of public interests arising in the process of creating competitiveness of tourist territories; coordination of strategic approaches to regional development and development of regional tourist areas; improvement of the organizational structure of public administration.

G.O. Horina & A.A. Horina (2021) argue that the stable development of tourism in the country can be slowed down by insufficient coordination between different public authorities, the dispersion of tourist accommodation facilities and various levels of their subordination, as well as an underdeveloped regulatory framework. It is important to establish a unified management system for the tourism sector that will ensure the efficiency and balance of its development, as well as ensure interaction between various industries and authorities to create favourable conditions for tourists and develop the tourism business.

Effective transformation of the tourism sector requires cooperation and interaction between public authorities and private tourism enterprises. The government should facilitate the establishment of a conducive environment for tourism development, while tourism enterprises are accountable for conceiving and applying advanced technologies and services. The purpose of this study was to assess the effectiveness of using tourism development management strategies at the territorial community level. Completing this task will enable the effective application of management principles to the tourism industry within the region, thereby enhancing management efficiency and minimizing the possibility of errors during the process.

## Materials and Methods

The analytical method was used to investigate the state of the tourism business of territorial communities, the

factors influencing the development of tourism in the region, and the current legislative and regulatory norms related to tourism. The functional approach aided in analysing the contribution of public administration in tourism at the local community level, encompassing the stimulation of tourism growth, regulation of tourism operations, assurance of tourism service quality, and scrutiny of public administration duties and key values in tourism. The system analysis methodology enabled the exploration of intricate interactions amongst various system components, including diverse stakeholders, processes, policies, regulators, and other factors which influence the public sector's tourism advancement. The deduction method was used to identify particular measures that public administration can take at the level of territorial communities to support the tourism business and what benefits this has for the community as a whole. The synthesis method was used to identify the relationships between different aspects of tourism business management, and this method helped investigate the impact of socio-economic factors on tourism development. The comparison method was used to contrast differing models of public management of tourism, helping to identify the advantages and disadvantages of different approaches to public management of tourism in territorial communities and finding optimal solutions for effective regional management of this area.

The key theories used include the theory of comparative advantage, the theory of effective management, and the theory of innovative development. At this stage, the analytical method was used to investigate the main tools and mechanisms that regulate the activities of the tourism business and public administration in this area. The functional and comparative methods helped to generate data on the global practices of public-private partnerships in such countries as the UK, France, Spain, Germany, and Italy. The synthesis method facilitated the identification of measures implemented to enhance tourism, tools employed to manage the tourism industry, and resultant outcomes. A survey was also conducted with 154 respondents about their interests and desires in the tourism sector in the Khmelnytskyi territorial community through an electronic questionnaire. The survey was conducted pursuant to the provisions of the Declaration of Helsinki (1975). The respondents were 80 men and 74 women, with an age distribution ranging from 16 to 65. At the final stage, the synthesis method was used to formulate the necessary recommendations for identifying particular issues in public administration of tourism, which will contribute to the solution of issues and development of regions.

## Results

### General information on public administration in the field of tourism

Public administration in the tourism sector can be regarded as a system of state influence on the tourism business, which operates at three levels: legislative, administrative, and economic. In Ukraine, the influence of the state at

the legislative level is mainly due to Article 6 of the Law of Ukraine No. 31 "On Tourism" (1995), which sets out the main objectives of state regulation in the field of tourism, including ensuring the rights of citizens to recreation, freedom of movement, and a safe environment. The tourism industry also operates pursuant to the Civil Code of Ukraine (2003), the Economic Code of Ukraine (2003), the Law of Ukraine No. 23 "On Licensing of Types of Economic Activity" (2015), the Law of Ukraine No. 18 "On Insurance" (1996). At the administrative and economic levels, public administration is implemented through special authorities and tourism associations that coordinate and perceive tourism on a global scale, coordinate and implement tourism policy at the international level. The state regulation of the tourism industry considers the main factors and trends in the development of tourism in the domestic and international markets of tourism services. The state is involved in shaping the conditions for the functioning of tourism entities, considering the real capabilities of the industry, especially in situations of crisis, such as pandemics or wars (Krutiy, 2021).

Despite the important contribution of individual businesses and industries to the local economy, the authorities usually do not focus on supporting them. Instead, it can develop clusters and create conditions that facilitate interaction between them. The main purpose of tourism management is to create favourable conditions for the functioning and development of tourism and related industries.

The principal functions of tourism management in terms of the territorial approach are forecasting and planning, organisation, coordination, regulation, monitoring, and analysis of the system. Forecasting and planning should be based on the study of complex regional characteristics such as nature, population, economy, and their spatial organisation. Organisation involves determining a rational division of labour in the form of management, organisational structures and regulation. Coordination involves ensuring coherence in the management of regional subsystems, considering different rhythms and cycles of regional development. The regulation make provision for the establishment of administrative influence to eliminate discrepancies and inconsistencies in the development of regional systems. Monitoring and analysis of the system includes the constant identification and assessment of imbalances, shortcomings, harmful and negative phenomena, and other obstacles to the sustainable development of the industry (Buhalis, 2022).

An essential aspect of tourism management is the use of multi-level governance and a set of mechanisms that involve the use of various tools, principles, and technologies implemented by authorities at various levels. State regulation is carried out by dividing institutions into levels of public administration decision-making. Legislative instruments include laws, resolutions, decrees of local councils and regulations. Administrative instruments include decrees, orders from the president, the government, heads of local state administrations, etc. Measures and actions

to create new institutions are referred to as institutional instruments. Financial instruments cover the adoption of budgets at various levels. Marketing tools and communication technologies include speeches, interviews, publications, and other communication methods. The use of various mechanisms allows creating a certain basis to form the vectors for the recovery of the tourism industry in the post-war period (Solima & Minguzzi, 2014).

One of the important forms of state regulation is standardisation, which underlies the quality of tourism services. Its role is primarily to select the best products, processes, works, and services with high quality indicators. The most important outcomes of standardisation are increased suitability of products, processes, and services to increase the value and credibility of local tourism brands, the absence of trade barriers, the promotion of international tourism and scientific and technical cooperation. Standardisation establishes uniform and logical rules, parameters and requirements for the quality of tourism products, production technologies, management and control methods, as well as marketing rules (Golob & Jakulin, 2014).

The tourism business at the regional level should consider the impact of tourism on the development of various sectors of the local economy, plans and programmes for the development of tourism enterprises with a focus on raising the quality standards of tourism products, the quality of human resources and involvement in standardisation and regulation of enterprises. In the context of increasing competition and growing demands on the quality of travel services, it is necessary to investigate business processes in detail, analyse and systematise various approaches to improving the efficiency of quality management.

Ensuring prominent quality of service in the region's tourism industry depends on effective regulation and management. This includes the introduction of global standards of service quality in tourism, such as adherence to the basic principles of the modern tourism industry, creation of favourable conditions for staff providing quality service, and optimisation of the management structure of tourism enterprises. The effectiveness of management in the tourism industry includes the efficiency of tourism product production. This means that management efficiency should be aimed at optimising all processes related to the production of tour products – from tour development to sales and customer service. Furthermore, it is important to consider the costs and purpose of the enterprise to ensure that the results and costs are optimised. Thus, management effectiveness is a key success factor in the tourism industry (Paddison & Walmsley, 2018).

To ensure effective regulation of tourism business development in the region, it is important to consider the involvement and quality of staff, the existence of effective plans and programmes for the development of travel agencies, and the quality of the tour product. The use of the entire system of determinants can help ensure sufficient growth rates of service provision by tourism business entities in the region. The following indicators can be used

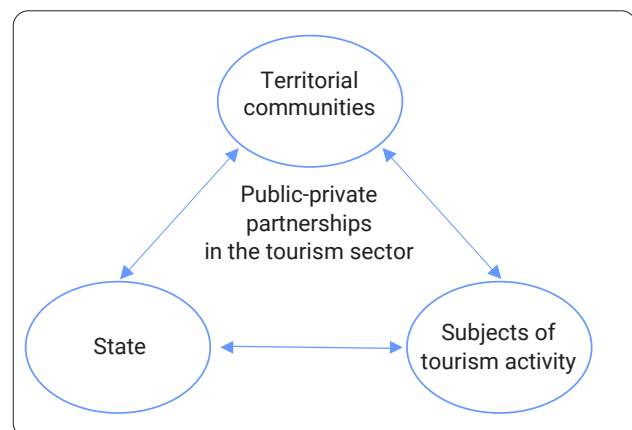
to assess the state and development of the regional tourism business: the number of foreign tourists, the number of days of stay of foreign tourists, the total expenditure of tourists from other countries in the region, and the overall efficiency of the industry.

### The current state of public administration in the field of tourism in Ukraine and European countries

Currently, the system of governance of the tourism industry at the regional and local levels in Ukraine is inefficient and based on individualism and lobbying, and therefore needs to be improved. Insufficient staffing, underfunding, and misuse of funds are also problems in the sector. Furthermore, central and local governments have overlapping and conflicting functions and powers. Therefore, it is recommended to create organisational and operational structures that will ensure the effective functioning of the tourism sector with a minimum budget and a prominent level of administrative staff qualification.

This can be achieved through the creation of tourism sectors at the regional and local levels, training of specialists and the establishment of professional qualification requirements. Furthermore, legislation on public-private partnerships can be developed and foreign practices of private partners and consortia engaged in marketing and business integration can be adapted. It is also advisable to use international practices on models of state participation in organising and regulating the development of the tourism sector (Jenkins *et al.*, 2014).

To improve regional development in the tourism sector, it is possible to use such a mechanism for implementing the national tourism policy as public-private partnership, which is widespread around the world. Public-private partnerships refer to cooperation between public organisations, local government bodies, and private sector investors to design, plan, finance, build, provide, or operate tourism infrastructure and services. This allows considering the regional development tools and the interest of private sector representatives in shaping the national tourism policy (Fig. 1).



**Figure 1.** Participants in the system of public-private partnership relations in the tourism sector

Source: M. Ghanem *et al.* (2022)

The three main participants in the public-private partnership system – the state, territorial communities, and tourism entities – need to work together, respecting their interests, which determine their areas of responsibility. To ensure the successful implementation of public-private partnerships in the tourism sector, it is necessary to create a favourable investment climate in the regions, ensure adequate financing of projects, and regulate the interaction between the partnership participants through the necessary legal mechanisms. It is also important to provide information support to attract new investors and support existing projects, as well as to improve the skills of tourism and management professionals to implement projects more effectively.

Each participant in a public-private partnership has its own interests that determine their area of responsibility. The state has an interest in increasing budget revenues and employment, and therefore it is responsible for providing transport infrastructure, roads, and international marketing. Territorial communities aim to increase tax revenues, enhance local employment opportunities, and promote community development. Therefore, they are responsible for offering local infrastructure and national marketing. Tourism businesses aim to increase profits, capitalise on their business, and develop their own activities. They hold the responsibility of producing and selling their products, as well as providing accommodation infrastructure and recreation programmes.

A review of public-private partnerships in tourism indicates that the state predominantly invests in infra-

structure projects related to tourism development. Public-private partnerships are one of the main mechanisms for implementing these projects. Private investors require extensive assistance from the state founded on mutual trust. With the development of public-private partnerships, authorities could potentially apply specific tax regulations to the tourism industry that is part of these initiatives. In recent years, there has been an increase in the development of tourism infrastructure in certain regions of the world due to major international events. Cooperation between the state and private sector in such matters can enhance outcomes. Public-private partnerships allow governments to control tourism development in line with national priorities and environmental and social standards, while promoting the efficiency and creativity of the private sector (Gustafsson & Amer, 2023).

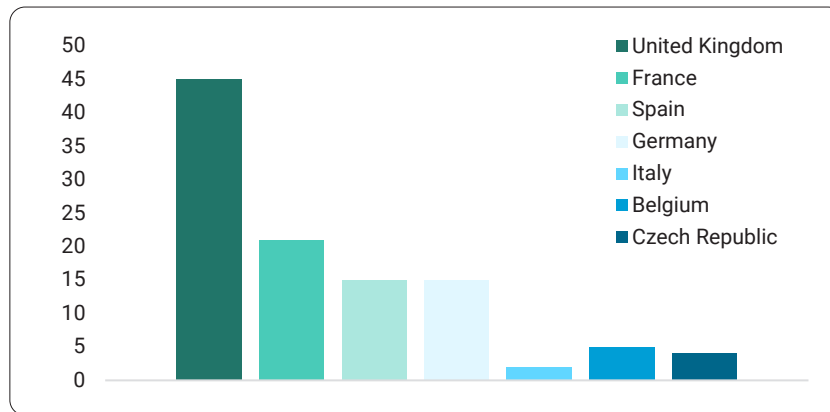
To better understand the significance and potential for successful evolution of the public-private partnership market in Ukraine, it is imperative to examine the practices of top-ranking countries in this domain. That is, consideration should be given to the effectiveness of public-private partnership models in achieving results through such cooperation in countries that have employed this format of collaboration for several years.

The many public-private partnership projects implemented in the countries presented in Table 1 and Figure 2 attest to the continuous maturation of the relationship between the government and industry, which, through a cooperative effort, harmoniously combine their objectives and efforts, culminating in sustainable economic progress.

**Table 1.** Development of public-private partnerships in Europe

Areas of distribution (Countries)	Roads	Railways and transport	Airports	Infrastructure	Sports and recreation
United Kingdom	Considerable number of finished projects	Many active projects	Considerable number of finished projects	Considerable number of finished projects	Considerable number of finished projects
France	Considerable number of finished projects	Small number of active and finished projects	Discussions on possible projects are underway		
Spain	Considerable number of finished projects		Measures are being taken to prepare projects		Discussions on possible projects are underway
Germany	Small number of active and finished projects	Small number of active and finished projects	Considerable number of finished projects		
Italy	Many active projects		Measures are being taken to prepare projects	Discussions on possible projects are underway	Measures are being taken to prepare projects

**Source:** created by the authors of this study based on the World Bank (2022)



**Figure 2.** Number of implemented public-private partnership projects in Europe in 2022

**Source:** created by the authors of this study based on the World Bank (2022)

One promising avenue of research regarding public-private partnership markets in Europe is the examination of the experience of nations like the UK, France, and Germany, which have made noteworthy progress in this field, proceeding from the evidence presented in Table 1 and Figure 2.

The use of public-private partnerships as a mechanism for implementing state tourism management can help improve the development of Ukraine’s regions in the field of tourism, attract considerable investments for the implementation of infrastructure projects, increase tax revenues to budgets at all levels, increase the level of employment of the local population, reduce the expenditure side of the state and regional budgets, distribute risks and strengthen the responsibility of the parties to public-private partnerships for the management and implementation of projects.

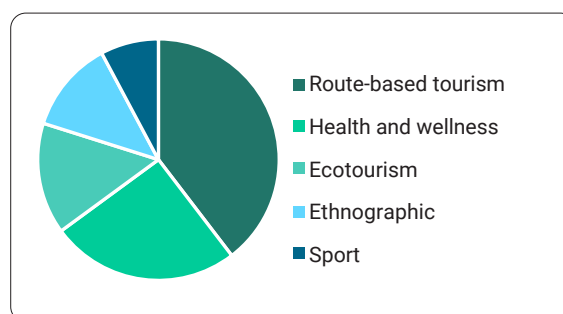
In addition, the main objectives of the national policy should include the use of innovative information and communication technologies and the Internet in the field of public administration of tourism and tourism enterprises. The analysis of the state of public tourism management allows identifying promising areas of innovation as follows: improving licensing conditions using digital technologies, electronic registration of business entities, certification of services of tourism enterprises according to international ISO standards (International Organisation for Standardisation) using the achievements of the IT sphere, creation of a Unified Tourism Information System on the country’s tourism resources (Errichiello & Marasco, 2017).

**Results of the survey of respondents on the application of the public-private partnership mechanism in the tourism sector**

The use of innovative information and communication technologies in public administration in the tourism sector improves the efficiency and competitiveness of the tourism business and contributes to increased transparency and openness in the activities of public authorities.

To apply the mechanism of public-private partnership, it is necessary to understand the interests and desires of consumers within a particular territorial community. For this purpose, a survey was conducted among respondents of different genders and ages in the Khmelnytskyi territorial community to determine what types of recreation consumers prefer, what consumers primarily pay attention to when choosing a holiday, consumer interests, motives, incentives, which places in the region they would like to visit, and the number of visitors with whom the respondent spends their holidays.

As presented in Figure 3, route-based tourism is the most popular among respondents, which indicates the importance of organised and cognitive recreation for most of them. The second and third places in the ranking of leisure activities favoured by respondents are occupied by health and wellness and ethnographic tourism. Ecotourism is fourth on the list, which means that outdoor recreation is important to some respondents. The fifth place in the ranking goes to sports recreation.

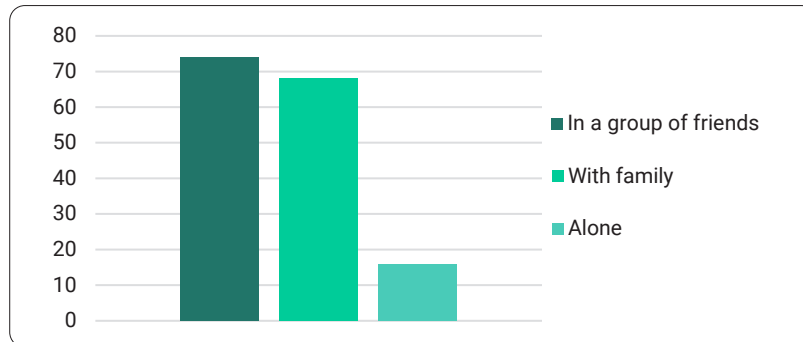


**Figure 3.** Respondents’ answers about the choice of leisure activities

**Source:** compiled by the authors of this study

Figure 4 shows that approximately 90% of respondents do not go on holiday on their own, which indicates a potential opportunity to attract groups of holiday-makers to tourism. If potential customers interested

in holidaying in the region are properly informed, the probability that they will come in a group with other holidaymakers considerably increases the advertising potential of local tourism.

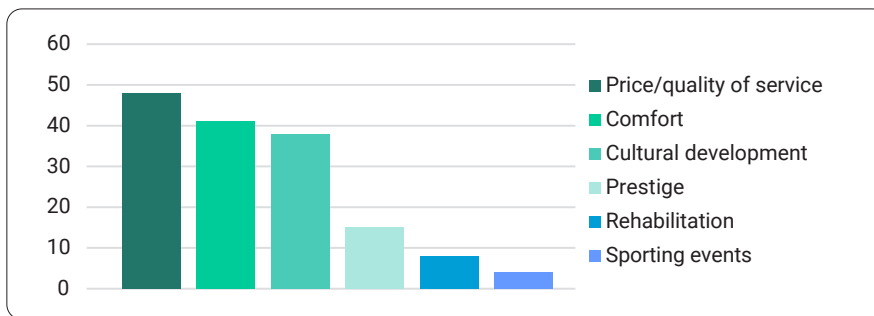


**Figure 4.** General answers of respondents about choosing a holiday company

**Source:** compiled by the authors of this study

Figure 5 shows that consumers primarily pay attention to the price/quality of service, comfort, and opportunities

for cultural development, and least of all to prestige, health improvement, and participation in sports events.

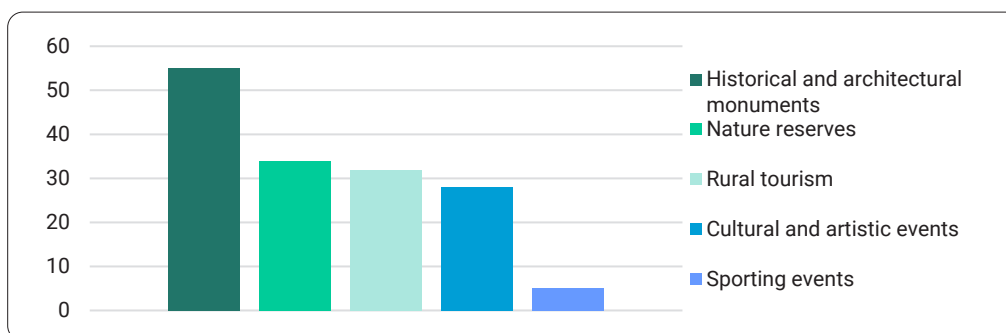


**Figure 5.** Respondents' answers about the criteria for choosing a holiday

**Source:** compiled by the authors of this study

Finally, Figure 6 shows the places in Khmelnytskyi that respondents would like to visit. The first places are occupied by historical and architectural monuments, nature

reserves, followed by rural tourism, cultural and artistic events, and sporting events.



**Figure 6.** General information of the respondents on the choice of places in the Khmelnytskyi territorial community

**Source:** compiled by the authors of this study

Thus, based on the survey results, the following conclusions can be drawn on the use of public-private partnerships in the Khmelnytskyi territorial community. The state can cooperate with the private sector in creating and developing

tourist routes and events. For instance, the community can work with local hotels and tour operators to create tourist packages that include visits to various attractions in the region. The state can promote partnerships with the private

sector to support and develop small and medium-sized businesses engaged in tourism activities, which will help improve the quality of recreation. The state can also cooperate with the private sector in the field of marketing and advertising of tourism services. The restoration and renovation of cultural and historical monuments, including outstanding architectural objects, is of immense importance.

An urgent issue in the context of crisis phenomena is the identification of problems and development of methods for their solution in the public administration of the tourism business. One of the key issues of Ukraine's future in the current environment is the search for ways to restore the country's economic recovery in the post-war period. The potential of the tourism industry in Ukraine has not yet been fully exploited, but with proper government tourism policy and regional development, a considerable economic recovery can be achieved at both the regional and national levels. Despite the crisis, the post-war recovery of the tourism industry in Ukraine is necessary, which is possible through a combination of effective national tourism policy and the use of regional development opportunities.

This study shows that for the effective development of regional tourism it is necessary to consider the main determinants and trends of tourism development in the domestic and international markets of tourism services, as well as to create favourable conditions for the functioning of tourism entities. To this end, state regulation in the tourism industry plays a vital role, as it is aimed at rebuilding and normalising the economy as a whole, including the tourism industry, which has suffered from the pandemic and other difficulties. For this purpose, the state uses the results of the analysis of the experience of socio-economic development of economies of different countries to develop effective mechanisms of state regulation of the tourism industry.

Notably, to ensure an adequate level of tourism infrastructure, it is necessary to use an approach that includes a mechanism of interaction between central executive authorities responsible for implementing tourism policy, local governments, and representatives of the tourism business community. This will ensure the effectiveness of state regulation and the development of tourism in the region by creating partnerships and coordinating the actions of all stakeholders to achieve common goals. Furthermore, it is important to consider the opinions and interests of the tourism business community, as it can help develop effective tourism policies and implement initiatives aimed at developing tourism in the region. This approach will ensure an adequate level of tourism infrastructure and contribute to the growth of the tourism industry in the region.

## Discussion

M. Dubinina *et al.* (2023), in their study on public administration in the field of tourism, consider three levels: political, environmental, and marketing and communication. Each of these levels includes a system of relevant public administration mechanisms. In their study, the authors identify three types of public administration models. The

first type of model involves state regulation of the tourism sector. The second type involves the exercise of these functions through a specialised central executive body. The third type of model involves the delegation of such powers to central tourism administrations that work closely with local governments. Consideration of each of these models allows analysing the distinct approaches to public administration in the tourism sector in Ukraine and assessing their effectiveness depending on the context and characteristics of each region. However, this study has found that to achieve an adequate level of tourism infrastructure, it is necessary to coordinate the actions of all stakeholders, including the tourism business community and local governments, and to consider their opinions and interests.

G. Candela *et al.* (2015) focus on the role of decentralisation in the public administration of the tourism industry. The researchers emphasise that decentralisation can be a key prerequisite for the recovery and development of tourism in the post-war era and for responding to global challenges. The current study attributes this fact to the fact that a decentralised approach allows for the attraction and mobilisation of resources, knowledge, and expertise at the local level, ensuring more efficient management of tourism resources and infrastructure.

Notably, one of the key prerequisites for decentralisation is the creation of an institutional framework that would provide an organisational, functional and legal basis for the exercise of power in territorial communities. Furthermore, it is important to provide infrastructure support for territorial communities, as this can contribute to the development of tourism and increase the number of tourists.

M. Wei *et al.* (2020) consider a conceptual model of the mechanism of public administration of regional tourism development based on a network approach. According to the researchers, the functional feature of network management is the integration of modern technological approaches, such as networking, joint actions, use of resources and competences of various participants, and unification of various territories to achieve common goals. The network approach to public administration of the development of the regional tourism sector is considered to be a way of organising management practice that involves the rejection of the traditional structural and functional approach. Having analysed this approach, it is concluded that the network approach focuses on interaction and cooperation between different actors with different competences and resources aimed at achieving common goals of tourism development in the regions.

The successful functioning of the network model requires the establishment of horizontal links and partnerships between different parties, such as public administration, business, and the public. Horizontal interaction is also important in a partnership, where there is no single leadership role for any of the three components. Therefore, the integration approach, which involves utilizing resources and specialized forms and technologies of management, is crucial in effectively managing the network model.

A. Ghorbani *et al.* (2019) investigated the use of innovative approaches in public administration of the tourism sector, specifically the technology of “e-government”. This method involves utilising information and communication technologies in the public sector to enhance the effectiveness of public administration. The primary benefit of this approach is its social effectiveness, which entails progress in society as opposed to economic efficiency. Furthermore, the use of e-government technology can help minimise the conditions for the formation of corruption mechanisms in public administration through online interaction. The current study confirms that the active introduction of information technology into the economy can contribute to its development and competitiveness at various levels. The utilization of IT advancements in public administration creates opportunities for communication between the government and citizens, ultimately building a more effective, efficient, transparent, responsible, and honest public administration.

M.E. Sanchez del Rio-Vazquez *et al.* (2019) investigated the environmental aspect of public administration, which provides for the mandatory coordination of tourism development programmes and investment projects of tourism entrepreneurship with the strategy of sustainable development of the region, to create a unique national brand. The formation of such a policy includes the definition of environmental safety as one of the principal areas of development of the territory and the country as a whole. In this context, state authorities are introducing strategic environmental assessment of the territory with mandatory consideration of its results in regional tourism development programmes. This study confirms the importance of this approach for the development of the tourism industry, as it has a direct impact on the environment and natural resources. A growing number of tourists are paying more attention to the environmental aspects of tourism, especially environmental safety. Also important for environmental management are actions to conserve and safeguard cultural heritage from adverse effects of tourism.

The promotion and dissemination of information are essential for tourism businesses to attract consumers. Without such marketing efforts, it is not possible to develop successful tourism activities. In this regard, an important task for tourism authorities in marketing activities is to create a tourist information centre. One way to cultivate a favourable perception of the tourism industry is through branding, which fosters the region's recognition, verifies the quality of its tourism offerings, shapes the image of popular tourist destinations, and helps develop a sense of corporate identity among the residents of the tourist region.

## Conclusions

The study outlined the principal functions of tourism management with regards to the territorial approach. These include predicting and devising plans, overseeing, regulating, coordinating, scrutinising, and analysing the system. The authors described a set of mechanisms that involve various tools, principles, and technologies that can be implemented by authorities at distinct levels. The existing instruments fall into the following groups: legislative instruments, administrative instruments, financial instruments, and marketing instruments. One of the significant forms of government control is standardization, which forms the foundation for the quality of tourism services. The main problems in the management of the tourism industry at the regional and local levels in Ukraine were identified. The study described the use of public-private partnerships as a mechanism for implementing the national tourism policy and enhancing regional development in the tourism industry. The participants in such a mechanism are the state, territorial communities, and tourism entities, each of which has certain interests and areas of responsibility. The features of public-private partnerships were considered and their benefits for the development of Ukraine's regions were highlighted. The study highlighted the necessity of implementing innovative information and communication technologies in public administration of tourism and tourism enterprises. This can be achieved by improving licensing conditions, electronically registering business entities, certifying enterprises to international standards, and creating a unified tourist information system for the country's tourism resources.

Further research will aim to develop strategies for enhancing the efficiency and competitiveness of tourism businesses in Ukraine. This necessitates guaranteeing the accountability and transparency of governmental bodies. Research in this area also necessitates an exploration of the triumphs of international science and practical experience abroad. For instance, examining the best practices employed by other nations in progressing tourism, implementing inventive methods for improving tourist spots, utilising modern technologies in the field of marketing, and establishing schemes to encourage and facilitate the growth of the tourism trade.

## Acknowledgements

None.

## Conflict of Interest

None.

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## **Публічна політика в управлінні туристичним сектором на рівні територіальних громад**

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**Анотація.** Актуальність дослідження публічного управління туристичним бізнесом, обумовлена тим, що туризм є однією з ключових галузей економіки більшості країн світу і виступає як провідний напрям позиціонування держави на міжнародній арені та втілення національних інтересів. Туристи виступають незалежними утворювачами іміджу країни та є важливим джерелом поширення інформації про неї. Метою роботи є аналіз ефективності застосування методів управління розвитком туристичної галузі на рівні територіальних громад. Серед використаних методів було застосовано аналітичний метод, функціональний метод, метод системного аналізу, метод дедукції, метод порівняння та метод синтезу, а також опитування. В процесі проведення дослідження було визначено поняття публічного управління туристичним бізнесом, та як воно впливає на розвиток туризму в регіоні. Було виділено основні суб'єкти та інструменти, які використовуються для публічного управління в туристичній сфері на території громад, а також визначені переваги та недоліки цих інструментів. Досліджено основні проблеми туристичного бізнесу та визначено можливі шляхи їх вирішення за допомогою публічного управління. Також було проаналізовано досвід інших країн у публічному управлінні в туристичній галузі та запропонована його можлива застосовність. Визначено, які можуть бути перспективи розвитку досліджуваного об'єкту, як воно може вплинути на соціально-економічний розвиток регіонів, а також розроблено рекомендації, які можуть бути корисними для місцевих органів влади та бізнесу. Практична цінність полягає у використанні виявлених результатів, вирішенні питань, пов'язаних з підвищенням ефективності публічного управління в туристичній сфері для того, щоб вивести даний процес на новий рівень

**Ключові слова:** державне регулювання; регіональна економіка; ефективність реформування; сталий розвиток

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## Conceptual model for managing the phases of implementation of infrastructure projects and programmes in the post-war period

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**Abstract.** The outbreak of Russia's full-scale invasion of Ukraine has caused significant human, economic, and political damage, as well as destruction to infrastructure. However, in the future, all losses incurred should be recovered. Therefore, creating models to manage infrastructure projects is still important, especially in the post-war environment of Ukraine. The purpose of this study was to build a model that would allow for the highest management efficiency in the implementation of infrastructure projects in the post-war period and to describe the possibilities of its practical application. The main methods used in the study were analysis, modelling, and abstraction. Thus, the study built a conceptual model of management of infrastructure projects and programmes in the post-war period. The study also analysed the current theoretical framework for infrastructure project management and highlighted the issue of substantiating the parameters of infrastructure programme and project products. Network models, their features and possibilities of use were described to provide a clearer picture of the project's work and more efficient resource management. The paper emphasised that infrastructure

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projects are often divided into two phases: construction and operation. The study also described the importance of infrastructure projects for the efficient transport of goods and passengers and their impact on the competitiveness of the transport system. This study offers a more profound insight into the specific features of managing the implementation phases of infrastructure projects, especially in the post-war period, and brings new knowledge for management in the context of building large-scale investment programmes

**Keywords:** economic and mathematical models; water transport; economy of Ukraine; management; macroeconomics

## Introduction

Modern water transport infrastructure faces various risks that affect its operation and condition. As of 2023, the water transport infrastructure is exposed not only to military risks of destruction and damage, but also to ageing and natural wear and tear. Therefore, maritime infrastructure should be developed through a sequence of projects and/or development programmes aimed at achieving a certain level of infrastructure performance at each stage. Thus, infrastructure development should be based on the required level of its condition, proceeding from the interests of the state at different levels and in different aspects. Infrastructure projects in the field of water transport correspond to the composition of infrastructure (infrastructure facilities) and may be related to a) modernisation of facilities; b) replacement of facilities; c) restoration of facilities; d) development of existing facilities; e) creation of new facilities. "Modernisation" is associated with the "upgrading" of infrastructure facilities. Specifically, this may relate to handling, navigation, and hydrographic equipment, and alarm systems. "Replacement" of facilities involves the replacement of equipment and systems that have failed (or been damaged as a result of natural disasters, accidents, etc.) with analogous parameters (characteristics). "Restoration" may include repairing equipment, improving waterways, canals, dams, etc. For instance, natural siltation requires cleaning the paths. "The development of existing facilities" is aimed at changing the characteristics of infrastructure. Thus, deepening the bottom near berths, in canals, etc. will allow ports to accommodate larger vessels. Therefore, the restoration of water transport after the war plays a significant role in the further development of Ukraine. It is one of the main components for the movement of goods and passengers in the country, which is why ensuring its reliability is still important to ensure quality and safety, as well as reducing the cost and time of transport. This is another part of the relevance of this study.

Notably, current scientific economic literature lacks sufficient studies that would be capable of describing the potential for Ukraine's future recovery in times of war or post-war. Nevertheless, there are still some studies on this topic. Thus, recent studies by H. Tanaka (2020) and R. Wagner (2023) "Creation of new facilities" is the widest list of projects from the creation of new information, navigation, hydrographic systems to the construction of a new port or canal. Thus, according to M.A. Vereshchak (2021a), the product of infrastructure projects in the field of water transport is infrastructure facilities that are either created or

transformed (restoration, replacement, modernisation, development). Equally significant were the studies that investigated the specific features of Ukraine's post-war rehabilitation. One of them is the study by L.I. Kuznetsova (2022), in which the researcher described possible trajectories of development of the main types of economic activity in Ukraine in the post-war years.

Thus, the purpose of this study was to ensure the effectiveness of infrastructure projects and programmes in the field of water transport through the development and practical use of programme management models. This will allow for more efficient restoration of Ukrainian infrastructure in the post-war period, leading to both cost and time savings.

## Materials and Methods

The study used formulas that describe the features of the model for managing the phases of implementation of infrastructure projects and programmes in the post-war period. Thus, the beta distribution and calculation of the expected duration and variance  $\sigma^2$  were estimated using the following formulas:

$$\delta^2 = \begin{cases} \frac{\gamma}{4} \frac{t_{max} - t_{min}}{4} \\ E = x^2 + y^2 \end{cases} \quad (1)$$

The mathematical expectation was calculated using the following formula:

$$E(y_i) = \bar{Y} = \sum_{i=1}^n Y_i \frac{\gamma}{n-\alpha} \quad (2)$$

The economic variance was calculated as follows:

$$\theta^2 = \frac{\sum_{i=1}^n [X_i - X^2]}{i-1} \quad (3)$$

The confidence interval was calculated as follows:

$$\bar{y} \pm t_{i-1, \alpha/2} \sqrt{\frac{\sigma^2}{i-1}} \quad (4)$$

This study has certain limitations. Specifically, the paper does not provide empirical data based on which the effectiveness of the model could be tested, without which it is difficult to assess the real practicality of its application in certain conditions. The study aims to propose a model, but it is worthwhile to evaluate how it will perform in a particular situation and in comparison with other models in further studies. Moreover, the proposed model is quite

complex: it involves the use of petal charts and mathematical equations, which is why its use requires a considerable level of experience for effective implementation. This can reduce the effectiveness of its application in practice, especially in the context of limited resources at the organisational level.

The most important approach used in the study was a systematic one. It allowed combining and analysing all the factors affecting the state of infrastructure in Ukraine within a single system. This also helped predict the future state of losses that the country might suffer due to the war, which helped in building an optimal model for managing the phases of infrastructure projects. Furthermore, a comprehensive project approach was used during the study. It is reflected in the use of various modelling techniques, such as system analysis, graphical modelling, and statistical analysis, used to deal with uncertainty and manage complex economic systems. The synthesis played an essential role in reviewing the data obtained on the potential of constructing infrastructure projects, enabling the drawing of conclusions based on the data. Modelling played a significant role within the framework of the study. Specifically, the modelling method was used to build a petal chart showing the factual indicators of goal achievement and planned values, which allows assessing the level of goal achievement visually. The study also built a mathematical nonlinear model that allows controlling the parameters for infrastructure project products within the selected programmes. Abstraction was also used, which allowed ignoring some of the factors that will affect the ability to restore Ukrainian infrastructure after the war.

## Results

### 1. Infrastructure project life cycle and PERT method

Quite often, the creation and development of an infrastructure facility, its operation and management are shaped by different projects. In other words, in the classical life cycle of a new facility project, the operation phase is allocated to a separate project (e.g., the creation and operation of a terminal in a port). Thus, infrastructure projects can be classified as a set of “build-operate” projects. In practice, the investor of a relevant infrastructure project is most often the future operator of the infrastructure facility. Systemic links have been established between infrastructure projects that are part of development programmes and project portfolios at different levels – from a company, a single port, a region, to the country’s transport system as a whole (Burkynskiy & Nikishina, 2021).

Network models are considered optimal for describing, planning, analysing and optimising projects and have been demonstrated to be effective in practice. Network modelling often assumes a precisely defined duration of the work that makes up a project. This approach has several advantages:

- this network forms a holistic picture of the set of works; the connections between the elements of the set are clearly covered;

- identification of the critical path allows identifying the work that determines the course of the entire set;
- there is clarity about time reserves to which certain work that is not on a critical path can be postponed, which in turn allows for more efficient management of available resources.

However, the use of deterministic network models is not effective for the purposes set out above due to the large number of random influences, insufficient information, and the inability to predict all aspects of the work. The PERT (Programme (Project) Evaluation and Review Technique) method is essentially an improvement of the critical path method, where the deterministic duration of operations is replaced by the expected duration. To calculate the expected execution time of operations, three estimates of the execution time of an elementary operation  $t_{\min}$  are used:

- pessimistic estimate of the execution time  $t_{\max}$  – under the most unfavourable conditions;
- realistic estimate of the time required to complete the test – under normal conditions (Burkynskiy & Nikishina, 2021).

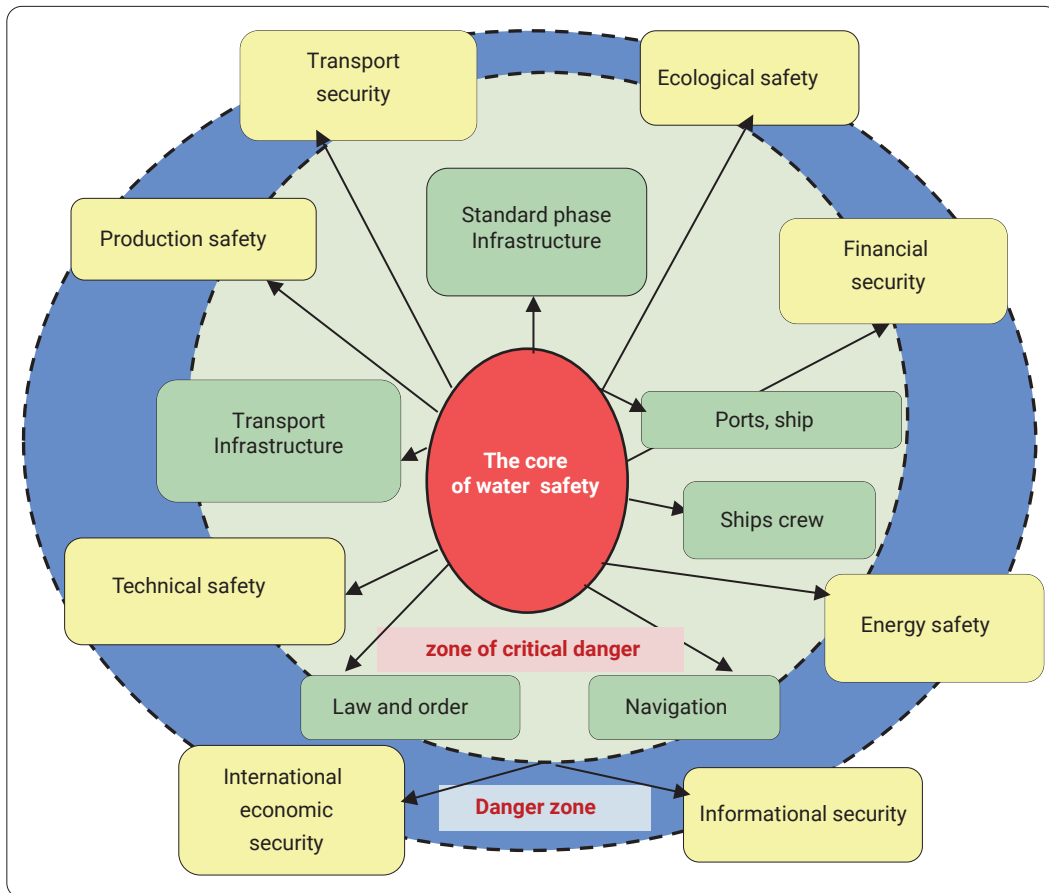
Each phase of the programme lifecycle model has its own system of predictable crisis phenomena that need to be considered in management processes (Dubnitskiy, 2021). Such phenomena in the programme development model form bifurcation points (the concept of bifurcation means a sudden change in quality, a change in the type of system solution), where the development of the system can slow down substantially, or it can be destroyed by internal and external influences. This approach is in line with the conventional description, when the idea of a crisis is reduced to a point – a bifurcation point, where the development of the system is unstable and jumps to a stable alternative branch. The risk of a crisis increases not only because of the launch of large-scale comprehensive measures at a particular stage, but also because of the accumulation of smaller violations and conflicts in the programme. Bifurcation points may reflect accumulated problems related to market vulnerability, supply chain management crises, autonomy crises, supply chain relationship crises, governance and innovation centres crises, trust crises, and competitiveness crises, etc. (Krasnostanova *et al.*, 2022). The paper notes that in any project (and, consequently, in a programme), two fundamentally different types of stakeholder interaction are implemented: in “milestone situations” and at the stages of the life cycle. Communication and information exchange are perceived as essential activities at each life cycle stage. It is caused by the need to organise joint implementation of pre-planned activities by stakeholders and is aimed at ensuring the information status of stakeholders relevant to their actions in the project. Organisationally directed interaction is implemented at the various stages of the life cycle, as stated by Kulinskiy (2020). The transport infrastructure in Ukraine needs to be improved through the implementation of infrastructure projects, especially after the war. Efficient transport of goods and passengers depends on achieving the best level of transport infrastructure.

Reliable transport infrastructure ensures the quality, safety, cost, and time of transport. This affects the country's transit potential, the competitiveness of the transport system, the efficiency of the transport sector and the competitiveness of domestic goods.

**2. Building a model of economic security of transport infrastructure**

Interaction during phased situations is considered a specific activity of "negotiation" among stakeholders. It occurs due to the necessity of modifying or significantly changing pre-planned activities and is intended to enable the stakeholders to develop a logical alternative for the

project's growth that aligns with their values. This type of interaction can only be value-based. The beginning of a "Situation Milestone" or bifurcation point is always caused by the prevalence of conflictual relations between stakeholders over synergistic ones, while the ending – vice versa (Lysyuk, 2023). The bifurcation point is often associated with the termination of project activities to jointly search for options for further development of the project/ programme, considering the stakeholders' own values (Fig. 1). It is objectively impossible for each individual stakeholder to make such a reflection. Problems that accumulate at bifurcation points need to be addressed during programme implementation.



**Figure 1.** Conceptual model of economic security of transport infrastructure

**Source:** developed by the author of this study

The change in relations between stakeholders from conflict to synergy at bifurcation points is based on the results of reflection on the project's own, strategic and service values. For this, the programme life cycle is divided into stages according to the number of bifurcation points. At the end of each stage, as one approaches the expected bifurcation point, the results achieved are comprehensively assessed and compared with the targets set for that stage. The principle of phased implementation is based on a clear monitoring, evaluation, and data collection system that allows for tracking changes over time and in line with particular programme objectives (Nikolskiy & Kramskiy, 2020).

It is advisable to conduct this analysis at each stage separately for the outputs and outcomes.

**3. Description and implementation of the economic security model for transport infrastructure**

In the monitoring model proposed above, the programme is divided by bifurcation points into stages (depending on the degree of complexity of the programme, there may be more stages, e.g., 4 stages are considered), with n output goals and m main results (in the example above, n = 20, m = 6). The assessment of the programme implementation is formed using a petal chart, on the axes of which the

indicators of achievement of the goals and their planned values of indicators are marked during the calculations. It is worth considering how this model works in greater detail. A petal chart of output (Sturgeon, 2009) goals consists of twenty axes that are evenly distributed around a circle and divide it into equal angles, indicating equality in achieving this goal.

The suggested monitoring model, which relies on creating diagrams of initial and final goals in the form of petals, demonstrates the degree of goal achievement at stage  $t$  relative to the planned level. Based on the results of the assessment of the programme's implementation at the current stage, the next stage of the programme is planned and adjusted. This model of programme management considers not only the internal links between projects but allows responding quickly to changes in the external environment. The reason for this is that at all stages it is possible to adjust activities according to latest changes in the external environment (Infrastructure projects with EBRD and EIB, 2023). Another advantage of the model under study is the ability to conclude whether the programme's objectives are balanced.

If a project involves several phases/industries, etc., a full set of values is generated:

$$Eprojp_M = Vproj_M \times Qaim_m \times (1 - AltW_M), \quad (6)$$

where  $QA_{imM}$  is the number of values considered.

If a program affects several phases/branches, etc., a full set of  $E_{projM}$  values is generated:

$$Ath_M = Eproj_M \times PTh_M + Kith_M \times A0th_{M^p} \quad (7)$$

where  $K_{ithM}$  is the number of project values considered,  $A0_{thM}$  is the allowable costs for the programme and projects.

This algorithmic model was used as the basis for the developed mathematical model, which belongs to the class of nonlinear models and allows managing the parameters of infrastructure project products as part of the programme (Yevdokimova & Zakharchenko, 2021). As a programme is a convoluted organizational operation with the highest degree of uncertainty, both inside and outside, it becomes extremely challenging to monitor, predict and hence regulate relationships within the programme. The essence and specifics of water transport infrastructure projects are defined. The main types of infrastructure projects in water transport have been identified: modernisation of facilities; replacement of facilities; restoration of facilities; development of existing facilities; and creation of new facilities. This product, on the one hand, must satisfy the interests of stakeholders, and on the other hand, the parameters of the project product determine its cost, duration of individual phase stages, etc. Therefore, the study (Tanaka, 2020) built a model for managing infrastructure project parameters for "standalone" infrastructure projects and for two objects interconnected by the project infrastructure.

The integrated project approach is used primarily during the period of economic recovery. This is exactly the case in the post-war period. According to the modern theory, scientists consider the policy of project and programme management, which has a vertical microeconomic nature. This type of project policy has an impact on certain groups of infrastructure actors and is mainly microeconomic in nature. There are several levels of infrastructure projects: from support for the entire infrastructure sector (or region), its sub-sectors, to support for individual enterprises (groups of them). As the level of efficiency increases, the effectiveness of government regulatory measures increases, while the risks of making wrong management decisions increase. The use of the project approach to regulate programming requires a comprehensive combination of system-wide and project-based policy measures in infrastructure aspects. A distinctive feature of project-oriented companies is that they operate through projects and programmes and apply a project-based approach to the implementation of their current production activities. As of 2023, many companies, including maritime transport, can be defined as project-oriented. Therefore, this paper uses the theory of uncertainty and the theory of complex economic systems management: graphical modelling, system analysis, statistical analysis, and economic analysis as a mechanism of own resources to solve the problems of navigation safety, specifically, to investigate transport infrastructure projects.

## Discussion

The maritime transport infrastructure includes all buildings, structures, and waterway communication systems of various modes of transport that meet the transportation needs of the population and industry (Danchuk et al., 2020). The main task of the regional transport infrastructure can be formulated as providing the necessary conditions for the functioning of the main production sectors and the efficient use of the region's economic potential (Dubnitskyi, 2021). This opinion, expressed by the authors, has general application to transport infrastructure at any level of consideration, city, regional, or national construction. The transport system can be considered as a set of subsystems of different modes of transport, including the Water Transport subsystem, which includes sea and river components. Accordingly, sectoral subsystems can be identified within the transport and transport and logistics infrastructure. According to conventional wisdom, the basic infrastructure of water transport consists of various components, such as waterways, information and navigation equipment, ports and enterprises providing water transport services. Waterways are intended for the movement of vessels and can be natural (rivers, lakes, seas) or artificial (canals, lock rivers with reservoirs, regulated river sections) (Nikolskyi & Kramskyi, 2020). By their very nature, waterways can be divided into inland and outer waterways. External routes include the seas and oceans, which are much deeper and are used primarily in natural conditions. Special aids to navigation or maritime fleets are used only on approaches to coastal

landmarks such as lighthouses or in ports that are in shallow waters or at the mouths of large rivers where the depth is insufficient for ships (Vereshchak, 2021b). A special dredging fleet is used to ensure the normal condition of waterways. Ship maintenance and repair is carried out at ship repair facilities. The main purpose of water transport infrastructure is to create conditions for efficient and safe transportation by sea, river, and mixed transport. The infrastructure serving the export potential needs to be modernised, but this also creates investment opportunities. The introduction of intermodal transport and the use of technological solutions to meet Ukraine's diverse import and export needs open more investment prospects (McCormick, 2020).

Ukraine's losses due to Russia's military invasion in terms of maritime resources and infrastructure were estimated in the study by O. Shumilova *et al.* (2023). Research has proved that a significant number of damages to water infrastructure were detected during the conflict. These include interruptions in water supply, surface water pollution, damaged dams, flooded mines, bacteriological contamination, and interruptions in the operation of hydropower plants. The water supply and wastewater treatment systems were also disrupted, affecting facilities, centralised water supply and wastewater treatment plants. Donetsk and Luhansk regions were most affected, with the largest number of incidents in the Siverskyi Donetsk basin. Other regions, such as Lviv, Ternopil, and Odesa, also recorded impacts on freshwater resources and water infrastructure. Critical water infrastructure, such as the Dnipro River reservoirs, is under threat, posing the risk of flooding and secondary radioactive contamination. It is to be expected that all these losses will require restoration during the post-war period. The model presented in this study can help in this regard, as it allows for more efficient restoration of infrastructure facilities in case of damage, especially when it comes to its maritime component.

The importance of data and their management for improving the efficiency of infrastructure projects is assessed in H. Halttula *et al.* (2020). The researchers emphasise the importance of avoiding sub-optimisation and data fragmentation by creating a unified and integrated project model. Data should be accessible, accurate, and stored in a common repository throughout the project lifecycle to benefit all stakeholders. Planning the data flow from a lifecycle perspective, especially from a maintenance perspective, is essential to addressing data and editing needs. The researchers also suggest using certain specific types of models to manage data more efficiently, which will help to save money and increase the profitability of projects during their economic cycle. Notably, the principles described in this study may also be useful in rebuilding post-war Ukraine. Another methodology for the formation of infrastructure projects was described in G. Aouad *et al.* (1995). The methodology described by the researchers combines two other methods of modelling and data analysis: information engineering and object-oriented analysis and design using computer software/systems engineering (which

provides automation of the created models). Although its development began in the 20th century, even now the use of such methods can be effective in the development and implementation of infrastructure projects.

G. Mejia *et al.* (2020) conducted a relevant study. The researchers assessed the reasons why infrastructure development roadmaps in developing countries were often delayed (not implemented on time). Their work has shown that there is currently no consensus among scholars and practitioners on standardising the causes and categories of delays. However, most often the main reason for the failure to implement roadmaps on time was financial difficulties (especially if the country has a low level of GDP (gross domestic product) and global competitiveness index (GCI) and poorly formed contracts). Contractors or subcontractors often caused delays by not performing their obligations: African countries often had difficulties with the supply of equipment and materials. For Asian countries, external influences and difficulties in planning infrastructure project processes were more often the causes of delays. Thus, this paper makes recommendations on how to avoid these issues: they are quite extensive and primarily related to improving the planning processes of various components of project implementation to prevent problems with them in the future. The government of Ukraine should also pay attention to these problems to prevent them from arising during the post-war reconstruction of the country. This is especially true given the importance of this process for the future effective development of the state and its exceptional scale.

Thus, the model proposed in this paper has several advantages, including the ability to assess the balance between the social and production goals of the programme. To achieve maximum efficiency in infrastructure project management, it is also important to consider costs, duration, and stakeholder interests. The mathematical models and algorithms described in the paper above help achieve a more efficient overall satisfaction of the needs of all stakeholders. Using mathematical models and algorithms, it becomes possible to control the parameters of infrastructure project products within the programme, considering factors such as costs, duration, and stakeholder interests. This is because the complexity and uncertainty associated with infrastructure projects require a comprehensive approach to managing relationships within the programme and forecasting changes. Thus, the state should pay much attention to the implementation of infrastructure projects, ensure that the representatives involved in its implementation are sufficiently qualified and that financial flows are managed to ensure their sufficient efficiency for the further functioning of these projects.

## Conclusions

The paper emphasised the importance of adopting a monitoring model based on bifurcation points and petal charts for effective management and evaluation of complex infrastructure projects. By dividing the programme lifecycle into

stages and regularly assessing the results achieved against planned indicators, project managers can make informed decisions and adjust activities in line with changing external conditions. This approach not only considers the internal linkages between projects but provides the flexibility to respond to a dynamic external environment. Modelling is based on formalised relationships between the cost, time, and other characteristics of a project and its programme parameters. This model defines a set of project parameters within a possible range of changes that maximises the value for stakeholders both during the creation of an infrastructure facility and during its subsequent management (operation).

During this study, a concept was formed, and a model was developed that allows managing the parameters of infrastructure project products within the programme. For dredging projects, models were developed to determine time and product parameters. Models of integrated management and coordination of products and resource allocation for river fleet, port, and inland waterway infrastructure

development projects have been built. Experimental calculations were also carried out with varying initial data, including constraints, which substantiated the models' compliance with the logic of product parameter coordination and their impact on project characteristics, as well as the reliability of the results obtained on their basis.

For investigations in the future, it is still relevant to develop other strategies to manage carrying out of infrastructure projects in Ukraine, along with comparative analysis to measure the benefits and drawbacks of each approach. Furthermore, an assessment of foreign practices in this area may be relevant to improve the effectiveness of such models.

## Acknowledgements

None.

## Conflict of Interest

None.

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## Концептуальна модель управління фазами реалізації інфраструктурних проєктів та програм у повоєнний час

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**Анотація.** Початок повномасштабного вторгнення Росії в Україну завдав значних людських, економічних та політичних збитків, а також руйнувань для інфраструктури. Тим не менш, у майбутньому усі отримані втрати мають бути відновлені. Таким чином, актуальним залишається формування моделей управління реалізацією інфраструктурних проєктів, зокрема в Україні в її післявоєнних умовах. Метою роботи стало побудувати модель, що дозволила б у майбутньому забезпечити найвищу ефективність управління під час реалізації інфраструктурних проєктів у повоєнний час, описати можливості її використання на практиці. Основними методами, що були використані під час проведення дослідження, стали аналіз, моделювання та абстрагування. Таким чином, в рамках дослідження було побудовано концептуальну модель управління за реалізацією інфраструктурних проєктів та програм у повоєнний час. Також виконано аналіз сучасної теоретичної бази управління інфраструктурними проєктами, виокремлено проблему обґрунтування параметрів продуктів інфраструктурних програм та проєктів. Описувалися мережеві моделі, їхні особливості та можливості використання для надання більш чіткої картини робіт проєкту, більш ефективного управління ресурсами на ньому. У роботі підкреслюється, що інфраструктурні проєкти часто поділяють на дві фази: створення та експлуатація; крім того, описується важливість інфраструктурних проєктів для ефективних перевезень вантажів і пасажирів та їх вплив на конкурентоспроможність транспортної системи. Дане дослідження дозволяє більш детально зрозуміти особливості управління фазами реалізації інфраструктурних проєктів, особливо в умовах повоєнного часу, а також привносить нові знання для менеджменту у розрізі побудови масштабних інвестиційних програм

**Ключові слова:** економічно-математичні моделі; водний транспорт; економіка України; менеджмент; макроекономіка

**Personnel development strategy  
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**Abstract.** The investigation and research conducted on ensuring the competitiveness of enterprises have shown that the strategy of personnel development, particularly its adaptability to the instability of environmental factors, has a significant impact on their level. One of the crucial elements of a company's success is the careful selection of personnel based on their relevant competencies. These competencies should be developed while achieving the company's goals and be monitored and evaluated. The purpose of this study was to identify areas for the development of the company's human resources and to develop an effective human resources development strategy to ensure efficient and competitive operations. This study employs grouping, synthesis, and analysis to determine the primary competencies and factors affecting the personnel development strategy, alongside the methods of modelling and strategic diagnostics. The article provides a systematic approach for devising a personnel development strategy for an enterprise. It is based on a comprehensive study and analysis of factors that promote productive employee activity, especially on personal professional competences. The primary skills of production personnel in an enterprise are classified by their level of contribution to the personnel strategy, ranging from corporate to functional. This paper outlined the algorithm for developing and implementing a human resource development strategy that is in line with the modern world order and its challenges. The study determined the steps to implement the personnel development strategy of the enterprise within the context of active social communication and information activities. The grouped indicators that influence the strategy of the company's human resources development will allow considering the personal, social, and economic trajectories of the company's human resources development in the context of employee motivation to ensure high performance and competitiveness on the market

**Keywords:** personal qualities; competences; social factors; motivation

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## Introduction

In today's competitive environment, it is important for businesses to ensure not only efficient operations, but long-term staff development. The rapid development of the external business environment causes an urgent need for the company and its staff to adapt to these changes. Proper planning, clear organisation, proper motivation, and an effective system of control over the work of the company and its human resources determine the efficiency and effectiveness of the company's activities and its level of competitiveness.

Human resources are the key link and driver of the company's development. It is vital to bring together competent and dedicated employees into a team that is committed to the company and their own personal development. When examining personnel development in the context of current competitive factors, it is recommended to identify current issues and problems that have already been studied but require further investigation

M. Armstrong (2020) made a noteworthy contribution to the research on the components and factors of staff development. Internal and external factors in human resources management are highlighted, which allows simplifying the analysis of the environment in the system of developing a personnel development strategy and identifying strengths and weaknesses in the development of the organisation as a whole.

Thus, M. Zos-Kior and M. Semenyuta (2020) formed the key goals of implementing the personnel strategy and identified the tasks of strategic personnel development, based on the provision of personnel according to the firm's strategy, the specific features of forming the internal environment of the organisation and eliminating contradictions in personnel management.

O. Mantur-Chubata *et al.* (2022) structured the main components of the management of professional development of enterprise personnel, which helped analyse them according to the main management functions and to highlight the main tasks of the personnel development strategy in implementing each individual function. Based on the proposed tasks of implementation of the enterprise's personnel development strategy, the stages of their implementation are defined, and special attention is paid to the training of employees.

V. Voronina (2021) investigated the role of the enterprise's personnel development strategy in the strategic management system. The study proposes a methodology for assessing the effectiveness of training and development of personnel and considers the stages of implementation of this methodology. It was found and substantiated that the success of strategic management largely depends on and should be based on an effective system of personnel management strategy.

Typically, researchers focus on the importance of the organisation's human resources, the formation of a human resources development strategy based on the key competencies of employees, and the proposal of an algorithm for the development and implementation of a human resources development strategy for companies.

Numerous studies by foreign and Ukrainian researchers have been devoted to the development of organisational staff. One notable foreign researcher is M. Armstrong (2020), who in his research paid a significant role to the problems of long-term personnel development, specifically the possibility of providing the company with personnel under the influence of changing factors of the external environment and the internal environment of the organisation.

According to G. Mintsberg's (2018) research about management styles in different organisations, a successful manager plays a vital part in developing the personnel of the company. The research suggests specific areas of employee development based on individual characteristics and qualifications.

P. Druker (2020) investigated the impact of each employee's productivity on the performance of the organisation as a whole, which in turn affects competitiveness.

Further development is needed in effective organisation and motivation of the company's personnel, based on the strategic priorities of the company's development and its competitive advantages.

The purpose of this study was to identify areas for the development of personnel of enterprises based on key competencies and personal qualities of employees and to develop a strategy for personnel development to ensure efficient and competitive activity.

## Materials and Methods

The works of the authors upon which this study is based are worth noting: theoretical aspects of strategic management of personnel development by R.A. Noe *et al.* (2017), V. Voronina (2021), N. Havkalova (2020), M.R. Buckley *et al.* (2019), S. Stoyanova *et al.* (2019), H. Adoli & J.M. Kilika (2020), the issue of staff development as a factor in ensuring the competitiveness of the enterprise (Kosova *et al.*, 2022; Zos-Kior & Semenyuta, 2020; Lazorenko, 2021).

When examining the trends in the company's personnel development, the study employed methods such as synthesis, analysis, modelling, and interviews to process a more extensive range of sources.

To consider the features of the enterprise's personnel development strategy, the methods of generalisation and systematisation were used. The process of developing a personnel development strategy was formed using the analysis and grouping method.

The system analysis was used to identify the main environmental factors and the specific features of their impact on the activities of enterprises and personnel development. An important stage was the identification of methods for evaluating the company's personnel, as well as the description and improvement of the employee evaluation algorithm, for which purpose the grouping and abstract-logical methods were used.

A survey of employees was conducted to obtain information on the main competencies and components of the

impact on the efficiency of work performed, which was obtained through questionnaires and interviews. The survey was conducted among employees of state-financed institutions (educational institutions), trade and manufacturing enterprises, and catering establishments. Employees were asked questions orally, and some filled out questionnaires. In total, about 40 employees took the survey. Upon analysing the respondents based on their professions, one may observe that they include teachers, sales managers, administrators, salespeople, warehouse workers, and cooks. The use of these methods allowed getting answers to the following questions:

What is the level of employee satisfaction with their work?

What factors affect their productivity?

What motivates them to develop professionally?

What is the psychological atmosphere in the team?

Strategic diagnostic methods were used to analyse the competitive environment of enterprises.

Research involving human subjects was conducted according to the norms of the Declaration of Helsinki (1975). All participants were fully informed that anonymity was assured, why the study was being conducted, how their data would be used, and the risks involved.

Graphical and tabular methods are used to visualise the results of the study and to interpret the classifications and groupings of the indicators under study schematically.

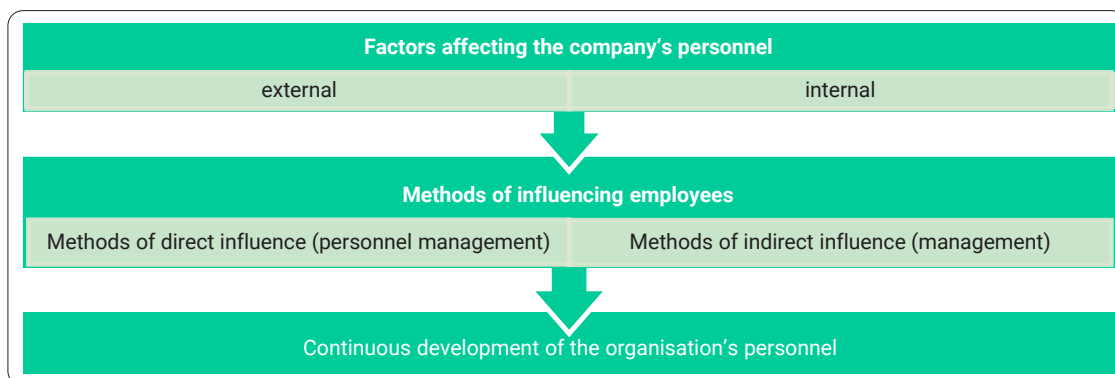
## Results and Discussion

The importance of personnel development in an enterprise's operations is driven by changes in the business environment, which encourage management to take measures to unleash the personal potential of employees and increase their ability to make a significant contribution to the organisation's performance. To ensure proper and effective personnel development, it is important to develop and implement a personnel development strategy as part of the company's existing strategy. This allows setting a clear goal and formulate long-term personnel development objectives. Management outlines the course of staff development, and employees themselves, seeing the prospects for their own development, are motivated to be more

productive in a particular organisation and become committed to the company and its goals.

The overall results of the survey on employee job satisfaction show a variety of responses. Most employees (approximately 60%) express average job satisfaction, indicating that their feelings fluctuate depending on the circumstances. Approximately 20% of respondents are highly satisfied with their work and say that they find real satisfaction in it and achieve personal development. Another 20% showed a low level of satisfaction, citing mismatched expectations and routine tasks. The factors affecting labour productivity were diverse. Most employees (approximately 70%) noted the importance of clear communication, opportunities for professional development and recognition of their contributions. Favourable working conditions (for 60% of respondents) and the possibility of work-life balance (for 50%) also have a significant impact. The motivation for professional development is mainly related to the desire to achieve greater expertise and career growth (approximately 65%). Personal satisfaction from learning and development is important for 25% of employees, while 10% showed less interest in professional growth. With respect to the psychological atmosphere within the team, almost three quarters of the respondents (about 75%) stated that the work environment is friendly and supportive, and that it fosters cooperation and mutual support. Nevertheless, about 20% reported instances of conflict or tension that affect the overall comfort of the work environment. The availability of opportunities for social interactions and joint activities was positively assessed by more than half of the respondents. Overall, the survey highlights that satisfied employees and a favourable working environment are key aspects to increasing productivity and professional development in an organisation.

M. Armstrong (2020) suggests that devising a human resources development strategy involves identifying the external and internal factors that influence staff. Based on this, management methods can be proposed for both direct and indirect influence on company employees, which can contribute to the organisation's staff's continuous development (Fig. 1).



**Figure 1.** The process of developing a personnel development strategy

**Source:** compiled by the author based on M. Armstrong (2020)

External factors include social, economic, political, environmental, financial, and technological ones. Internal factors include management, vision, structure, culture, and strategy.

Considering the methods of influencing employees in the process of implementing the human resources development strategy, the methods of direct influencing define the particular functions of managers in the interaction with employees and in the use of methods of influencing employee behaviour, while the methods of indirect influencing are aimed at developing, implementing and evaluating the effectiveness of recruitment, evaluation, remuneration and development of employees.

While developing an HR strategy for an organisation, it is necessary to align it explicitly with the organisation's goals, mission, and objectives, while considering the factors of the external and internal environment, as well as the personal qualities and abilities of each employee and their motives. According to the consideration of social factors of management, there are 4 main goals of implementing a personnel development strategy: employees' contribution to the work performed, staff placement, competence, and commitment (Zos-Kior & Semenyuta, 2020).

One of the aspects of this process is the need to explain to employees the importance of each of them and their work in achieving the organisation's goals and objectives, thanks to their competence, dedication and correct placement of personnel at all stages of the enterprise's activities. Once the goals of personnel development have been set, it is important to understand and formulate the tasks in this process.

The personnel management process involves supplying the enterprise with the required personnel based on its priorities; creating an internal organizational environment where values, needs, and culture stimulate human resources reproduction; resolving centralization-decentralization issues in staffing; efficiently organising work; motivating employees as per the company's growth strategy and designing an adequate employee monitoring system.

More specifically, L. Lazorenko (2021) proposes ensuring staff development by accomplishing the following tasks: arranging professional training for employees, creating favourable conditions to ensure effective staff work and implementing a flexible postgraduate education system; organizing production-based adaptation for personnel, professional development and qualification promotion to achieve strategic management goals; ensuring that the employee's abilities, interests, and skills, as well as their educational and professional potential, are fully utilised for implementing innovations and advanced technologies in practice, thereby increasing the flexibility and competitiveness of the organisation in the market; evaluating and certifying personnel, fostering positive attitudes towards the organization and its management through deliberate career planning for employees, effective material and non-material incentives for their development, and increasing the organisation's prestige and attractiveness among young people and other population groups. The personnel development strategy is a component of the enterprise's

personnel strategy and is aimed at addressing the following issues: determining the quality of personnel, developing criteria for recruiting employees, forming the structural and staffing table of the enterprise, and identifying areas for advanced training of certain categories of employees (Lazorenko, 2021; Shaulska *et al.*, 2021).

In the current economic climate, there are growing demands on staff in business enterprises. In today's labour market, it is not enough to have high qualifications and professional skills; personal qualities and abilities are also valued, and these, combined with qualifications, make an employee competitive and sought-after in the labour market. Making timely and effective management decisions is vital while being influenced by various factors of the micro and macro business environment. It is important to have a prominent level of stress resistance and adaptability to the activity.

It is common for students to receive theoretical training with only partial practical exposure to current industry standards. As a result, they may face difficulties in adapting the knowledge they have gained to the specific activities and delegated powers within a company once they start their career after graduation. Employees should remain open to learning and be willing to improve their knowledge about their roles. When motivated, experienced employees who love their job and work towards achieving organisational goals take on the role of a coach, it can become a highly effective staff development strategy.

Besides having the necessary qualifications, an employee should have certain personal qualities and abilities. These include organizational and communication skills, quick response time, adaptability to change, loyalty, and willingness to move when required. It is also important to continuously improve your business and personal qualities, develop your labour and innovation potential, be ready to take on delegated powers and extra tasks, have a desire for professional growth, and work cooperatively with others in the team. Supporting business ethics, following labour discipline, and adhering to organisational culture are also essential.

When developing a personnel development strategy, it is advisable to consider the following alternatives: investment strategy, incentive strategy, and engagement strategy.

The author of this study proposes to implement the above-mentioned type of strategy at enterprises according to the algorithm presented in Figure 2.

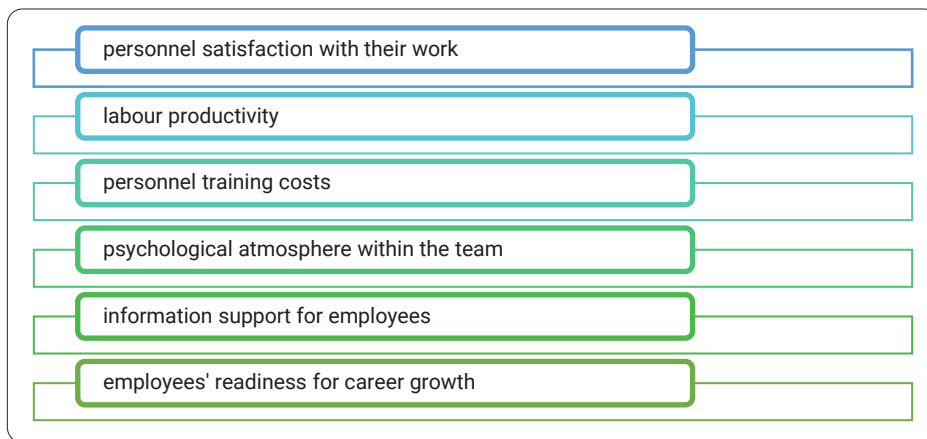
When implementing the personnel development strategy, the authors of this study propose to follow these aspects: professional training of personnel, career management, formation of a personnel reserve, and development of organisational culture. All these activities aim to develop not only professional abilities and qualifications but also to ensure that the organisational culture of the enterprise, including common values and traditions, is developed. This helps to create and develop a stable workforce that is focused on achieving common goals and objectives.

When implementing the above areas of personnel development, it is worth noting the indicators that will affect the quality of the personnel development strategy (Fig. 3).



**Figure 2.** Algorithm for developing and implementing a human resources development strategy

**Source:** compiled by the author based on A. Gruzina & V. Deryhovska (2014); T. Bilorus (2018)

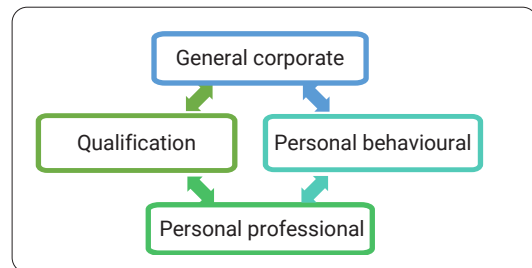


**Figure 3.** Indicators that influence the implementation of the personnel development strategy

**Source:** compiled by the author of this study

The competence of the company’s personnel is a vital component in its formation and development. Staff performance evaluations should be carried out, but the HR manager should also systematically carry out questionnaires and interviews with employees. This will help to identify the key abilities of a particular employee and use them effectively in professional activities, identify employees with needs for professional growth, leaders, and find sources of new ideas and non-standard solutions to work problems.

During the study, the main professional and personal competences of the enterprise’s personnel are considered based on scientific sources and supplemented with the most relevant ones in modern realities (Fig. 4).



**Figure 4.** Groups of employee competences in enterprise personnel development

**Notes:** developed by the author of this study based on V. Deryhovska, 2013; T. Hulyk & A. Kobzev (2018); T. Bilorus (2018)

The main competences in the context of the above groups were considered in greater detail.

General corporate competencies: understanding of the strategy and specifics of the organisation's activities, focus on enterprise development, result orientation, adherence to the company's mission and corporate goals. It is important that employees are aware of the company's strategy and understand that their personal performance will make an important contribution to the achievement of the organisation's goals, which is one of the aspects of employee motivation.

Qualification competences are divided into two groups – personal professional and personal behavioural competences. Personal professional competencies include compliance with labour standards, effective application of knowledge, skills and abilities, mastery of computer technology and modern information systems, ability in planning and organising work, ability to perform complex tasks, ability to utilise working time rationally, ability to complete the work on time and within the stipulated timeline, production of high-quality work, orientation towards performing tasks safely and in compliance with safety regulations, as well as possessing the desire and ability for professional growth. The efficient use of working time is highly appreciated in contemporary times, and personal time management enables one to prioritize essential daily tasks while also scheduling less productive work and rest. Short breaks at work enable the employees to restore their work performance. Furthermore, the rational use of working time allows completing tasks quickly and on time, even with limited deadlines.

Many employees strive for professional development when given the chance for career progression. This motivation often compels them to gain a better understanding of their work, and in turn, enhance their task performance. Personal behavioural competencies include responsibility, organisation, punctuality, communication skills, adaptability, independence, initiative, teamwork, persistence to achieve goals, leadership, authority, self-control, discipline, stress resistance and conflict resolution. The personal professional competencies of employees play an equally significant role. Business leaders highly value the organisation and initiative of their employees at all levels, and stress tolerance is increasingly valued by employers. Humanity is living in a time of constant stress, especially in recent years (pandemic, war), and when stress affects human performance and productivity, it has an immediate impact on the organisation's performance as a whole.

Companies often conduct special trainings on stress resistance, adaptability, organisation, leadership skills, etc. Such trainings help to develop and improve the above-mentioned abilities of employees and reveal hidden talents.

Another important competency is the ability to work in a team. By building a team that is friendly and committed to the organisation, management can be confident of high performance and lower staff turnover. An essential element here will be a leader who can develop teamwork and create a favourable social climate in the team.

Using the above competencies, it is proposed to develop questions for questionnaires and interviews with employees. It is advisable to conduct an initial interview when hiring a new employee. The results of such a survey will allow assessing the employee's general competencies, and by observing their work performance and behaviour in the team, one will be able to adjust the methods used to influence a particular employee. Conducting a methodical employee survey can be effective. Additionally, it is essential to hold informal talks and observe the staff members, in which the managers discreetly attend to their queries and receive relevant information about the employee's work attitude, management preferences, motivation level, etc.

The employee survey and evaluation results can assist in identifying the contribution of staff towards the work performed and its outcomes such as innovation, flexibility, efficiency, and creativity. Other elements to consider include employees' rational placement, their competence level, ability to identify with and be part of the organisation, which in turn can determine the goals of the personnel development strategy.

An increasing number of Ukrainian and foreign researchers are investigating the role of enterprise personnel and its development in the overall strategy of the enterprise. When analysing the aspects of developing a human resources development strategy discussed in the paper, it is important to note that an essential issue is the assessment and analysis of staff competencies to determine their level of development in order to design an effective human resources development strategy in general.

The process of developing an enterprise's personnel development strategy is supplemented and graphically presented in Figure 1, using the results of research on enterprise personnel in Armstrong (2020). This approach enables the consideration of internal and external factors that affect the organisation while developing the HR strategy; furthermore, it facilitates the identification of methods to influence employees and specific features of a particular employee group to be taken into account during strategy development.

Per the social factors of influence on the development of enterprise personnel according to Zos-Kior & Semenyuta (2020), it is noted that in the context of considering the contribution of employees to the work performed, the specifics of the personnel placement, employee competence and commitment, this study managed to determine the levels of staff motivation in implementing the strategy of their development. Notably, a dedicated employee will be motivated to develop and grow within the company in their profession.

When developing a strategy, it is advisable to use indicators that can be used to assess the level of development of the company's personnel. Proceeding from this, the author grouped the indicators that influence the level of staff development, among which are the following: labour productivity, employee job satisfaction, staff training costs, socio-psychological climate, information support and readiness of employees for career growth. Information

for the analysis of these indicators can be obtained from the organisation's management, as well as through interviews and questionnaires with employees.

The works of V. Deryhovska (2013) and T. Hulyk & A. Kobzev (2018) consider and investigate the main staff competences, the analysis of which should be given considerable attention when developing a staff development strategy. Specifically, it is advisable to study them at the stage of analysis of internal factors of influence on the enterprise's personnel, as presented in Figure 3: algorithm of the process of developing a personnel development strategy. Unlike previous authors, this study identified four groups of competencies. These include general corporate, personal behavioural, qualification, and personal professional. Thus, personal behavioural competencies currently play a significant role in staff development, as they allow determining the level of staff motivation for development based on the psychological aspects of a particular employee's personality development.

Developing a universal system for the advancement of a workforce in an enterprise can be challenging due to the unique personality traits, psychological factors, qualifications, and professional expertise of each employee, which necessitates the refinement of the workforce development strategy for specific groups of staff and at times for an individual employee. This causes difficulties and added costs in terms of managerial time, material, and financial expenses.

The company's staff is a factor in its competitiveness and productive activity. Increasing the level of staff development can be achieved through training, as evidenced by G. Bay's (2018) research results. It is training that has now gained wide popularity in all spheres of our lives and is relevant in developing personal and professional qualities, stress resistance, organisation, etc.

### Conclusions

It is the responsibility of the HR manager to ensure that the company has the necessary staffing levels. However, their most important task is to recruit staff that are professional, qualified, and prepared for continual development.

Productive and efficient work by employees is crucial in achieving a company's business objectives, meeting customer needs, implementing strategic business lines and, ultimately, enhancing the company's competitiveness. It is vital to recruit capable personnel and guarantee their professional development within the organisation. Additionally, it is necessary to enable personnel to build personally relevant skills, not just professional qualifications. During the various stages of forming and implementing the personnel development strategy, it is crucial to fully assess and analyse the main indicators of personnel development and vital personal professional and personal competences. In staff development, it is important to focus on not only productivity and efficiency indicators, but also the social and psychological indicators of employees' adaptation and personal growth. Based on a consideration of employees' competences in developing enterprise personnel, this proposal suggests dividing them into separate groups according to their importance in professional activity. Identifying and improving employees' competencies can help to develop highly qualified professionals who can grow and advance their company.

By adhering to a specific algorithm for formulating and executing a personnel development strategy, managers can guarantee an adequate level of staff progression, avoiding waste of time and ensuring logical sequencing of tasks. Motivating employees to enhance their skills continuously and offering training and education to new recruits as part of their responsibilities and tasks is crucial.

During further research, it is important to develop ways to ensure the adequate level of motivation of a modern employee, as well as ways to implement the company's personnel development strategy adapted to particular sectors of the economy.

### Acknowledgements

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### Conflict of Interest

None.

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## Стратегія розвитку персоналу як напрям забезпечення конкурентоспроможності підприємства

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**Анотація.** На основі вивчення і дослідження питань забезпечення конкурентоспроможності підприємств виявлено значний вплив на її рівень стратегії розвитку персоналу, а особливо його адаптивності до нестабільності чинників зовнішнього середовища. Персонал як один з ключових факторів успіху компанії потребує ретельного підбору за відповідними компетентностями, розвитку в процесі реалізації цілей підприємства, оцінки та контролю. Метою роботи є виявлення напрямів розвитку персоналу підприємств та розробка ефективної стратегії розвитку персоналу для забезпечення ефективної та конкурентоспроможної діяльності. У процесі дослідження використано метод групування, синтезу та аналізу для визначення основних компетентностей та факторів впливу на стратегію розвитку персоналу, метод моделювання та стратегічної діагностики. Запропоновано покрокові напрями розробки і реалізації стратегії розвитку персоналу підприємства, які ґрунтуються на усебічному вивченні і аналізі факторів забезпечення продуктивної діяльності працівників, зокрема на особистісних професійних компетентностях. Згруповано основні компетентності виробничого персоналу підприємства відповідно до рівнів реалізації кадрової стратегії від корпоративного до функціональних. Окреслено алгоритм розробки та впровадження стратегії розвитку персоналу відповідно до сучасного світоустрою і його викликів. Сформовано напрями реалізації стратегії розвитку персоналу підприємства в умовах активних соціальних комунікацій та інформаційної діяльності. Згруповані автором показники, які впливають на стратегію розвитку персоналу підприємства дадуть змогу врахувати особистісні, соціальні та економічні напрями розвитку персоналу підприємств в контексті мотивації працівників задля забезпечення високих результатів діяльності та конкурентоспроможності на ринку

**Ключові слова:** особисті якості; компетентності; соціальні чинники; мотивація

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### Challenges of implementing the EU's economic initiatives for the Global South

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**Abstract.** The topic of the study related to the implementation of economic initiatives is relevant, as the countries of the Global South have developing economies and exciting potential for growth and cooperation. Their economic strengthening could have an impact on the geopolitical picture of the world. The European Union, as one of the largest economic blocs in the world, has interests in supporting and cooperating with these countries to ensure stability and growth. The purpose of this study was to analyse and highlight the importance, complexities, and prospects of implementing economic initiatives that the European Union is implementing in the countries of the Global South. Among the methods used were analytical, statistical, functional methods, as well as methods of system analysis, deduction, synthesis, and comparison. The study highlighted the importance of the European Union's economic initiatives for the Global South, the significance of cooperation between these regions and the benefits for both sides. The study analysed the main challenges faced by the economic initiatives of the European Union in the context of the Global South, namely, political, economic, social, and cultural factors that complicate the implementation of these initiatives. Potential opportunities for the development of the countries of the Global South as a result of the EU's economic initiatives have been explored, namely opportunities to attract foreign investment, support economic growth and reduce poverty in these countries. Based on the analysis, particular recommendations were made to improve the implementation of the European Union's economic initiatives for the countries of the Global South. The practical value lies in the use of the identified results, solving issues related to the implementation of initiatives to bring this process to a new level

**Keywords:** cooperation; integration; government policy; trade agreements; foreign investment

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## Introduction

In the world of today, global issues and challenges require joint efforts and international cooperation to achieve sustainable development and improve living standards. The European Union, as one of the world's leading economic and political powers, uses its initiatives to promote the development of the Global South. The Global South is a group of countries found in Africa, Asia, Latin America, and the Caribbean that are mainly characterised by low levels of economic development. The implementation of the EU's economic initiatives in these regions poses major challenges and obstacles that require careful analysis and effective solutions. Countries in the Global South, which includes developing and underdeveloped countries, face complex challenges such as economic inequality, underdevelopment, and limited access to resources. In this context, the economic initiatives of the EU may appear as a means to enhance the situation, guarantee sustainable economic growth, and bolster socio-economic development and poverty alleviation in these countries. However, the implementation of these initiatives is not an easy and seamless task. Political instability, geopolitical conflicts, economic obstacles, and underdeveloped infrastructure are just a few of the challenges that countries in the Global South face in implementing the EU's economic initiatives.

K. Khushvaktzoda (2022) argues that the European Union's economic initiatives are aimed at promoting the development of the Global South and ensuring sustainable economic growth, improving living standards and reducing poverty. One of the key aspects of implementing the EU's economic initiatives is financing. Ensuring adequate funding for projects and programmes is essential for their successful implementation and achievement of positive results.

According to A. Arsenko (2022), the implementation of economic initiatives should be aimed at achieving sustainable development and sustained improvement of the economic potential of the countries of the Global South. A long-term perspective, ongoing monitoring, and evaluation of results are essential elements of successful implementation of initiatives. Overcoming challenges and ensuring sustainability also requires support for technological development and innovation. The introduction of innovative technologies and digital solutions can help increase efficiency, competitiveness, and the development of new economic sectors in the Global South.

O.V. Tolkachenko (2023) believes that the implementation of the European Union's economic initiatives should consider the context and cultural characteristics of the countries of the Global South. Respecting local needs, values and traditions can help ensure that initiatives are implemented effectively. Countries in the Global South have their own distinct traditions, values, and modes of operation. Considering these characteristics is crucial in supporting and reinforcing regional establishments, promoting the involvement of regional communities in decision-making processes, and securing the backing of local inhabitants.

According to D.I. Petriv (2021), the countries of the Global South face significant economic inequality, which creates difficulties for the implementation of the European Union's economic initiatives. The focus should be on reducing these inequalities and promoting sustainable economic growth. By ensuring fair allocation of resources and supporting marginalized communities, one can establish the conditions for sustainable economic development and enhanced living conditions.

S.P. Kravchuk (2022) argues that in implementing the EU's economic initiatives, it is important to ensure inclusive development, which means considering the needs and interests of all segments of the population, including vulnerable groups, women, youth, and local communities. An inclusive approach helps ensure that the benefits of economic development are distributed fairly and that everyone has equal opportunities. The European Union's economic initiatives towards the Global South are the subject of considerable interest and study. The researchers focus on analysing the effectiveness of these initiatives, identifying factors that facilitate or hinder their implementation, and determining the impact of these programmes on trade, economic cooperation, and business development in the Global South.

The purpose of this study was to analyse and understand the challenges faced by the European Union and the countries of the Global South in implementing economic initiatives. The study was intended to determine the primary factors that impact the effectiveness of initiatives and provide techniques and advice to overcome these obstacles.

## Materials and Methods

The study of official documents and reports, namely the World Bank Open Data (2023), was used to draft this paper. The analytical method helped to explore the essence of the problems and challenges faced by the European Union through a detailed analysis of facts, data, and information. This approach offered an insight into the causes, consequences, and dependencies between the factors that influence the implementation of economic initiatives. The statistical method was used to collect and study statistical data on economic indicators, social indicators, etc., as well as to assess the effectiveness of the implementation of initiatives, identify trends, and identify problem areas.

Using the functional method, the study examined the economic initiatives of the European Union in terms of their functional suitability and impact on the development of the countries of the Global South. This approach also assisted in determining the particular issues addressed by the initiatives, their economic and social outcomes, and their contribution to sustainable economic growth and poverty reduction. The application of the system analysis method helped consider the challenges of implementing economic initiatives as part of a larger system – the global economy and political context. System analysis helped identify the interconnections, interactions, and interdependencies

between various factors, as well as assess the impact of external factors on the implementation of initiatives.

The deduction method helped identify general principles and provisions that characterise the EU's economic initiatives for their application to particular situations in the Global South. Using the synthesis method, the study combined various aspects, research, and approaches to obtain a comprehensive view of the challenges of implementing the EU's economic initiatives in relation to the countries of the Global South. The comparative method was employed to investigate diverse approaches and practices of introducing economic initiatives in various Global South nations. This analysis aimed to determine the most effective strategies, identify key determinants of success and suggest potential pathways for improving initiative implementation.

The theoretical aspect involves consideration of various approaches, concepts, and models used to analyse economic development, international cooperation, and social inclusion.

Another aspect of the study was the analysis of particular situations, programmes, projects, and policies used to implement EU economic initiatives in the Global South.

## Results

The countries of the Global South, which are in Africa, Asia, Latin America, and the Caribbean, are a group of countries that are mostly characterised by low levels of economic development. However, despite these challenges, they have immense potential for growth and progress. Countries such as China, India, Brazil, and Mexico are at the forefront of economic development (What is the Global..., 2023). Globalisation has opened unprecedented opportunities for economic growth in East and Southeast Asia. Even in 2022, during the COVID-19 pandemic, the top nine countries in the world in terms of gross domestic product (GDP) growth are from the Global South. For instance, the economic growth rate in Argentina, which belongs to this region, is twice as high as the growth rate of the economy of the Netherlands, which belongs to the countries of the "North" (Is the Global South..., 2023).

One of the main factors determining the importance of the Global South is its population. These countries have

considerable demographic resources, which creates opportunities for domestic market development and economic growth. The multi-million population is a source of labour, which contributes to industrial production and the development of the service sector. Furthermore, the countries of the Global South are rich in natural resources. They have significant reserves of oil, gas, mineral ores, and agricultural products. This creates opportunities for exports and foreign investment. However, dependence on raw material production can also be a challenge, as it threatens the sustainability of the economy and can lead to uneven distribution of profits. The countries of the Global South also have considerable potential in the field of innovation and technology. Many of them are rapidly developing in the fields of information technology, biotechnology, renewable energy, and other sectors that stimulate economic growth and increase competitiveness (Jakovljevic *et al.*, 2021).

The countries of the Global South face significant challenges that affect their social, economic, and political development. Poverty is one of the key issues for the countries of the Global South. Many of these countries have prominent levels of poverty and low incomes. Poverty affects access to basic needs such as food, housing, education, and healthcare. There are significant economic inequalities between the rich and the poor. This often leads to social tensions, conflicts, and inequality in the distribution of resources. Many countries face political and social instability, internal conflicts, and violence. This creates adverse conditions for economic development and social progress. Poor infrastructure, such as roads, bridges, electricity, and water supply, hampers economic development and limits access to basic services for the population (Vicol *et al.*, 2019).

Understanding these challenges and developing effective strategies to overcome them is an important task for countries in the Global South. This requires cooperation with international partners, development of innovative solutions, improvement of infrastructure, access to education and healthcare, and building sustainable and resilient development. To understand the economic development of some countries of the Global South, Table 1 was created using the following key indicators: GDP, GDP growth, Human Development Index, Gini index.

**Table 1.** The level of economic development of the Global South in 2021

Country	Indicators			
	GDP, trillion USD	GDP growth, %.	Human development index	Gini index
Brazil	1.609	11	0.765	52.44
India	3.176	19	0.645	35.91
China	17.73	20.1	0.761	47.3
South Africa	0.419	24.1	0.709	62.73
Egypt	0.404	10.6	0.707	31.78

Table 1, Continued

Country	GDP, trillion USD	GDP growth, %.	Indicators	
			Human development index	Gini index
Mexico	1.273	16.7	0.779	42.79
Nigeria	0.441	-1.6	0.535	42.78
Indonesia	1.186	12	0.718	38.52
Bangladesh	0.416	11.3	0.632	32.6
Pakistan	0.348	15.8	0.557	33.85

**Notes:** the Gini coefficient indicates the gap between the rich and the poor: the higher the coefficient, the greater the gap

**Source:** created by the author of the study based on World Bank Open Data (2023)

According to the information provided, the countries of the Global South, such as Brazil, Mexico, India, and China, are showing great economic power, which is reflected in high GDP. Countries such as South Africa, India, and China are characterised by rapid GDP growth rates, which indicates a dynamic economy. Mexico and Brazil, with a high human capital development index, can pride themselves on advanced education, access to healthcare and a high quality of life. At the same time, the countries of the Global South differ in terms of the Gini index, which indicates different levels of social inequality. In general, these indicators suggest that the countries of the Global South have various levels of economic development. Some countries have significant economic power and resources, while others are experiencing rapid economic growth. However, it is important to consider the existence of uneven income distribution and social inequality, which requires attention to achieve more sustainable and inclusive development.

The European Union's (EU) economic initiatives can play a vital role in addressing the challenges faced by countries in the Global South. It can facilitate trade with the Global South by concluding trade agreements and reducing trade barriers. This could provide southern countries with access to EU markets and boost exports of their goods and services. Expanding international trade can contribute to economic growth and job creation. The European Union can provide financial support and investment for infrastructure development in the Global South. This may include the construction of roads, bridges, energy systems, and other critical infrastructure (Friant *et al.*, 2021).

Infrastructure development will contribute to economic growth, improve living standards, and attract foreign investment. The EU can promote technological exchange and innovation with countries in the Global South. This may include sharing best practices, technological expertise, training and support to develop their own innovative solutions. The application of innovative technologies can improve productivity, increase competitiveness, and stimulate development in areas that are key for the Global South (Sahoo & Dash, 2012).

It is also important to note that the EU is focusing on human capital development and improving the quality

of education, healthcare, and social services in the Global South. This can help improve living standards, develop human potential, and support sustainable socio-economic transformation. However, it should be remembered that the economic impact of EU initiatives depends on many factors, such as the political will of countries, the degree of internal reform, the state of the institutional system and others. Furthermore, there may be challenges and constraints related to economic competition, social issues, and geopolitical factors. The European Union is implementing various projects and programmes within the framework of its economic initiatives to support the countries of the Global South. One of them is the EU-Africa Energy Partnership initiative, which aims to promote cooperation between the EU and African countries in the energy sector. The project implements projects to develop renewable energy, improve energy efficiency and support the sustainable development of the energy sector in African countries (Charles *et al.*, 2009).

Programme "Employment and Entrepreneurship for Youth in Latin America". This programme is aimed at supporting youth employment and entrepreneurship in Latin America. The project supports young entrepreneurs, provides financial and advisory services for the creation and development of youth enterprises (Veza, 2013). Another example is the Investing in India programme. This programme promotes India's attractiveness to foreign investment and facilitates cooperation between European and Indian companies. The programme includes joint projects, business forums, and investment missions to strengthen economic ties between the EU and India. One of the projects supported under the Investing in India programme was aimed at developing the renewable energy sector in India. With the help of EU investments, the infrastructure for energy production and supply using solar panels and wind turbines was created. This project has had a considerable impact on India's economic development (Sharma, 2022).

These examples are among the numerous projects and programmes implemented by the European Union to aid the economic development of the Global South. Each project addresses particular challenges and needs of countries

and aims to ensure sustainable development. Table 2 presents the projected effects of economic initiatives enacted by the European Union, as demonstrated through the

Investing in India initiative. With the figures from official sources, which are up to 2021, it was possible to extrapolate the data annually until 2030.

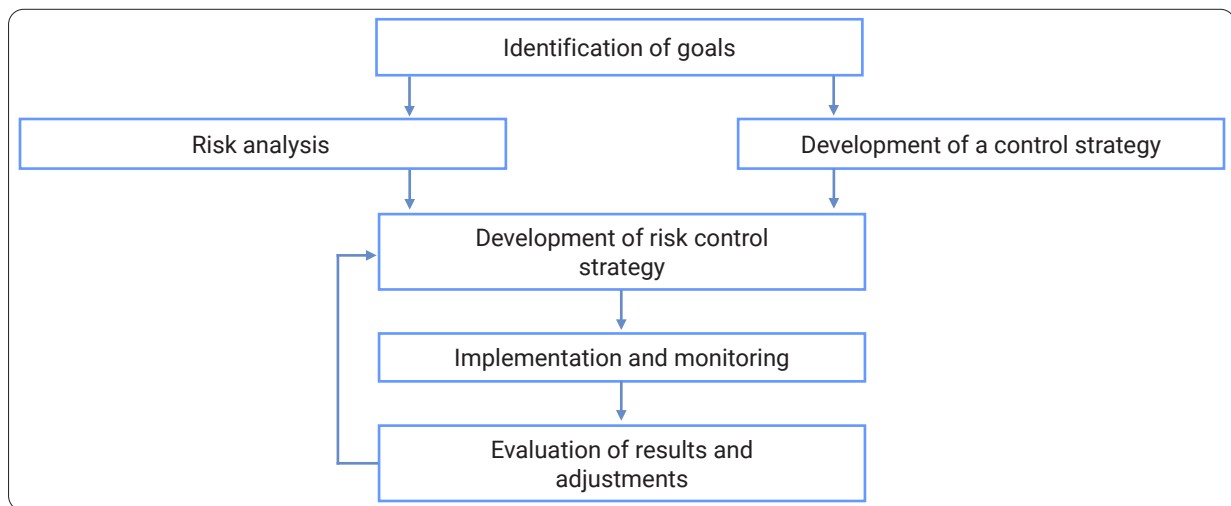
**Table 2.** Projected performance indicators of the Investing in India programme

Indicators	Year				
	2010	2015	2021	2025	2030
GDP, trillion USD	1.676	2.104	3.176	4.82	6.863
Inflation rate, %	10.5	5.8	5.5	5.3	5.2
Unemployment rate, %	8.3	7.9	7.7	7.6	7.6
Exports, USD billion	231	272	452	662	1073

**Source:** created by the author of the study based on World Bank Open Data (2023)

This project has an impact on infrastructure, innovation and research, and social development. Investment projects contribute to the development of transport infrastructure, energy, telecommunications, and other sectors that ensure the efficient operation of the economy. Investment stimulates research and innovation, which contributes to the introduction of innovative technologies, productivity improvements, and the development of high-tech industries. And they contribute to enhancing the quality of education, healthcare, and other social services that affect the overall standard of living of the population (Jain, 2021).

The project will contribute to the enhancement of India's economic performance, with success dependent on several factors, including political stability, efficient project management, investment attraction, and other external and internal factors. Furthermore, economic indicators are subject to fluctuations and changes depending on global economic trends and market conditions. Therefore, it is crucial to continuously monitor, evaluate, and adjust the project to ensure its enduring and sustainable impact on the economic development of India. For the successful implementation and tracking of the EU's economic initiatives in the Global South, it is imperative to utilise a fitting model (Fig. 1).



**Figure 1.** A model for effective implementation and monitoring of economic initiatives

**Source:** created by the author of this study

The initial step is to clearly define the objectives of the EU's economic initiatives for the Global South. These goals should be aimed at sustainable economic growth, improving living standards, reducing poverty, and supporting socio-economic development. The next step is to identify and assess potential risks associated with the implementation of the initiatives. These may include political, economic,

social, financial, and other risks. Based on the risk analysis, control strategies should be developed to manage and mitigate risks. This may involve implementing preventative measures, monitoring and identifying anomalies, as well as establishing contingency plans to rectify any issues that may arise. The next step is to implement economic initiatives and continuously monitor their implementation.

Monitoring should be systematic and include collecting and analysing data on progress, identifying deviations from the plan, and evaluating the impact of implemented initiatives. The final stage is to evaluate the results of the initiatives and adjust the model based on the data obtained. This enables the evaluation of risk control strategies, identification of any omissions, and enhancement of the model for future application. This model envisages a systematic approach to the implementation of EU economic initiatives and considers the need to control risks to ensure the effectiveness and success of the initiatives. It enables risk management and necessary adaptations to accomplish our objectives in the Global South.

The successful implementation of the EU's economic initiatives in the Global South may encounter various challenges that can impede progress, including project implementation and execution difficulties. The prominent level of corruption, bureaucratic obstacles, and instability of the legal system in these countries may complicate the implementation of economic initiatives. In addition, the lack of infrastructure, especially in the energy sector, can limit business development and foreign investment. Obstacles to implementing economic initiatives, such as in Bangladesh, can include extensive bureaucracy, intricate permitting procedures, and insufficient legal safeguards for businesses. Furthermore, insufficient education and skills in the labour force can affect the development of competitive industries (Mhatre *et al.*, 2021). The example of Kenya may be difficult due to the low level of infrastructure, particularly in the transport and energy sectors. There may also be problems with access to finance and credit for small and medium-sized businesses, as well as an unstable political situation that could affect investor confidence. In Peru, issues of land ownership and legal stability may arise, creating obstacles to investment and project implementation. There may also be issues with excessive informality and a lack of proper regulatory structure, which might impede entrepreneurship and foreign investment (Azadi & Vanhaute, 2019).

Studies have found that the economic initiatives of the EU have aided job creation, raised economic activity, and supported industrial development and technological advancements in the Global South. EU initiatives are also aimed at ensuring stability and security in the region. Economic development is a crucial factor in preventing conflicts, migration, and other problems arising from economic difficulties. Given the potential of trade and economic cooperation, the EU's initiatives are also aimed at expanding trade relations with the countries of the Global South. Reducing trade barriers, improving access to EU markets, and supporting the development of exports from the Global South can stimulate economic growth and create new opportunities for local businesses.

The execution of the EU's financial strategies in the developing nations encounters numerous obstacles that need to be considered. The complexity of bureaucratic procedures, insufficient financial resources, and poor infrastructure can slow down the implementation of such projects. To

address these challenges, simplifying administrative procedures and coordinating with different authorities is essential. Additional investment must be attracted, and financial support mechanisms, such as special funds or partnerships with international financial institutions, developed. Infrastructure projects, including the construction of roads, energy networks, and telecommunications infrastructure, must also be developed. Developing partnerships between the Global South and the EU, sharing experiences and technologies can also be useful in overcoming these challenges.

To enhance the efficiency of implementing the European Union's economic initiatives, it is advisable to streamline bureaucratic procedures and ease requirements for acquiring permits and licenses. This will help attract more investment and reduce business costs. It is crucial to invest in the development of transport, energy, and information and communication infrastructure to enhance project implementation's accessibility and efficiency. Financial backing and the establishment of a propitious atmosphere for innovative business ventures and start-ups will facilitate the growth of novel industries and technologies. Furthermore, investment in education, training, and skills development is important for creating a competitive workforce that must successfully implement projects. Collaboration with the private sector, including public-private partnerships, can offer supplementary resources and expertise for project execution. It is important to establish a transparent and stable regulatory structure, safeguard property rights, and enhance the legal system to cultivate a conducive investment environment. Implementation of these recommendations will help improve the effectiveness of the EU's economic initiatives and contribute to the sustainable development of the Global South.

## Discussion

Research conducted among the countries of the Global South highlights the importance of the European Union's economic initiatives. These studies confirm that EU initiatives have the potential to help countries in the Global South achieve sustainable economic growth, improve social indicators, and raise living standards. Given the significant disparity between developed and developing countries, EU initiatives aim to reduce inequality by backing the growth of economic sectors, improving infrastructure, sponsoring entrepreneurship, and creating conducive environments for economic expansion.

E.K. Prokkola *et al.* (2015) assessed the impact of EU initiatives on social development. The authors' research focuses on the social aspects of the Global South, such as poverty reduction, quality of life, improved working conditions, and access to education and healthcare. The evaluation includes the study of particular programmes and projects implemented under EU initiatives and their impact on social indicators. This includes analysing changes in income, employment, housing conditions, access to education and healthcare, gender equality, and the involvement of marginalised groups in socio-economic development.

The authors have identified positive developments in these areas, namely in raising the level of social protection and improving access to social services for low-income and vulnerable groups. To assess the impact of EU initiatives on the social development of the Global South, the author should also consider the contextual factors that influence the effectiveness of these initiatives. Such factors include political stability, economic situation, and socio-cultural characteristics of the recipient countries. The success of initiatives may rely on the involvement and engagement of the public sector, as well as the effective distribution of resources among various projects and initiatives.

L. Pereira *et al.* (2020) compared the success of initiatives in different regions of the Global South. This comparison helped identify key factors that facilitate or hinder project implementation in different contexts. Cultural and socio-cultural specificities, political conditions, economic factors, and social mobilisation have proven to be essential elements to consider when planning and implementing initiatives in the Global South. Considering these factors is a crucial stage in precisely targeting resources and creating tailored strategies that increase the chances of success for projects and initiatives. Notably, each region has its own distinctive challenges, and there is no universal solution that fits all countries. Contextual factors, such as cultural characteristics, political stability, economic structure, and institutional capacity, differ across the Global South. This means that EU initiatives should be adapted to the particular conditions and needs of each country, considering local peculiarities. Understanding these differences and developing flexible strategies will help ensure successful project implementation and achievement of desired social outcomes in each region.

The study by J. Harrison *et al.* (2019) assesses the impact of EU initiatives on the expansion of trade relations and economic cooperation between the Global South and the EU. It includes an analysis of changes in trade volumes, contribution to gross domestic product, and development of export sectors. Increasing trade between the EU and the Global South is achieved by concluding trade agreements, reducing customs barriers, promoting technical regulation, and harmonising standards. These measures show an increase in market access, facilitation of exports and imports of goods and services, and stimulation of investment inflows. In addition, fostering economic collaboration between EU countries and those within the Global South can involve collaborative endeavours, investment in infrastructure, knowledge exchange, and the transfer of technology. Such efforts facilitate the creation of joint ventures, the development of new economic sectors, and stimulate innovation.

A. Marx (2019) examined the role of public-private partnerships in the implementation of EU initiatives. Public-private partnerships help ensure greater confidence in the sustainability and longevity of projects. The civil society sector, represented by non-profit organisations, can make a valuable contribution to the development and implementation of social programmes, ensuring that the needs and

interests of the population are considered. The private sector, in turn, can provide funding and technical expertise to help ensure effective project implementation. Research confirms that public-private partnerships are essential for the successful implementation of EU initiatives. The author puts forward an important thesis that such partnership is a key factor in achieving social and economic goals and is an important mechanism for joint action. Public-private partnerships are important for countries in the Global South because they provide access to additional resources, foster innovation and development, and ensure greater involvement of local communities in decision-making, contributing to more sustainable and inclusive development.

M. Guerrero & D. Urbano (2019) investigated the effectiveness of EU initiatives in building economic structures and stimulating entrepreneurship in the Global South. They assessed what particular EU measures have been taken to support entrepreneurship, which sectors of the economy have received the most support, and how this has affected business development in these countries. The study highlighted the considerable impact of these measures on economic development and the business environment. EU initiatives support the development of small and medium-sized enterprises, help create jobs, increase productivity, and improve competitiveness. Notably, the effectiveness of EU initiatives may vary depending on the context and specific conditions of each country. There are different regional, political, economic, and socio-cultural conditions that affect the success of projects.

Overall, EU initiatives have significant potential to improve economic development, social progress and living standards in these countries. They are aimed at reducing inequalities, supporting the development of economic sectors, improving infrastructure, and promoting entrepreneurship. However, the implementation of EU initiatives requires attention to contextual factors and the unique challenges faced by countries in the Global South. Considering these factors and the collaborations between the public and private sectors will help overcome challenges and ensure successful project implementation.

## Conclusions

The study described the countries of the Global South, their problems and potential. The main factors determining the importance of these countries were their population, natural resources, and innovation and technology. Poverty, economic inequality between the rich and the poor, political and social instability, and poor infrastructure were identified as the main problems of the Global South. The study described different countries of the Global South in terms of economic development. The results demonstrate the significance of acknowledging the current uneven distribution of wealth and social inequality, which demand attention to achieve a more sustainable development. The European Union's economic initiatives were presented and their contribution to tackling the problems encountered by the nations of the Global

South was emphasised. The ways to solve the problems were identified as follows: concluding trade agreements and reducing trade barriers, financial support, and investments for infrastructure development, and promoting technological exchange and innovation. Several examples of projects and programmes within the framework of their economic initiatives to support the countries of the Global South were given (EU-Africa Energy Partnership, Employment and Entrepreneurship for Youth in Latin America, Investing in India). Forecast indicators were developed to predict the impact of the EU's economic initiatives using the Invest in India programme as an example. Several factors were highlighted that affect the success of such initiatives, as well as the challenges in implementing and executing projects. Several recommendations have been developed to enhance the efficiency of the implementation of the EU's economic initiatives.

While EU initiatives have significant potential to support economic development and social progress, and

improve living standards in countries, it is important to consider the contextual factors and unique challenges faced by these countries to ensure that these initiatives are implemented effectively. Further research could focus on assessing particular EU programmes and projects and their impact on social indicators, trade, and economic cooperation. It is significant to investigate the role of public-private partnerships in the implementation of initiatives and to identify factors that facilitate or hinder project implementation in different contexts. Another issue of particular relevance is the growing competition for influence in the Global South between Western countries, namely the EU and the US, and China and the Russian Federation.

None.

None.

## Acknowledgements

## Conflict of Interest

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## Виклики реалізації економічних ініціатив Європейського Союзу щодо країн Глобального Півдня

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**Анотація.** Тема дослідження, пов'язана з реалізацією економічних ініціатив, є актуальною, оскільки країни Глобального Півдня мають розвиваючу економіку та великий потенціал для росту та співпраці. Їх економічне зміцнення може мати вплив на геополітичну картину світу. Європейський Союз, як один з найбільших господарських блоків у світі, має інтереси в підтримці та співпраці з цими країнами для забезпечення стабільності та зростання. Мета роботи полягає в аналізі та висвітленні важливості, складнощів і перспектив реалізації економічних ініціатив, які Європейський Союз впроваджує в країнах Глобального Півдня. Серед використаних методів було застосовано аналітичний, статистичний, функціональний методи, а також методи системного аналізу, дедукції, синтезу та порівняння. У процесі проведення дослідження було виділено важливість економічних ініціатив Європейського Союзу для країн Глобального Півдня, значення співпраці між цими регіонами та вигоди для обох сторін. Проаналізовано основні виклики, з якими стикаються економічні ініціативи Європейського Союзу в контексті країн Глобального Півдня, а саме: політичні, економічні, соціальні та культурні фактори, які ускладнюють реалізацію цих ініціатив. Було досліджено потенційні можливості для розвитку країн Глобального Півдня внаслідок економічних ініціатив Європейського Союзу, а саме можливості для залучення іноземних інвестицій, підтримку економічного зростання та зменшення бідності в цих країнах. На основі проведеного аналізу були наведені конкретні рекомендації щодо поліпшення реалізації економічних ініціатив Європейського Союзу для країн Глобального Півдня. Практична цінність полягає у використанні виявлених результатів, вирішенні питань, пов'язаних з реалізацією ініціатив для того, щоб вивести даний процес на новий рівень

**Ключові слова:** співпраця; інтеграція; урядова політика; торговельні угоди; іноземні інвестиції

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### The state budget of Ukraine: Diagnostics in the context of martial law

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**Abstract.** At the current stage of development of a market economy, the efficiency of the state depends on the quality of budgeting and execution, as it is the main instrument for mobilising and spending public resources. The purpose of this study was to diagnose the revenues and expenditures of the State Budget of Ukraine under martial law, to identify the main problems that impede effective budget formation and execution, and to provide recommendations on how to eliminate them. The study used empirical, theoretical, and statistical research methods, namely description and comparison; synthesis, analysis, and generalisation. The paper examined the essence of the state budget according to the opinions of foreign and Ukrainian researchers. Based on the statistical data, the study described the current state of the state budget and analysed the dynamics of budget revenues and expenditures in 2018-2022. The structure of tax and non-tax revenues to the state budget was investigated. The structure of the state budget expenditures was analysed in terms of economic and functional classification. The budget deficit was analysed. The study highlighted the main problems related to the preparation and execution of the state budget, namely: military operations in the country leading to capital outflows; a

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decrease in the growth rate of the gross domestic product and a decline in production; insufficient filling of the reserve fund; an increase in tax rates leading to tax evasion by business entities; instability of the national currency; lack of an effective strategy for budget preparation and execution; imperfect control over the implementation of budget programmes. The paper offers recommendations on how to overcome these problems and promote optimisation of the revenue and expenditure sides of the state budget. The results of the study are of practical importance, since it is based on the analysis of the state budget indicators that the state of the budget is determined and ways to balance the revenues and expenditures of the State Budget of Ukraine are identified

**Keywords:** revenues and expenditures; financial resources; state deficit; balancing the state budget; socio-economic development

## Introduction

At the current stage of development of the market economy, the effectiveness of the state hinges upon the quality of budgeting and execution, since it is the primary means for organising and disbursing state resources. The country's budget is a centralised fund of money aimed at performing the functions assigned to the state and influencing various aspects of social and economic life.

Many authors have investigated the essence and analysis of the state budget and its main problems. A. Smyrnova (2019) examined the theoretical essence of the formation of the State Budget of Ukraine as the main component of public finance. The author examines the problems of Ukraine's budget formation and suggests ways to solve them. D.P. Kurodiedova & N.A. Plieshakova (2023) in their study identified the main issues associated with the flow of funds to the State Budget of Ukraine under martial law, considered the main changes in the dynamics of revenues and expenditures for 2018-2023. Petyk *et al.* (2020) analysed the dynamics of revenues and expenditures of the State Budget of Ukraine and described the main problems that adversely impact the budget. The authors provided recommendations for effective budget execution and improvement of budget policy. O.R. Zakhidna *et al.* (2020) examined the main ways of financing the state budget, analysed the factors of state budget formation at the present stage, and proved the impact of GDP on the state budget. Based on the study, ways to balance budget revenues and expenditures were proposed. N.A. Dobrianska *et al.* (2022) characterised the essence and structure of the State Budget of Ukraine according to the opinions of other researchers. The author analyses the revenues and expenditures of the state budget for the period under study. The authors L.M. Yaniv & O.A. Zinchenko (2016) considered the term "budget deficit" and the main reasons for its occurrence. The conclusions suggest ways to address the problems associated with the budget deficit.

The relevance of the subject under study is conditioned upon the fact that the key to the economic development of the state is the balance of the volume and structure of budget revenues and expenditures. Ukraine is currently facing a difficult economic situation caused by the outbreak of a large-scale war. As a result, the state budget is unbalanced due to the excess of expenditures over revenues, which results in the state deficit. Furthermore, the system of budget

control needs to be improved, which should be aimed at monitoring the implementation of the state budget as the main plan for the formation and use of the country's funds.

The purpose of this study was to monitor the State Budget of Ukraine in the context of war and economic crisis, to identify the main issues that impede effective budget formation and execution, and to provide recommendations for their elimination. To fulfil this purpose, the following tasks should be performed: to cover the concept of the state budget according to the opinions of Ukrainian and foreign researchers; to investigate the theoretical aspects of the formation of the State Budget of Ukraine; to analyse the dynamics of the state budget revenues and expenditures during 2018-2022; to identify the main issues related to the formation and execution of the state budget; to develop recommendations for balancing and optimising the revenue and expenditure parts of the state budget.

## Literature Review

In Ukrainian and foreign practices, there are many scientific studies devoted to the problems of formation and effective execution of the state budget. Specifically, a significant contribution was made by the Ukrainian scientist V.D. Bazylevych (2004), who covered the essence of the State Budget of Ukraine as the main component of public finance, characterised the structure of the state budget and the main sources of its filling. L.O. Omelianovych (2008) considered the state budget as a set of relations concerning the formation and use of financial resources aimed at ensuring the performance of state functions. I.O. Liutyi (2017) examined the main issues related to the effective formation and use of budget funds, considered the causes of the state budget imbalance and developed the main recommendations for their avoidance.

D.P. Kurodiedova & N.A. Plieshakova (2023) considered the state budget in the context of martial law and economic crisis, the authors identified the main problems of filling and using budget funds. The authors L.M. Yaniv & O.A. Zinchenko (2018) investigated the main causes of the budget deficit and developed recommendations for minimising the deficit to ensure the socio-economic development of the country. N.A. Dobrianska *et al.* (2022) examined the structure of the state budget and conducted a comparative analysis of the dynamics of budget revenues

and expenditures in 2018-2022. H. Myskiv (2020) argued that the budget is one of the most effective instruments of state regulation of the national economy, as it redistributes the gross domestic product, which contributes to the economic and social development of the country. A. Smyrnova (2019) considered the theoretical foundations of the formation of the State Budget of Ukraine. The author describes the main problems that impede the effective formation and execution of the state budget and proposes measures to optimise the revenue and expenditure parts of the budget.

Among foreign researchers, the essence of the state budget was covered by A. Smith (1976), who examined the structure of revenues and expenditures, and proposed the division of budget expenditures into two groups. The first group included expenditures of general importance, such as defence and the maintenance of state power, while the second group included expenditures on education, social security, and the administration of justice. The Western economist paid special attention to the problems of taxation rationalisation, as he believed that taxes were the main source of budget revenues. J.M. Keynes (1936) examined the main causes of budget deficits and developed recommendations for preventing them and ensuring the balance of the revenue and expenditure sides of the state budget.

Despite a considerable number of scientific studies, the problem of filling the state budget and efficient use of financial resources in the current conditions is still unresolved.

### Materials and Methods

The theoretical framework of this paper included the scientific papers of Ukrainian and foreign researchers on the study of the essence and structure of the state budget. The sources of information in the study were the materials of scientific conferences and scientific articles, namely the article by D.P. Kurodiedova & N.A. Plieshakova (2023), who analysed budget revenues and expenditures under martial law. Based on the study by N.A. Dobrianska *et al.* (2022), the concept and structure of the State Budget of Ukraine were characterised, the main problems related to the formation and execution of the State Budget were identified, and recommendations for solving these problems were developed. The scientific article by V.A. Buleshna *et al.* (2020) was used to identify the causes of the budget deficit and ways to overcome it. Based on the paper by O.R. Zakhidna *et al.* (2020), the problems of the state budget imbalance and the consequences of the budget deficit are considered.

During the study, the authors used analytical reports of the Ministry of Finance of Ukraine (2018-2022), data from the State Statistics Service of Ukraine (2018-2022), and the State Treasury Service of Ukraine (2018-2022). Based on the data obtained, the dynamics of changes in revenues and expenditures of the State Budget of Ukraine in 2018-2022 were analysed.

The study used a statistical research method to analyse the data on changes in the dynamics of state budget revenues and expenditures in 2018-2022. Among the empirical

methods, the method of description and comparison was used to assess the formation of revenues and expenditures under normal conditions and under martial law and the economic crisis of 2022. Based on the method of generalisation as a component of theoretical methods, the study described the budget deficit, its main causes and consequences. The abstract and logical method was used to formulate the conclusions of the study and provide recommendations for balancing and optimising the revenue and expenditure parts of the state budget.

### Results

#### Substantiation of the theoretical essence of the term "state budget" and the main problems and ways to improve its formation and execution

The state budget is a set of economic relations that arise between the state and business entities with the aim of forming and using a fund of money to meet public needs. The budget is one of the most effective instruments of state regulation of the national economy. Acting as an effective tool for redistributing the population's income, i.e., gross domestic product, the state budget maintains a favourable social climate in the country and provides social protection, as well as helps to reduce the property stratification of society (Myskiv, 2020).

Today, there is no single interpretation of the concept of budget; many authors provide different definitions of this category, focusing on certain aspects of the essence of the budget. V.I. Ospishchev *et al.* (2008) in their textbook "Finance" noted that the state budget is a set of financial relations between the state, legal entities and citizens related to the formation and use of monetary resources intended for the performance of state functions prescribed by the Constitution of Ukraine. V.D. Bazylevych (2004) in his textbook "Public Finance" defines the budget as a monetary fund necessary for the performance of the state's tasks. The author of the textbook "Budget System" L.O. Omelianovych (2008) described the budget as the main financial plan, a schedule of revenues and expenditures for a certain period. In the textbook "Finance" by I.O. Liutyi (2017), the authors provide a definition of the state budget as a collection of financial relationships relating to the creation of a centralised fund of monetary resources used by the state to perform socio-economic functions, as well as to regulate the national economy.

The components of the state budget are revenues and expenditures. Budget revenues are defined as the financial resources of the state that are used to perform its main functions. The main sources of state budget revenues are tax and non-tax revenues, income from capital transactions, and transfers. Expenditures are funds allocated to implement certain activities and programmes prescribed in the respective budget. State budget expenditures play a vital role in the country's development, primarily because they are an instrument for regulating the economy and restructuring it. Expenditures are used to finance social programmes, lend to individuals and legal entities, and create

appropriate conditions for the development of market and international relations (Zubenko, 2017).

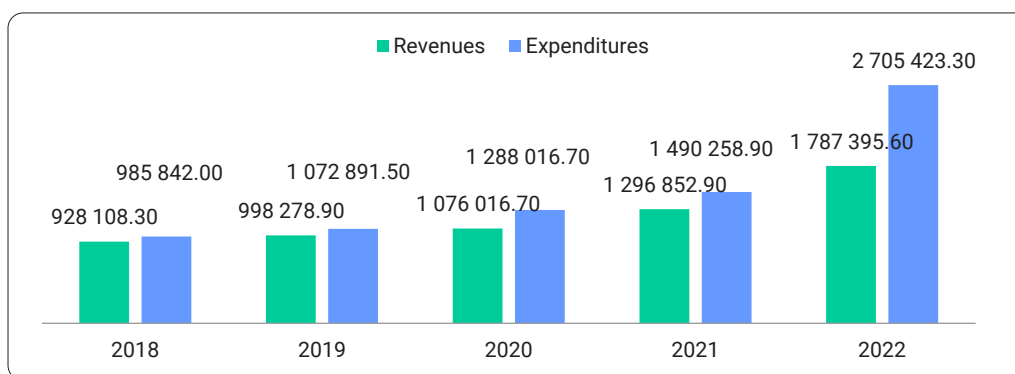
In the current environment, there is a set of problems in the formation of the State Budget of Ukraine. Military actions have significant negative effects on a country's territory, primarily resulting in capital outflow. They also impede effective state budget formation and execution, leading to decreased GDP growth rates and production decline. Inadequate replenishment of the reserve fund is another concern. Higher tax rates encourage businesses to evade taxation. The instability of the national currency is also a drawback. The absence of a sound budget formulation and execution strategy, flawed budget planning, and inadequate monitoring of budgetary programs have been highlighted as concerns (Zakhidna et al., 2020).

To overcome the existing problems related to the formation and execution of the state budget, certain measures need to be taken. To optimise budget revenues and expenditures, it is necessary to establish a balanced tax policy that will ensure the optimal level of tax revenues as a source of budget revenues; to increase financial support for small and medium-sized enterprises. The government ought to assess and decrease expenditures

that are not of high importance, especially the financing of management structures. This move is necessary to establish favourable economic and legal conditions for the operations of all economic agents within the state. Such conditions will incentivise them to pay their dues to the budget. Additionally, it is crucial to thwart the expansion of the shadow economy, which leads entrepreneurs to conceal income and evade taxes. Reinforcing financial oversight and accountability over the utilisation of budget resources and carrying out strategic planning and budget forecasting are other essential measures the government should adopt (Dobrianska et al., 2022). Public expenditures should be based on available revenues and distributed in such a way as to maximise their effect and ensure proportional growth of the budget revenues and expenditures.

#### Analysis of the revenues and expenditures of the State Budget of Ukraine

The study analysed the revenues and expenditures of the State Budget of Ukraine in 2018-2022. The trend of budget revenues and expenditures changed significantly with the outbreak of the full-scale war, as presented in Figure 1.



**Figure 1.** Dynamics of revenues and expenditures of the State Budget of Ukraine in 2018-2022, UAH million

**Source:** developed by the authors based on the Ministry of Finance of Ukraine (2018-2022)

As presented in Figure 1, over the five years, revenues and expenditures grew, but the budget deficit persisted. In 2018, the budget deficit amounted to UAH 57,733.7 million, in 2019 – UAH 74,612.6 million, in 2020 – UAH 212,000.0 million, in 2021 – UAH 193,406 million, and in 2022 – UAH 918,027.7 million. As evidenced, the greatest level of budget deficit occurred in 2022, an amount notably surpassing that of earlier years. This situation was caused by the outbreak of a full-scale war by Russia, which required a considerable amount of spending on defence.

In general, over the past five years, there has been a general upward trend in the volume of revenues of the State Budget of Ukraine. Over the period from 2018 to 2022, total revenues increased by UAH 859,287.3 million, i.e., from UAH 928,108.3 million in 2018 to UAH 1,787,395.6 million in 2022. Compared to 2021, in 2022 the volume of revenues increased by UAH 490,542.7 million (Ministry of Finance of Ukraine, 2018-2022). As for expenditures,

they also tended to increase year on year. Over the period from 2018 to 2022, total expenditures increased by UAH 1,719,581.3 million, i.e., from UAH 985,842.0 million in 2018 to UAH 2,705,423.3 million in 2022. Compared to the previous year, 2021, 2022 saw a rapid increase in expenditures by UAH 1,215,164.4 million (Ministry of Finance of Ukraine, 2018-2022).

In the overall structure of state budget revenues, the largest share is accounted for by tax revenues, which are the main source of budget formation and account for about 80% of the budget. In 2018-2021, tax revenues increased, as presented in Table 1. From 2018 to 2021, the amount of tax revenues increased by UAH 353,274.4 million. As for 2022, compared to 2021, there was a decrease in tax revenues in the amount of UAH 157,326.5 million, the share of which decreased by 32.23%. This trend can be explained by several factors (Table 1). Firstly, as a result of the outbreak of war, a considerable number of Ukrainians

moved abroad, which led to a reduction in the number of taxpayers. Accordingly, personal income tax (PIT) and VAT (value added tax) revenues declined. Secondly, a

large number of companies ceased operations, which resulted in a decrease in budget revenues from income tax and the unified social tax.

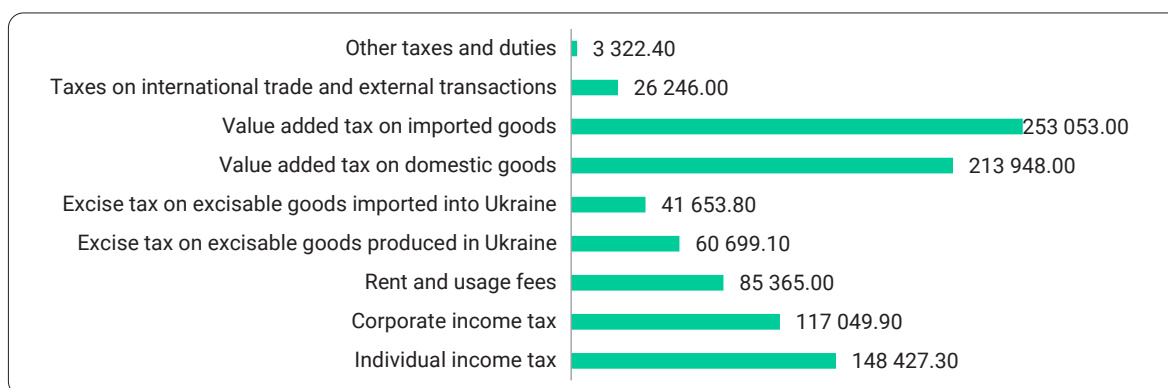
**Table 1.** Revenues of the State Budget of Ukraine in 2018-2022 (UAH million)

Indicators	2018		2019		2020		2021		2022	
	mln UAH	%	mln UAH	%	mln UAH	%	mln UAH	%	mln UAH	%
Tax revenues	753,815.6	81.22	799,776.0	80.12	851,115.6	79.10	1,107,090.9	85.37	949,764.4	53.14
Non-tax revenues	164,676.5	17.74	186,686.2	18.70	212,946.9	19.79	175,358.0	13.52	346,327.7	19.38
Income from capital transactions	657.5	0.07	183.0	0.02	79.4	0.01	328.7	0.03	611.0	0.03
Transfers	7,306.3	0.79	8,725.0	0.87	10,658.0	0.99	12,576.1	0.97	9,465.6	0.53
Trust funds	187.5	0.02	1,770.8	0.18	187.1	0.02	209.4	0.02	136.2	0.01
Total	928,108.3	100.00	998,278.9	100.00	1,076,016.7	100.00	1,296,852.9	100.00	1,787,395.6	100.00

**Source:** developed by the authors based on the Ministry of Finance of Ukraine (2018-2022)

For a more detailed analysis of tax revenue generation, it is worth considering the most significant tax indicators presented in Figure 2. In 2022, VAT on imported goods accounted for 14.2% of state budget revenues. The VAT on

domestic goods was equally significant at 11.97%, personal income tax at 8.3%, and corporate income tax at 6.55%. The tax on international trade and foreign transactions accounted for the least significant share of budget revenues, at 1.47%.



**Figure 2.** Structure of tax revenues to the State Budget of Ukraine in 2022 (UAH million)

**Source:** compiled by the authors of this study based on the Ministry of Finance of Ukraine (2018-2022)

Analysing the volume of non-tax revenues, there was an unstable dynamic, with an increase of UAH 48,271.4 million in 2018-2020. In 2021, there was a decrease in non-tax revenues by UAH 37,588.9 million compared to 2020, and in 2022, there was a rapid increase in non-tax revenues by UAH 170,969.7 million, and their total amount in the revenue structure was UAH 346,327.7 million.

In 2022, the largest share of non-tax revenues in the structure of non-tax revenues was accounted for by the government's own budgetary institutions, which accounted for 13.14%. Administrative fees and charges accounted for the smallest share of the total structure – 0.46%. Revenues from trust funds, official transfers, and capital transactions accounted for less than 1% of total budget revenues.

According to the Ministry of Finance of Ukraine, over five years, current expenditures increased by UAH 1,701,009.2 million, while capital expenditures increased by UAH 18,572.1 million, as presented in Table 2.

In the structure of expenditures, according to the key indicators of economic classification in 2022, the largest share was occupied by labour costs (36.8%), followed by expenditures on the use of goods and services (27.7%) and social security costs (18.8%). Capital expenditures took an insignificant place, at only 7.0%. The amount of expenditures by functional classification in 2018-2022 tended to increase year on year and increased by UAH 1,719,581.3 million over five years. Expenditures on general government functions increased by UAH 39,049.2 million and amounted to UAH 201,999.1 million in 2022. Defence expenditures accounted for the largest share in the structure of general government expenditures, with their share ranging from 9.35% to 42.25%, and their volume increased by UAH 1,025,848.4 million in 2018-2022 and amounted to UAH 1,142,872.4 million in 2022. These changes were caused by the outbreak of a large-scale war, which resulted in significant expenditures to improve the state's defence capabilities.

**Table 2.** State budget expenditures by economic classification in 2018-2022, UAH million

Indicators	2018		2019		2020		2021		2022	
	million UAH	%	mln UAH	%	mln UAH	%	mln UAH	%	mln UAH	%
Current expenditure	916,042.3	92.92	998,942.6	93.11	1,193,194.8	92.64	1,356,168.4	91.00	2,617,051.5	96.73
Payroll and payroll accruals	171,258.5	17.37	210,073.1	19.58	240,542.3	18.68	262,777.3	17.63	994,440.2	36.76
Use of goods and services	157,548.2	15.98	182,067.9	16.97	301,690.1	23.42	382,503.2	25.67	750,645.6	27.75
Debt servicing	116,297.3	11.80	119,933.8	11.18	120,693.4	9.37	153,051.8	10.27	159,772.5	5.90
Current transfers	297,695.2	30.20	255,326.7	23.80	201,281.9	15.63	195,338.4	13.11	188,543.4	6.97
Social security	166,624.8	16.90	223,458.3	20.83	322,472.0	25.04	343,498.1	23.05	509,480.9	18.83
Other current expenditures	6,618.3	0.67	8,082.7	0.75	6,515.2	0.51	18,999.6	1.27	14,218.8	0.53
Capital expenditure	69,799.7	7.08	73,948.9	6.89	94,821.9	7.36	134,090.5	9.00	88,371.8	3.27
Acquisition of fixed assets	32,668.5	3.31	30,868.0	2.88	25,826.9	2.01	32,018.6	2.15	57,776.4	2.14
Capital transfers	37,131.2	3.77	43,080.9	4.02	68,995.0	5.36	102,071.9	6.85	30,595.4	1.13
Total	985,842.0	100.00	1,072,891.5	100.00	1,288,016.7	100.00	1,490,258.9	100.00	2,705,423.3	100.00

**Source:** developed by the authors based on the Ministry of Finance of Ukraine (2018-2022)

## Discussion

A significant amount of expenditures was allocated to social protection and social security, namely, in 2022, they amounted to UAH 425,987.0 million, while in 2018, only UAH 163,865.6 million was allocated to social protection and social security. Expenditures on economic activities in 2018-2021 tended to increase and grew from UAH 63,600.7 million to UAH 180,989.9 million, but in 2022 they decreased by UAH 85,621.5 million. The smallest amounts of budget expenditures were allocated to housing and communal services, ranging from UAH 88.5 to UAH 528.6 million over the period under study.

In the structure of expenditures by the key indicators of the functional classification in 2022, the largest share was accounted for by defence expenditures (42.2%), followed by expenditures on public order, security, and the judiciary (16.4%) and social protection and welfare (15.7%), while expenditures on general government functions (7.5%), healthcare (6.8%) and intergovernmental transfers (5.1%) were less important.

Under martial law, an important task of the state budget is to finance the country's defence capability. Prior to the outbreak of hostilities, expenditures were allocated based on the programme-targeted method, which means that expenditures are made according to budget programmes. But the invasion of the Russian Federation led to a review of the distribution and use of budget funds. The national security and defence sector was recognised as the key funding item, with UAH 30,170 million allocated to it, including UAH 18,070 million for the Ministry of Defence, UAH 10,750 million for the Ministry of Internal Affairs, UAH 300 million for the Defence Intelligence of Ukraine, and UAH 200 million for the Security Service of Ukraine (Ministry of Finance of Ukraine..., 2022).

The study analysed the revenues and expenditures of the State Budget of Ukraine under martial law and proved that there is a problem of imbalance between budget revenues and expenditures, the main negative consequence of which is the growth of public debt to cover the budget deficit. The conclusion about the existence of a budget deficit was also made by D.P. Kurodiedova & N.A. Plieshakova (2023), who also considered the budget in the context of a full-scale war. I. Chuhunov *et al.* (2022) investigated the specific features of budget revenues formation under martial law and concluded that tax revenues account for the largest share in the revenue structure. Therefore, fiscal and monetary policy should be improved to ensure sustainable budget revenues. This conclusion was also reached in the study conducted by the authors. This opinion is shared by foreign authors E. Ortiz-Ospina & M. Roser (2016), who characterised taxes as the main source of filling the country's budget. They concluded that developed countries receive a larger share of budget revenues in the form of taxes than developing countries. L.M. Yaniv & O.A. Zinchenko (2016) examined the causes of the budget deficit and concluded that the main reason is the decline in GDP growth and the decline in production, while in the present study, the authors argue that the budget deficit is primarily caused by the outbreak of a full-scale war.

The classic of economic science D. Ricardo (1817), as well as in this study, preferred taxes as the main source of growth of state budget revenues, and he considered budget filling based on credit to be inefficient, as it leads to an increase in public debt. The English economist W. Heller (1967) argued that one of the key sources of increasing public expenditures is lending, and the existence of a budget deficit is a way of regulating economic relations.

American scientists W. Easterly *et al.* (1994) analysed the causes of the budget deficit and concluded that the main reasons for the deficit are inflationary processes in the country and fluctuations in the level of production of goods and services. The current study concludes that the problem of shadowing the Ukrainian economy and the presence of corruption at the top of the government have a considerable impact on the formation of the state budget.

G. Glomm (1997) examined the formation of expenditures and ways to improve the efficiency of their use. The analysis showed that the largest amount of budgetary expenditures in developed countries is directed towards social security, healthcare, education, and economic activity. The study found that the largest amount of expenditure was spent on national defence.

V.A. Buleshna *et al.* (2020) provided recommendations for overcoming the budget deficit, including the following: increasing budget revenues by raising tax rates, promoting entrepreneurship; reducing the expenditure side of the budget by reducing the cost of financing management structures; improving control over the use of funds and the implementation of legislation. These suggestions were also made in the current study. O.R. Zakhidna *et al.* (2020) proposed somewhat different recommendations to balance the revenue and expenditure sides of the state budget. The authors emphasised the need to attract foreign investment and to make domestic and foreign loans by issuing government securities. In the study, the authors proposed the following recommendations: improving the tax system to ensure the optimal level of tax revenues; developing an effective policy for servicing the country's public debt; and implementing strategic planning and forecasting of budget indicators.

L. Vdovenko *et al.* (2023) emphasised that for effective budget execution, first of all, it is necessary to establish a system of strict state control over the budget, as is practiced in foreign countries, which prescribe property and criminal liability of budget funds managers for non-compliance with the law.

This study argues that it is worth using international practices in budget planning in Ukraine. V. Reitano (2021) examined the budget process in different countries and concluded that all developed countries use medium-term budget planning, which is focused on 3-4 years. Reitano also asserted that it is necessary to allocate expenditures based on the programme-targeted method, which is based on the achievement of results by assessing the use of budget funds and making expenditures according to the state budget programmes. A. Smith & J.L. Jensen (2017) considered the advantages of medium-term budget planning based on the program-target method.

The study concludes that Ukraine should adopt foreign practices and improve the system of medium-term budget planning, as this will ensure efficient use of budget funds and reduce the risk of their misuse.

## Conclusions

The conducted analysis strongly suggests that the state budget is a vital component of the country's economy and one of the main instruments of state regulation.

Over the past five years, there has been a general upward trend in revenues and expenditures. In the overall structure of budget revenues, tax revenues accounted for the largest share, being the main source of budget formation and accounting for about 80% of the budget. In the structure of expenditures, the largest share was occupied by expenditures on general government functions and social security, and in 2022, national defence became the top priority item of funding. Having analysed the revenues and expenditures of the State Budget of Ukraine, it can be argued that the budget is unbalanced, with expenditures significantly exceeding revenues, indicating a budget deficit.

The main problems that adversely affect the formation of the state budget revenues and expenditures are the slowdown in GDP growth and the decline in production, higher tax rates, which leads to tax evasion by business entities, the shadow economy, in which entrepreneurs evade taxes, the lack of an effective strategy for budget preparation and execution, and imperfect control over the implementation of budget programmes. Therefore, to avoid these problems, it is necessary to establish a balanced tax policy, create appropriate economic and legal conditions for the functioning of all business entities in the state, counteract the development of the shadow economy, strengthen control over cash flow and responsibility for the use of budget resources, carry out strategic planning and forecasting of budget indicators, public expenditures should be based on the amount of available revenues and distributed in such a way as to maximise the effect and ensure proportionality.

The scientific originality of this study lies in the assessment of the state budget revenues and expenditures in the context of martial law and the economic crisis to provide recommendations for balancing and optimising the revenue and expenditure parts of the budget to achieve economic development of Ukraine.

Only by achieving a balance between state budget revenues and expenditures can the budget deficit, which is the main obstacle to the development of the national economy, be avoided. Diagnostics and monitoring of the state budget of Ukraine to identify the deficit and timely adoption of necessary measures constitute an area for further research.

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None.

## Conflict of Interest

None.

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## **Державний бюджет України: діагностика в умовах воєнного стану**

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**Анотація.** На сучасному етапі розвитку ринкової економіки ефективність функціонування держави залежить від якості побудови та виконання бюджету, оскільки він виступає головним інструментом мобілізації та витрачання державних ресурсів. Метою даної статті є діагностика доходів та видатків Державного бюджету України в умовах воєнного стану, виокремлення основних проблем, які перешкоджають ефективному формуванню та виконанню бюджету та надання рекомендацій щодо їх усунення. Під час проведення дослідження було використано емпіричні, теоретичні та статистичні методи дослідження, зокрема, опис та порівняння; синтез, аналіз та узагальнення. У статті розглянуто сутність державного бюджету згідно з поглядами зарубіжних та вітчизняних вчених. На основі статистичних даних охарактеризовано сучасний стан державного бюджету, проведено аналіз динаміки доходів та видатків бюджету протягом 2018-2022 рр. Досліджено структуру податкових та неподаткових надходжень до державного бюджету. Проаналізовано структуру видатків державного бюджету у розрізі економічної та функціональної класифікації. Проведено аналіз наявності бюджетного дефіциту. Визначено основні проблеми, які пов'язані з формуванням та виконанням державного бюджету, а саме: військові дії на території країни, які призводять до відпливу капіталу; зменшення темпів зростання внутрішнього валового продукту та спад виробництва; недостатнє наповнення резервного фонду; підвищення ставок податків, що призводить до ухилення суб'єктами господарювання сплати податків; нестабільність національної валюти; відсутність ефективної стратегії складання та виконання бюджету; недосконалий контроль за виконанням бюджетних програм. Запропоновані рекомендації щодо подолання перелічених проблем та сприяння оптимізації дохідної та видаткової частин державного бюджету. Отримані результати дослідження несуть практичне значення, оскільки саме на основі аналізу показників державного бюджету визначено стан бюджету та визначено шляхи збалансування доходів та видатків Державного бюджету України

**Ключові слова:** доходи та видатки; фінансові ресурси; державний дефіцит; збалансування державного бюджету; соціально-економічний розвиток

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