# GOVERNANCE AND MANAGEMENT OF POST-WAR RECOVERY AND TRANSFORMING UKRAINE'S ECONOMY THROUGH BEHAVIOURAL ECONOMICS AND MERITOCRATIC DEMOCRACY

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## Abstract

This article addresses the issues surrounding the Russian-Ukrainian war and the Ukrainian post-war development, focusing on existing problems and key recovery areas (Herbst et al., 2024). The article aims to describe the primary tools for a comprehensive strategy to govern and manage the post-war development of Ukraine at the country, regional, and corporate levels, adhering to the principles of behavioural economics (Thaler, 2015) and the experiences of post-industrial countries. The study is grounded in retrospective analysis, forecasting, modelling, and expert evaluation. The paper's conclusions highlight the need for an immediate transition to revolutionary changes in the economic management system, which will form the foundation for transforming the socioeconomic system. Our proposals are grounded in meritocratic democracy, establishing clusters based on economic regions through corporate management principles and diversifying the activities of the largest agricultural holdings. The findings present valuable information for all stakeholders aiming to enhance the management of the country's socioeconomic system at various levels.

**Keywords:** Post-War Development, Meritocratic Democracy, Regional Cluster, Regional Economy, Diversification

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## 1. INTRODUCTION

Ukraine's economic system and the activities of individual enterprises have been operating under crisis conditions for many years. The COVID-19 pandemic and the large-scale Russian-Ukrainian war represent the most significant crises in modern history. The war has directly damaged buildings and infrastructure, amounting to approximately $152 billion, with an estimated recovery and reconstruction cost exceeding $486 billion (Herbst et al., 2024). Conversely, the war may also be interpreted as a "Black Swan", presenting new opportunities and developmental pathways. The full-scale invasion aligns with the "Black Swan" triad (Taleb, 2010): an extraordinary event with a significant impact and retrospective predictability. Retrospective predictability is crucial, as the Russian-Ukrainian war is currently viewed as predictable, leading to the inference that the government has been ineffective. Meanwhile, many companies have shown considerable flexibility and effectiveness, allowing them to adapt their business strategies (for example, TM Chumak) or

relocate and continue their operations (for instance, Cemto, Suziria Group). That's why a practical approach to governing and managing post-war recovery requires research at various levels, not solely at the meso level (Aleksieienko, 2024) or one of the other levels.

The primary issue concerning governance and its effectiveness lies in the political leadership's ability to transform the governmental system. This transformation is essential for actively and effectively attracting external resources and assistance (Yemets, 2022). Leveraging post-war recovery and development experiences from other nations, such as Israel, South Korea, and Germany, will also play a crucial role (Venger & Romanovska, 2022). Such experiences will greatly aid effective development "almost from scratch" (as exemplified by South Korea) and in a hostile environment (reflective of Israel's experience). Furthermore, Skrypnychenko (2022) has highlighted the need for investments in perspective industries and advancements in science and technology. It is also vital to emphasise the necessity of comprehensive and multilateral planning and appropriate economic and political actions to bolster these measures, as outlined in the findings of Kaziuka and Sheketa (2022). Additional research on Ukraine's development perspectives has underscored the significance of strategic planning and considering various scenarios (Kushnirenko et al., 2022). The previously established best practices and research are further enhanced by Pokrovska (2022), who proposes structured stages for Ukraine's post-war recovery in her work.

We propose that the governance and management of sustainable and intensive development issues should be grounded in the principles of behavioural economics (Thaler, 2015), which form the foundation of this research. The principles of behavioural economics provide extensive coverage and insights not only from the traditional perspective of economic science but also in management. More effective instruments for Ukraine's post-war transformation are likely to be based on modern approaches, including a framework for managerial decision-making in public relations to ensure regional stability and security, incorporating metrics beyond economic indicators, such as quality of life and environmental factors (Orlyanskiy et al., 2023).

The scope of this study, related to the theme of Ukraine's post-war development, necessitates the following interpretation: behavioural economics, as a collection of socioeconomic sciences and political tools, is designed to manage uncertainty and societal irrationality amidst heightened risks. It aims to achieve positive economic dynamics that exceed pre-war levels and average global market trends. In this context, the primary task of behavioural economics is to leverage the advantages of the "Black Swan" and transition from evolutionary to revolutionary development, enhancing the pace of economic growth.

Another aspect of our research concentrates on companies and their role as catalysts for the post-war development of regional and national economies. The overarching concept of post-war recovery and development should be based on improving individual companies as the principal drivers of economic growth, drawing from the experience of South Korea (Amsden, 1992). Establishing an effective national and regional economic system that offers adequate support and protection to these enterprises is crucial to facilitating their growth. As a result, we used a deductive approach to outline the components of Ukraine's post-war strategy, progressing from the general (country level) to the specific (corporate level).

The prerequisites for Ukraine's post-war recovery and development hinge on two primary factors:

- the actual scenario of the war's conclusion will shape the fundamental conditions for subsequent activities;
- the security factor and the state's capacity to guarantee the highest possible physical protection for Ukraine's subjects and objects against potential future destruction and re-invasion.

This paper aims to describe various conceptual instruments for developing Ukraine's post-war strategy at the country, regional and corporate levels, drawing upon the achievements of behavioural economics and the experiences of post-industrial countries. It includes formulating a comprehensive instrument for effective government governance that outlines the stages and tools for implementation, identifying the main economy sectors prioritised for future development, and creating a theoretical framework for diversifying enterprise activities.

The concept of meritocratic democracy and the main approaches to transforming the state system, focused on enhancing its efficiency and facilitating the transition to dynamic post-war development processes, are elucidated. The primary characteristics of the Ukrainian economy are analysed. Key attributes and priority areas for development are highlighted to strengthen the country's position in the global market. The potential and a new approach to diversifying enterprises in Ukraine's leading industry — the agro-industrial sector — are assessed.

We can identify the research problem with a short research question:

*RQ: What conceptual tools within the strategy for governing and managing Ukraine's post-war development will facilitate the transformation to revolutionary development rates?*

The answers to this question will contribute to solving the problem of developing Ukraine to the level of a highly developed country. The fundamental requirement for problem-solving is a comprehensive reconstruction of the governance and management system.

Following is a breakdown of this study into its six main sections. An introduction, which details the research problems and aims, is in Section 1. Section 2 is a literature review of research papers conducted in the context of Ukraine's post-war recovery and development. Section 3 presents the research method to derive the main paper's conclusions. Section 4 reveals the principal results of the work, which are sequentially presented from general to specific. Sections 5 and 6 are a list of discussion questions for further study of the topic, along with the conclusions of this paper.

## 2. LITERATURE REVIEW

The aspects and approaches to solving the issues of post-war recovery and development are among the primary topics of interest for Ukrainian and

foreign scientists and practitioners. The main problem is the probable time limits of the war's end. That point integrates the terms and outcomes of the war's conclusion, thus forming the foundation for developing subsequent strategies. The Ukrainian Institute for the Future (Tyshkevych, 2023) made one of the most significant contributions, providing a list of potential end-of-war scenarios, possible consequences, and historical analogies. According to this analytical note, seven scenarios are probable and categorised into three groups: 1) unlikely scenarios; 2) force majeure scenarios; 3) probable scenarios for 2024–2025.

Furthermore, this analytical note serves as one of the sources for estimating the possible duration of the war. An essential addition to defining a potential scenario for the war's conclusion is the work of an expert from the Jagiellonian Club, who identified three possible scenarios: negative, neutral, and optimistic (Palyvoda, 2023). Similar conclusions were suggested by Burrows and Manning (2022). The reviewed analytical reports are pivotal in determining the most likely scenario for the end of the Russian-Ukrainian war, owing to the depth of analysis and correlation with conclusions from Western analytical centres. It is worth noting that the studies above align with most other research regarding the war's conclusion by the end of 2024, with a potential deviation into early 2025 under a neutral scenario, like the "38th parallel" scenario of the Korean war's conclusion.

The initial phase of the study involves understanding the summary of damages (Herbst et al., 2024), which encompasses both physical destruction and a decline in Ukraine's population. This summary is crucial for grasping the foundations upon which post-war recovery will begin.

The next element in constructing a post-war development strategy involves defining the main stages and principles of post-war development at the country level.

Pokrovska (2022) highlights the necessity of clearly distinguishing the stages of post-war reconstruction as critical for recovery and development: 1) stabilising the economic system; 2) restoring the economic system; 3) modernising the Ukrainian economy for EU integration.

At the same time, Zamula et al. (2024) and Hnatkovych et al. (2023) advocate for a sustainable development approach as the foundation for Ukraine's post-war growth. This approach should integrate economic, social, and environmental goals with cross-cutting prioritisation to achieve optimal results and adhere to partnership principles for sustainable development. The authors' study suggests a set of tools, including legislative and regulatory changes to align with sustainable development principles, reforms in the financial system, development of economic instruments, enhancement of the communication sector for improved stakeholder information, and significant advancements in science and education within the country.

The primary issue inherent in these studies is the lack of synchronisation with established timelines and the use of conventional economic instruments, which are not explicitly designed for wartime crises.

At the industry level of post-war recovery and development, the authors advocate for advancing the most powerful industries, particularly agro-industrial complex (AIC) and previously non-priority sectors. One such "modern" sector is tourism.

Ohorodnyk and Finger (2024) emphasise the necessity of developing agritourism in Ukraine, which can bolster sustainable development during the post-war period. This sector will also help create local and regional infrastructure and enhance regional branding. The authors view this direction as promising for post-war recovery and boosting competitiveness. However, additional legislative changes and establishing suitable mechanisms for regulating and supporting this sector are required.

In favour of tourism development, Honcharuk and Shapran (2024) assert that "…the development of the tourism industry is a crucial factor for economic security and sustainable development in Ukraine, as it contributes to the preservation of cultural heritage, generates additional revenue for all levels of budgets, creates jobs, and enhances the country's positive image" (p. 107). The authors further affirm the necessity to transform the administrative state apparatus concerning tourism, finalise legislation, and decentralise management functions to develop individual regions' tourism potential more effectively.

Very interesting and up-to-date research by Kim et al. (2022) substantiates the potential for developing Ukraine's defence-industrial complex as a source of additional income and job creation. The authors determined that during the studied period (2002–2020), arms sales surged by 164%, rising from USD 201 billion in 2002 to USD 531 billion in 2020. These indicators and the dynamics of domestic arms market development support the notion of evolving the defence-industrial complex as an alternative to traditional sectors.

Furthermore, we must underline the issue surrounding specific industry studies, which are characterised by a comprehensive problem stemming from ineffective governance at all levels. This issue requires complex instruments to address the multifaceted challenges faced by various sectors, not just one.

The review of various research, methods, and conclusions supports the need to focus on transforming governance and management systems, identifying priority sectors of the economy for post-war development and examining regional and corporate levels to uncover diverse opportunities for stable post-war recovery and growth. At the same time, we hypothesised that research must be comprehensive or linked to complex research. This conclusion is grounded in our hypothesis that the intricate problems of modern Ukraine require flexible strategies and complex tools. Therefore, while most studies feature robust methodologies and findings, they predominantly remain theoretical without any practical and revolutionary proposals.

## 3. RESEARCH METHODOLOGY

We used various forms of analysis to develop hypotheses and assumptions and to form databases for further research. The research's theoretical, methodological, and empirical foundation comprises the scientific works of domestic and foreign scholars and expert analysts featured in periodicals and review publications. Historical references and statistical data from open databases were used to create the data pool. All information is freely accessible and does not violate any ethical standards.

The methods that were used to investigate the scientific issue include:

- Different types of analysis were used to examine the historical performance indicators of economic entities in Ukraine at both the state and corporate levels. Analysis is also a fundamental method for discovering the experiences of other countries. Adapting these findings to Ukraine became feasible through inductive, deductive, and expert methods. The integration of retrospective, comparative, and critical analysis facilitated conclusions regarding economic threats and prospects. These methods enabled the development of hypotheses and concepts for post-war recovery and development strategies at various levels. Problem analysis identified the central issues within the economy and governance systems. Causality analysis of the examined data group established the groundwork for forming cause-and-effect relationships, hypotheses, and tools for solving the identified problems.
- The tabular method was used to investigate the dynamics of key economic indicators in Ukraine, the Podilia economic region and the agricultural holding MHP.
- The abstraction method was used to emphasise the system's most significant connections, attributes, and properties at various levels: country, regional and corporate. This method was applied alongside the expert method.
- The inductive and deductive methods played crucial roles in formulating and formalising the proposed approaches and strategies. The inductive method was used to assess opportunities for individual economic entities arising from the effective transformation of the state management and economic system. The advantages of the deductive method were harnessed to forecast future research directions.
- Modelling and forecasting methods were used to generate trend forecasts for analytical results, such as gross domestic product (GDP). This approach was also applied to create databases for the expert method and to model potential development vectors based on existing characteristics, particularly in formulating the conceptual strategy for diversifying the activities of the agro-industrial holding.
- The expert method was fundamental and applied in conducting a SWOT (strengths, weaknesses, opportunities, and threats) analysis of the Podilia economic region, finalising the structuring of meritocratic democracy approaches and determining priority areas for the MHP's economic development and diversification activities. Other methods of this study mitigated the limitations of this method by forming databases and categorising them.
- Justification and generalisation methods were used to establish conclusions and assumptions regarding the possibilities and directions for further research into the post-war development challenges of economic entities at various levels.

## 4. RESULTS

The post-war period, which will likely start in the first part of 2025, will be based on historical trends and indicators.

Our research is based on three levels: 1) country; 2) region (cluster); 3) corporate level.

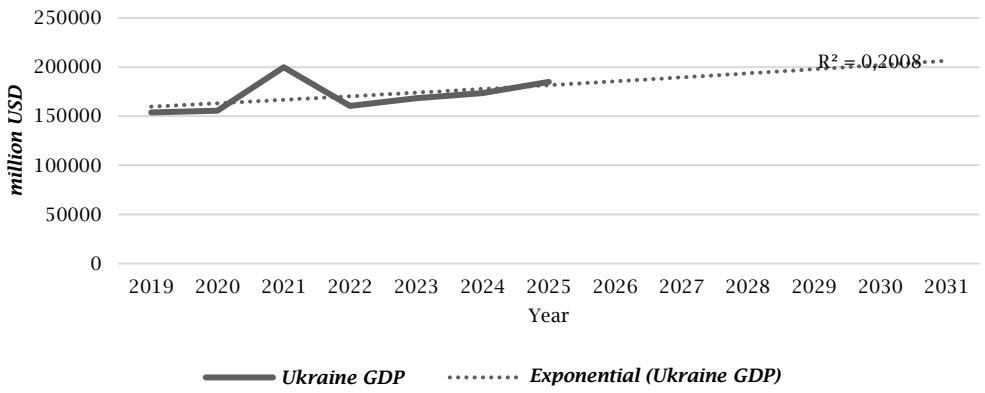
### 4.1. Country level

Figure 1 illustrates the key aspects of Ukraine's GDP evolution according to the World Bank and the International Monetary Fund (IMF) (Ozturk, 2023). The trends are based on actual indicators from 2019–2022 and forecasts for 2023–2025. The resulting indicators are used to make an exponent until 2031. Analysing the data helped us to forecast the likelihood of returning to the pre-war GDP level in 2030–2031.

A comparison of Figure 1 and the most probable war scenario indicates the necessity of transitioning from evolutionary to revolutionary economic development and creating a strategy for such changes before the war concludes. According to historical experience (Amsden, 1992; Bell, 2015; Judt, 2007; Yew, 2000), the most compelling dynamics and efficiency were observed in countries during non-democratic periods: the rapid growth of South Korea under Park Chung Hee, the era of Lee Kuan Yew's leadership in Singapore and the modern form of government in China.

An analysis of the development dynamics of post-industrial countries and the characteristics of their systems forms the basis for accepting the hypothesis that the political system and state governance need to change from a "Ukrainian model" democracy to a political meritocratic democracy and establishing strict export discipline during the transformation period.

**Figure 1.** A forecast dynamics of Ukraine's GDP under "evolutionary development"




*Source: Developed by the Author based on data and research from the Ministry of Finance of Ukraine (n.d.).*

The proposed Ukrainian meritocratic democracy aims to blend the best elements of political meritocracy (Bell, 2015) with classical democracy.

1. The right of Ukrainian citizens to vote and participate in elections is mandatory to ensure control over elected representatives at all levels and to foster a sense of ownership and responsibility among citizens for their decisions.

2. Voting rights should be limited by age (the maximum and minimum voting age determined by scientific evidence and historical context) and a citizenship requirement (at least ten years of citizenship).

3. Within the meritocratic system, there will be restrictions on participation in elections that vary according to the level of governance, complemented by a corporate career advancement structure:

- The initial stage will be local governments. Candidates must be citizens of Ukraine (either acquired or native citizenship, excluding those with relatives (up to the third generation) who are citizens of states deemed aggressors or unfriendly). They must demonstrate valuable achievements in science and/or the real economy relevant to the position applied for.
- The subsequent application stages will correspond to the levels of local community leader, regional leader, national leader, and senior government positions.
- The highest level allows participation in elections for the Verkhovna Rada and the presidency of Ukraine. Candidates must satisfy the following criteria: career advancement from the lowest governance level, positive quantitative and qualitative progress in performance indicators above the average, a minimum of 15 years of citizenship, and mandatory professional proficiency in a foreign language.

Also, one of the fundamental factors in implementing meritocratic democracy is an increase in population education. The importance of the level of education is refuted in the works of Banerjee and Duflo (2019). Still, it is strongly supported by Yew (2000) based on the practical experience of Singapore's leadership and development. A comparison of research and practical experience has refuted the need for strict support for people with higher education. At the same time, we consider it necessary to improve the quality of economic education among the population, which will help build the appropriate type of thinking and understanding of the main processes, simplifying the construction of an effective development system. The low level of economic education among the population causes resistance to effective and unpopular measures. It provides a wide range of tools for manipulating public consciousness, indirectly affecting all sectors of the economy.

Introducing a meritocratic democracy will complement the governance system with the necessary tools to implement stringent policies aligned with post-war reconstruction and development priorities. Furthermore, it will transform the state apparatus and attract only the most capable and high-quality managers. With this approach, state regulation will become more effective:

- *Tariff regulation.* Identifying priority industries will enable the establishment of a system that motivates entrepreneurship in key sectors and allocates the most funds and support to them (the Singapore model).
- *Non-tariff regulation.* The government will be able to rebuild its administrative apparatus using the limitations and requirements of the proposed system. These tools will likely transform the state into a large "corporation". Additionally, it will enhance the quality of society by promoting initiatives to increase education, security, and equitable access to the opportunities provided by the global market.

The meritocratic democracy will likely facilitate an increase in the variety and volume of foreign cash flows, such as investments and credits, due to effective control of these funds. It is necessary to attract investments and loans primarily to predetermined promising and critical sectors of the economy in developing an effective economic strategy. It is also important to note that the development of priority industries should align with global market demands while supporting critically important sectors that ensure the state's independent functioning. "Black Swan" in post-war development should involve enhancing the military industry based on real experiences from modern military operations. This approach aims to form an economic system that synergises the experiences of export-oriented developing economies (such as South Korea), the military industry (according to Israel's experience) and the preservation of traditional economic sectors (like agriculture), thereby ensuring Ukraine's autonomy and independence. Ukraine's economy has historically been centred on AIC and related industries, as evidenced by the activity indicators in the pre-war period, shown in Table 1 and Table 2 (data sorted by 2021 indicators).

**Table 1.** The volume of sold products in Ukraine in 2019–2021

| *Branch of industry* | *The volume of products, million UAH* | | |
|---|---|---|---|
| | *2019* | *2020* | *2021* |
| Wholesale and retail trade; repair of motor vehicles and motorcycles (39% of the total volume in 2021) | 4345851 | 4519525 | 5994850 |
| Industry (33% of the total volume in 2021). Branches that accounted for 80+% of the total volume:<br>**Process industry 61%:**<br>• production of food products, beverages and tobacco products (31% in 2021)<br>• metallurgical production, production of finished metal products, except for the production of machines and equipment (29% in 2021)<br>• production of rubber and plastic products and other non-metallic mineral products (9% in 2021)<br>• mechanical engineering (9% in 2021)<br>• manufacture of wood products, paper and printing activities (5% in 2021)<br>**Supply of electricity, gas, steam and air conditioning 22%** | 3289389 | 3524674 | 4999408 |
| Agriculture, forestry and fisheries (6% of the total volume in 2021) | 572748 | 624070 | 943489 |
| Transport, warehousing, postal and courier activities (4% of the total volume in 2021) | 603016 | 558434 | 654504 |

*Source: Formed by the Author based on data from the State Statistics Service of Ukraine (http://www.ukrstat.gov.ua).*

The examination of the indicators in Table 1 confirmed the historical traits of the Ukrainian economy, which is based on trade and AIC, along with related industries.

**Table 2.** A foreign economic activity of Ukraine

| *Branch of industry* | *The volume of export, thousand USD* | | |
|---|---|---|---|
| | *2019* | *2020* | *2021* |
| Share of goods in the total volume, % | 76.17 | 80.99 | 83.80 |
| ***Services: The total amount is more than 80%*** | | | |
| Transport services | 9109919 | 4988434 | 5314659 |
| Services in the field of telecommunications, computer and information services | 2575948 | 3051448 | 3856569 |
| Services for the processing of material resources | 1640182 | 1352830 | 1528015 |
| ***Goods: The total amount is more than 80%*** | | | |
| Precious metals and products from them | 10255686 | 9029989 | 15990999 |
| Products of plant origin | 12914543 | 11883238 | 15538028 |
| Mineral products | 4866480 | 5331643 | 8414373 |
| Fats and oils of animal or vegetable origin | 4732238 | 5746922 | 7037234 |
| Machines, equipment and mechanisms; electrical equipment | 4464446 | 4486637 | 5260166 |
| Ready-to-eat food products | 3220384 | 3361028 | 3788475 |

*Source. Formed by the Author based on data from the State Statistics Service of Ukraine (http://www.ukrstat.gov.ua).*

The data from Figure 1 aligns with the export structure presented in Table 2, which predominantly includes transport services and food and plant- and animal-origin goods. The analysis of the export structure concerning services also highlighted the telecommunications, computer, and information services sectors.

Regarding the global market, the most significant growth has been evidenced by the following sectors (World Economic Forum, 2024): 1) trade in goods and services; 2) trade in the information technologies (IT) sector and the international exchange of information; 3) trade related to health products.

We also used the capabilities of Copilot AI to identify the most prospective industries (request dated June 28, 2024): technologies, communication, service industries, healthcare, robotics and automation, space, reinsurance, military shipbuilding and submarines, tourism.

A comparison of the results allowed us to identify the most perspective sectors.

1. The Agro-Industrial Complex will be a foundational industry that will likely become a platform for developing new industries. Modern Ukrainian agro-industrial companies are intricate structures that use the achievements of their research and development (R&D) centres to create modern and practical tools. The average level of reinvestment in the domestic AIC is estimated to be about 10% of revenue ("Top-20 efficient agricultural companies", 2024), totalling approximately UAH 27 billion annually. For example, MHP's reinvestment could reach UAH 8,4 billion, or USD 200 million, which is equivalent to the cost of a new tank plant, according to Rheinmetall's investment plan (Pleitgen & Cooban, 2023). As a result, the AIC can become a platform for developing IT services and other perspective sectors.

2. The food and processing industries are essential to ensure the country's normal functioning.

3. Supporting industries such as logistics and trade can be transformed into a supply chain that facilitates resource redistribution in Ukraine and abroad.

4. The priority export industries must include:

- Healthcare sectors that leverage the country's recreational opportunities.
- The space industry and aircraft construction which are based on existing scientific advancements, designs, and operational enterprises.
- IT and related industries can evolve by transitioning from IT outsourcing (EPAM, GlobalLogic, etc.) to an increasing numbers of product companies (for example, AJAX, Fintech Band, etc.).
- Tourism and logistics are interconnected and complementary in terms of development. When logistics and trade companies develop infrastructure, tourism increases the number of foreign visitors (Singapore model).
- The military-industrial complex (MIC) can be established as a separate, promising industry. It can meet essential internal needs (security factor) while enhancing its global market share due to products developed with the experience of real modern war within the growing world arms market (Kim et al., 2022). By the end of 2023, the MIC's contribution to GDP growth was 1,5 percentage points (Mazur, 2024).

## 4.2. Regional level

Clustering can be the primary non-tariff tool for transforming Ukraine's economy and territorial systems at the regional level. The regional cluster will consolidate all assets, liabilities, natural, financial and human resources found within the boundaries of an economic region defined by established connections, geographical and climatic characteristics and historical governance traditions. This process should be provided according to Porter's (2008) principles.

The basis of Ukraine's clustering will be the increased autonomy of individual clusters to the level of administrative districts with significant freedoms regarding internal and external activities, the ability to influence taxation, and their governance and management system. The self-governance of such clusters will be limited, preventing the possibility of separation into an independent structure. Activities must be conducted within the framework of general directives and export disciplines regarding critical industries.

The main advantages and disadvantages of the proposed concept are as follows*:*

*Advantages*:

- The model is flexible regarding management, offering high autonomy and specialisation.

• Connections between clusters will ensure national autonomy and security.

• Implementation does not necessitate significant financial resources.

• It positively impacts the development of production and social capacities.

*Disadvantages*:

• Dependence on the continuity of connections within the cluster.

• The effective operation of a particular cluster requires specialists from the corporate sector and skilled managers.

• There is a dependence between clusters due to their specialisations.

• The variety of war-end scenarios makes it hard to form a final list of all clusters.

The advantages and disadvantages confirmed the viability of clustering in Ukraine to enhance the quality of post-war economic recovery and development. This modern approach does not require significant implementation costs, as it is based on existing infrastructure and necessitates only restructuring the bureaucratic system. The principles of forming a regional cluster cover traditional zoning approaches: purposefulness, integrity, self-organisation, specificity, and generality (National Mining University, 2016). It should also consist of principles such as innovation and flexibility in response to the demands of the modern global market.

Our research demonstrates the basis of managing an economic region as a cluster by the Podilia economic region (Vinnytsia, Ternopil, and Khmelnytskyi regions).

Tables 3 and 4 illustrate the main activity indicators of the prospective Podilia cluster.

The analysis of the activity indicators of the Podilia economic region and Ukraine, in general, illustrated that the studied region mainly corresponds to the country's characteristics. Therefore, all the previous conclusions are valid.

**Table 3.** The volume of sold products by the Podilia economic region in 2019–2021

| *Branch of industry* | *The volume of products, million UAH* | | |
|---|---|---|---|
| | *2019* | *2020* | *2021* |
| Volume of sold products: Industry (30%). Branches that accounted for 80+% of the total volume:<br>**Process industry 73%:**<br>• production of food products, beverages and tobacco products (52% in 2021)<br>• production of rubber and plastic products and other non-metallic mineral products (19% in 2021)<br>• mechanical engineering (8% in 2021)<br>• manufacture of wood products, paper and printing activities (6% in 2021)<br>**Supply of electricity, gas, steam and air conditioning 23%** | 151736 | 165269 | 206388 |
| Wholesale and retail trade; repair of motor vehicles and motorcycles (29% of the total in 2021) | 121904 | 140740 | 194114 |
| Agriculture, forestry and fisheries (20% of the total in 2021) | 87604 | 92269 | 134061 |
| Construction (7% of the total in 2021) | 25180 | 28456 | 44890 |

*Source: Formed by the Author based on data from the State Statistics Service of Ukraine (http://www.ukrstat.gov.ua).*

**Table 4.** A foreign economic activity of the Podilia economic region

| *Branch of industry* | *The volume of export, thousand USD* | | |
|---|---|---|---|
| | *2019* | *2020* | *2021* |
| Share of goods in the total volume, % | 90.98 | 89.29 | 90.23 |
| ***Services: The total amount is more than 80%*** | | | |
| Services in the field of telecommunications, computer and information services | 82683 | 120534 | 156068 |
| Services for the processing of material resources | 112496 | 119903 | 95825 |
| ***Goods: The total amount is more than 80%*** | | | |
| Products of plant origin | 927222 | 812083 | 1199289 |
| Machines, equipment and mechanisms; electrical equipment | 254653 | 284134 | 287473 |
| Fats and oils of animal or vegetable origin | 332194 | 437360 | 245299 |
| Ready-to-eat food products | 262051 | 243795 | 220409 |
| Wood and wood products | 118250 | 110853 | 140131 |
| Live animals; products of animal origin | 164695 | 102583 | 138824 |
| Miscellaneous industrial goods | 53739 | 66351 | 92032 |

*Source: Formed by the Author based on data from the State Statistics Service of Ukraine (http://www.ukrstat.gov.ua).*

Table 5 presents the region's opportunities and threats according to our SWOT analyses.

The characteristics in Tables 3, 4 and 5 demonstrate a significant predominance of food production, trade, and agriculture-related industries. In terms of foreign economic activity, there has been a substantial increase in exports of IT services, along with high volumes of food, plant, and animal products. Additionally, the quantity of machinery and equipment within goods exports was higher than at the national level. Thus, the Podilia cluster can be developed through the existing agricultural and food production industries to gather resources for the advancement of machine building, particularly in precision engineering, exemplified by Schréder from Ternopil, as well as in technology industries and IT, supported by the growth of the IT sector in the Vinnytsia region. The cluster's available recreational and natural tourism resources provide a foundation for developing international tourism and healthcare services. The considerable distance from the borders of aggressor countries enhances the cluster's potential as a suitable location for defence enterprises. A significant advantage of the Podilia cluster is its favourable geographical position, which facilitates the improvement of logistics networks for transporting material and human resources, as well as semi-finished and finished goods.

**Table 5.** A matrix of SWOT analysis of the Podilia economic region

| ***Strengths*** | ***Opportunities*** |
|---|---|
| • Remoteness from the combat zone;<br>• Relatively unaffected by hostilities;<br>• 11.16% of agricultural land;<br>• Location at the crossroads of primary transport and trade routes;<br>• Developed warehousing and trade;<br>• Strong agricultural sector;<br>• Available base for industrial development;<br>• Access to important waterways;<br>• Significant opportunities exist to use tourism as a source of additional investment. | • Active development of AIC as a basis for resource accumulation;<br>• Sharp increase in food and AIC exports;<br>• Building a logistics hub and a "recovery hub";<br>• Development of machine-building and other industries in the available areas;<br>• Development of various types of tourism: green, eco, historical;<br>• Moving to intensive development, involving a significant number of unemployed people in extensive development.<br>• Formation of an IT cluster. |
| ***Weaknesses*** | ***Threats*** |
| • Lack of direct access to the borders with EU countries;<br>• Generally unsatisfactory state of air services;<br>• The region's economy is based on AIC, food production, and natural resources;<br>• Low competitiveness in precision engineering and other highly competitive and progressive industries;<br>• Ageing population and generally low educational attainment;<br>• The tourism industry has never been a priority, and therefore, there is virtually no tourism infrastructure;<br>• Focus on trade rather than production. | • Insufficient or absent security factor;<br>• Low competitiveness of products in foreign markets;<br>• A sharp increase in emigration because of even minor changes in the situation in the country;<br>• Inability or unwillingness of the authorities to build an effective economic system;<br>• Insufficient capacities and knowledge for the transition to intensive production;<br>• Ineffective and destructive national policy;<br>• Social factor. |

*Source: Author's development.*

Regarding the main opportunities and threats, the following points are noteworthy:

*Opportunities*:

• Forming a single cluster should accelerate vertical and horizontal flows, positively impacting development opportunities.

• Increasing the AIC's capacity through reinvestment can enhance its financial capability for developing prospective sectors.

• Tourism development can catalyse infrastructure growth and attract potential investors.

• Modernising, reconstructing, and building industrial enterprises will create additional jobs, encourage refugees to return home and provide further opportunities for internally displaced persons.

• Transformation into a contemporary industrial region.

*Threats*:

• Ineffective security factors will cause an unfavourable general situation in the country.

• Inefficiency of the governance will hinder competitiveness.

• Ineffective social policy.

• Continued corruption and irresponsibility of key state and local officials.

• The emigration of highly educated individuals will probably increase due to ineffective policies and government actions.

• Embezzlement of resources provided from outside may terminate funding and consequently freeze the country in a third-world agricultural economy.

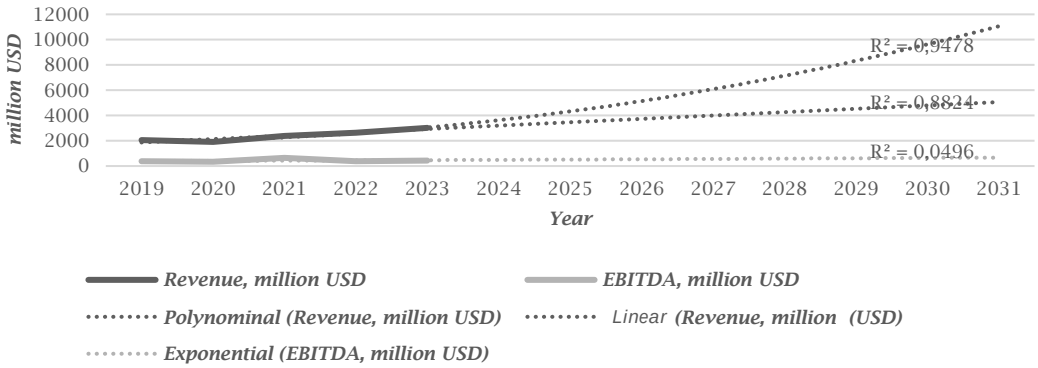
So, opportunities associated with forming the Podilia cluster are based on the region's characteristics. Conversely, threats are on a state level and require effective solutions.

The principal danger to post-war recovery and development is the inability of all levels of government to engage in transformation processes.

## 4.3. Corporate level

Several agricultural holdings operate within the Podilia cluster, including the top three in Ukraine: MHP, Kernel, and Astarta. The revenues of these companies for the first nine months of 2023 were USD 2.3 billion, USD 2.1 billion, and USD 0.4 billion, respectively ("Top-20 efficient agricultural companies", 2024). MHP's reinvestment rose to USD 263 million (approximately 11% of revenue) in 2023 ("Top-20 efficient agricultural companies", 2024). Based on the initial data, a strategy for developing the country's economy through diversifying companies' activities can be formulated on the MHP example. MHP's revenue and earnings before interest, taxes, depreciation, and amortization (EBITDA) growth are illustrated in Figure 2.

**Figure 2.** Forecasted dynamics of changes in indicators of MHP




*Source: Developed by the Author based on data published by MHP (2024).*

According to Figure 2, MHP's revenue may rise to nearly USD 5 billion by 2031. With this level of income and the same percentage of reinvestment, the theoretical investment amount in 2031 would be nearly USD 500 million. These calculations illustrate significant prospects for adopting the South Korean diversification model and the potential for Ukraine's agricultural holdings to emulate the strategies of Samsung, Hyundai and others. Annual reinvestments in the core business and new areas of activity will establish the groundwork for MHP's transformation from an agricultural holding into a diversified corporation in line with the possible state export strategy.

In addition to agribusiness, MHP's strengths consist of a well-developed information technology (IT) department, which includes (Mazur, 2024): 1) IT infrastructure, 2) business analysis, 3) developers, and 4) web developers.

According to the previous analysis, one of the promising branches for the diversification of MHP should be IT, specifically product IT. This branch will be responsible for developing solutions in the AIC and for prospective branches using artificial intelligence (AI) and other modern tools.

The comparison of the volume of financial opportunities and the current level of reinvestment will make it possible to develop precision engineering and the MIC enterprise.

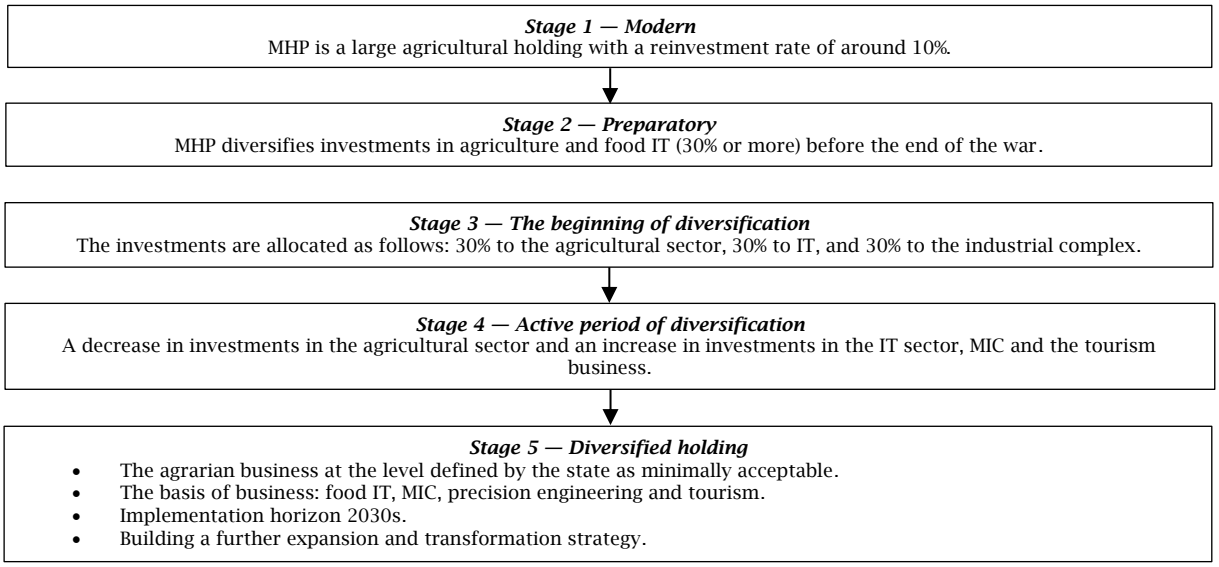
Tourism can also be a perspective for the diversification of MHP due to the available recreational resources. According to Honcharuk and Shapran's (2024) study, recent trends in the field of tourism include: 1) growth in health tourism; 2) a decline in the importance of group tourism, which is shifting towards individual and family holidays; 3) the significance of hotels and infrastructure is increasing among tourists.

MHP's financial capabilities and the natural features of the Western regions enable it to adopt a business model focused on individual or family tourism, with accommodation in separate cabins. We propose this concept for tourism as it is likely optimal regarding the balance between required investment resources, payback periods, and profitability levels. Furthermore, the western region boasts numerous historical sites, enhancing its appeal to tourists.

Active state participation is necessary for the effective growth of tourism. Without this, individual tourist complexes risk becoming isolated zones lacking adequate infrastructure.

The concept behind our proposals for the MHP's diversification and transformation strategy is depicted in Figure 3.

**Figure 3.** Conceptual scheme of transformation and diversification of the MHP




*Source: Author's development.*

The conceptual scheme illustrated in Figure 3 aligns entirely with the previously outlined vectors of Ukraine's post-war recovery and development within the export discipline and specified priority sectors of the economy. Simultaneously, the concept scheme is flexible and can be adapted for other enterprises. It encompasses the national level by solving governance issues and developing an effective system for restructuring the state system using a cluster method. Also, it relies on the financial and economic foundation of effective and diversified companies.

Our concept remains primarily theoretical at the country and regional levels since meritocratic democracy and regional clusters have not been previously implemented. These factors represent the main limitations of our study. Additionally, the government and society can cause limitations and threats to the effective implementation of the proposed concept at all levels. Their actions concerning transformation and support during the war and post-war periods will determine the feasibility of reforming governance and socioeconomic systems.

## 5. DISCUSSION

The results of our research are up-to-date and aim to solve the critical issues of modern Ukraine — effective post-war recovery and development. According to our and other authors' conclusions (Obłoja & Voronovska, 2024), corporate management is significantly more effective than government

governance. Therefore, transforming governance must be the first step in post-war development.

Our concept for Ukraine's post-war strategy is designed to mitigate the disadvantages and enhance the advantages at all described levels. The tools proposed in this article are unique in certain aspects and outline the instruments for post-war recovery and development at the country, regional, and corporate levels. If governance will be ineffective, factors of evolutionary growth could lead to further outflows of the economically active population, aggravate the labour resource crisis, and amplify the economic depression.

The current situation in Ukraine is unprecedented compared to other instances in world history. The most analogous case is South Korea. Our main hypotheses and findings are based on that case, and we predict our results accordingly. However, this connection also introduces limitations — the modern Ukrainian government and populace may likely exhibit resistance, leading to potential standstills.

Given these limitations, it is essential to establish a general and clear concept across different levels. However, the focus of discussions relates to issues of only one of the levels rather than engaging with all levels comprehensively. This topic particularly interests domestic authors such as Tykhonchuk et al. (2024), Trach (2023), Zamula et al. (2024), Ohorodnyk and Finger (2024), as well as domestic and foreign investors and businesspeople.

The primary recommendation is to explore issues in a complex within progressive practices. Moreover, businesspeople and progressive politicians must now transform the system using new tools and innovative ideas.

Our work is only one of the variety of studies within the scope of post-war development, and it should be developed into real actions within short-term limits.

## 6. CONCLUSION

Our study is dedicated to the issues of the Russian-Ukrainian war and the post-war development of Ukraine at the country, regional, and corporate levels. Our paper is based on data from freely accessible databases and the experiences of post-industrial countries, such as South Korea. It is also part of a broad issue developed by many scientists, practitioners, and statesmen, according to the problems and threats of the war.

The results of our study are the concepts of the governance and management tools of an effective strategy for Ukraine's post-war recovery, development, and transformation of its socioeconomic system.

The main conceptual tools that will have a significant impact on the final strategy are defined as follows:

- At the country level, the socioeconomic system should be transformed according to the principles of meritocratic democracy by combining the best achievements of meritocracy and democracy. The main task of meritocratic democracy will be to reduce the low level of statemen, their incompetence, and the hostile influences of aggressor states. Also, an essential influencing factor was identified, such as the need to implement export discipline and development according to the identified priority industries.
- At the level of economic regions, administrative units should be consolidated into clusters according to practical corporate management approaches.
- At the corporate level, diversifying companies' activities in related and new industries is proposed to increase efficiency and reduce risks. The level of an enterprise is also considered a basis for the general transformation of Ukraine's economy, and it is one of the primary sources of financing such transformations.

The paper's results also highlight the necessity for an immediate transition to revolutionary economic changes, which will become the basis for transforming the socioeconomic system. The findings present valuable information for all stakeholders aiming to enhance the country's socioeconomic system at various levels. Potential users of the described tools are statemen and managers in the context of studying and implementing the likely modernisation of social and socioeconomic structures. Practical results will likely occur when the described instruments are implemented into the concept of a post-war recovery and development strategy.

The primary study limitations are:

- The modern Ukrainian government and population will likely exhibit resistance, leading to potential standstills.
- It is oriented toward big companies, which form the pool of the country's driving powers of competitive growth. The leading sector is the agro-industrial complex. This limitation will require the development of detailed instruments to support medium and small-sized businesses and households.
- Any approach to developing a conceptual strategy for post-war development will depend on the security factor.

The prospect of future research will involve expanding the list of conceptual tools and final formulating of governance and management strategies for post-war development.

Ukraine as a state must start making changes now, or it will be too late.

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