

# Anti-crisis strategy of state governance in the wartime: an example of Ukraine

*Estratégia anti-crise da governança de Estado durante uma guerra: o exemplo da Ucrânia*

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## ABSTRACT

Russian military invasion of Ukraine became yet another reminder to humanity about how fragile our world is and how it requires unity and partnership to confront global humanitarian challenges and ensure sustainable development goals. The article analyses the historical context of the establishment of Ukrainian statehood, provides a situational assessment of the current state of the economy and environmental hazards in Ukraine and investigates anti-crisis «success stories» of other countries where reforms were based upon a market-oriented doctrine of New Public Management (NPM). On this basis, a strategy of changing an existing system of state governance in Ukraine was elaborated by the authors. In the development of the presented strategy a cybernetic approach was used whereas the conceptual framework for it was formed by the provisions of sustainable development in terms of the civic society. Adherence to the concept of sustainable development is regarded by the authors as an essential condition for overcoming the war-induced socio-economic crisis.

**Keywords:** Anti-crisis strategy. State governance. War. Socio-economic crisis. Environmental disaster.

## RESUMO

A invasão militar russa na Ucrânia tornou-se mais um lembrete para a humanidade sobre como nosso mundo é frágil e como requer unidade e parceria para enfrentar os desafios humanitários globais e garantir as metas do desenvolvimento sustentável. O artigo analisa o contexto histórico do estabelecimento do Estado ucraniano, fornecendo uma avaliação situacional do estado atual da economia e dos riscos ambientais na Ucrânia e investiga «histórias de sucesso» anti-crise de outros países onde as reformas foram baseadas em uma doutrina orientada para o mercado da Nova Gestão Pública (NGP). Com base nisso, foi elaborada pelos autores uma estratégia para mudar um sistema de governança estatal existente na Ucrânia. Para a estratégia apresentada, foi utilizada uma abordagem cibernética e um quadro conceitual foi formado pelas disposições de desenvolvimento sustentável consideradas pela sociedade civil. Os autores consideram a aderência ao conceito de desenvolvimento sustentável como uma condição vital para superar a crise socioeconômica causada pela guerra.

*Palavras-chave:* Estratégia anti-crise. Governança do Estado. Guerra. Crise socioeconômica. Desastre ambiental.

## 1 INTRODUCTION

Irrespective of its socio-economic development level, every country in the contemporary world may become an object of military aggression on the part of neighbouring or geographically remote countries. «Today's world has the technological conditions (war artefacts) to self-destruct» (BURSZTYN *et al.*, 2022, p. 6). At the same time, the economic weakness and political instability of the country considerably increase its chances to become a victim of aggression from the side of a more economically advanced and well-armed state. The history of international conflicts is replete with examples of obliteration of sovereign states at the time when, being weakened by internal contradictions, they became the object of encroachment on the part of stronger and more militant geopolitical «players».

The day of the 24th of February 2022, when the Russian Federation invaded Ukraine, became a departure point for a rapid escalation of conflictogenity across all continents. There are currently 18 conflict «hotspots» across the world, along with another 45 «frozen» armed conflicts. The prospects of wrapping up or «freezing» the most dangerous conflict «hotspots» in the contemporary world with the help of the most effective mechanisms of state governance have recently been studied by Baconi (2016), Cohn-Sherbok and El-Alami (2015), Fraser (2015), Nabatchi and Goerdel (2011) and Stashkevych (2022). In addition, considerable attention on the part of contemporary scholars, in particular Brewster (2015), Carranza (2018), Sasikumar (2019), and Yusuf and Kirk (2016), is given to the issue of increasing nuclear threat.

Due to the global economic fallout from the war in Ukraine, the risks of «thawing» these conflicts increase dramatically. In the view of the International Monetary Fund (IMF) experts, the Russo-Ukrainian war in the long term may cause a fundamental shift in the global economic and geopolitical order in case of a systemic failure in energy trade and disruption of food supply chains (KAMMER *et al.*, 2022).

Maintaining an entire world within a paradigm of sustainable development and, correspondingly, overcoming a profound economic crisis, which presently threatens the world, is only possible under substantial improvements to the model of governance universally adopted in democratic countries.

How does a socio-economic crisis, which emerges in the country as a result of the armed conflict at an international level, changes this governance model?

War does not generate new, specific principles and mechanisms of state governance, but it updates, transforms and optimises the already existing ones that are required at the time. For instance, at first

sight, in the conditions of war imperative, command and control methods of governance appear to be the most efficient. However, simultaneously, they are efficient only at the first stage of a socio-economic crisis caused by war or in the case of a swift end to this war. If the conflict acquires a protracted nature, different governance approaches and leverages of state influence become more in-demand.

Regrettably, the process of transformation of the system of state governance in the conditions of prolonged wars as well as cause and effect relations between the emergence of armed conflicts (both internal and international) and specific models of state governance are presently insufficiently studied.

Within the scope of the presented paper, the authors focused on the concept of New Public Management (NPM), the underlying concept of which is the achievement of maximum efficiency of state governance, political pluralism in decision-making, a delegation of authority to the lower levels of administrative hierarchy and balanced division of power as well as the increased participation of civil society in governance.

## 2 METHODOLOGICAL PROCEDURES

A methodological foundation of our study is the concept of sustainable development of humanity, its key provisions being introduced in an outstanding collective research effort by Meadows, Donella H; Meadows, Dennis L; Randers, J titled «The Limits to Growth» published in 1972. It contained several forewarnings about the long-term implications of preserving the then-existing trends in the spheres of global demographics, use of natural resources, environmental pollution and liberal market-based methods of economic activity in industry and agriculture. But unfortunately, not all countries heeded these warnings. Therefore, the world continues to be shaken by wars and economic crises.

In the course of the study, the authors analysed the strengths and shortcomings of the state governance system in Ukraine and the changes that have occurred within it since its accession to independence until now. The monitoring of the efficiency of state governance in Ukraine has been conducted based on data from World Governance Indicators (WGI), a ranking initiated by Daniel Kaufmann (Natural Resource Governance Institute (NRGI) and Brookings) and Aart Kraay (World Bank, Development Economics) in 1999. It evaluated 215 countries and territories following such criteria as Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law, and Control of Corruption. As the originators of the ranking suggest, these aggregate indicators combine the views of many enterprises, citizens and expert survey respondents in industrial and developing countries. They are based on over 30 existing data sources that report the views and experiences of citizens, entrepreneurs, and experts in the public, private and NGO sectors from around the world on the quality of various aspects of governance. The WGI draw on four different types of source data: *surveys of households and firms*, including the Afrobarometer surveys, Gallup World Poll, and Global Competitiveness Report survey; *commercial business information providers*, including the Economist Intelligence Unit, IHS Markit, Political Risk Services; *non-governmental organisations*, including Global Integrity, Freedom House, Reporters Without Borders; *public sector organisations*, including the CPIA assessments of World Bank and regional development banks (WGI, 2021).

The analysis of the system's current state would be impossible outside the context of geopolitical, economic and existential «shifts» on a global scale caused by the Russian military aggression against Ukraine; hence, further consideration was also given to analysing them.

Studying the evolutions of the market-oriented doctrine of NPM, we were relying upon the cybernetic approach, which postulates the principle of feedback which may be both positive and negative. Contemporary American researcher M. Maruyama called systemic conditions, which occur as a result of negative feedback a «morphostasis», systemic conditions which occur as a result of positive feedback – «morphogenesis» (MARUYAMA, 1963). Another scholar – G. Myrdal – established an identifiable

pattern, the veracity of which was proved by the authors of the presented paper on the example of implementation of NPM in Ukraine: free market relations function morphostatically in developed countries (i.e. they stabilise the economy, ensure positive impact upon it) and, contrariwise, function morphogenetically (i.e. shatter an already existing instability and aggravate the already «weak points») concerning the economy and social structure of underdeveloped countries (MYRDAL, 1981).

In the formation of an anti-crisis strategy of changing the state governance in the conditions of war, the authors proceeded from the fact that the state governance, with its set of values being aimed at sustainable development, stipulates the search for the most optimal, humanitarian-oriented ways of transformations in the society within three closely intertwined dimensions – economic, social and environmental. In the official documents that define strategic intentions of the state governance, the value aspects are formulated as principles and priorities for action. Hence, the authors suggested that an anti-crisis strategy of state governance in wartime comprises two efficiency indicators: «Principles» and «Processes». According to the first indicator, the authors consolidated the principles into two groups: common (that concern all three dimensions) and partial (inherent in a particular dimension). Provisions of our strategy according to the two indicators have been elaborated with an account of Ukrainian realities. Nonetheless, they may be similarly utilised as a universal tool for optimising the system of anti-crisis state governance by other countries.

### **3 RESULTS**

#### **3.1. THE SYSTEM OF GOVERNMENT UNDER CRISIS CONDITIONS: PAST EXPERIENCES**

Self-organisation, nonlinear development, and disruption of informational and cultural boundaries between countries represent critical features of the contemporary global society once identified by M. McLuhan as a «global village» (MCLUHAN, 1967). Crises are a natural occurrence for such a society; hence, such a model of state governance is required to respond promptly to economic, socio-energy and moral value-related «cataclysms».

Under crisis conditions, the significance of state governance influence increases substantially, particularly from forecasting and strategic anti-crisis planning, monitoring, and funding of innovative governance decisions. Without efficient institutions of governance, sustainable economic and social development of the state is essentially impossible. Namely, these institutions can release intrinsic growth energy, driving the society out of stagnation with minimal deformations of the social space. At the same time, in the contemporary world, the issues of internal development of a specific country are being decided without considering the views of a vast range of concerned parties at the intergovernmental level: representatives of the business community, authorities, various civil society institutions.

From the standpoint of efficiency of measures for crisis management, the USA's experience during the Great Depression of the 1930s proves to be the most useful. In 5 years of crisis, the investment activity within the country dwindled by 5 times; the GDP reduced by half; over 3 thousand banks ceased their activity. The number of unemployed exceeded 17 million people. The New Deal by F.D. Roosevelt became the very instrument that not only enabled to curb the crisis but also provided a powerful momentum to reforming the entire system and transforming the USA into a country ranked first in the world in terms of economic development.

The anti-crisis measures in the USA were implemented in four major directions: 1) the reform of financial and credit relations, reduction in public spending, cessation of unjustified subsidising, and pricing liberalisation; 2) increased supervision and control in the sphere of trading of securities, tighter state control over price parities; 3) consistent anti-inflation policy; 4) neutralisation of mafia criminal activities and total war on corruption. The state budget was introduced with a specific item

of expenditure in the form of provisions for anti-crisis measures funded by a newly administered Reconstruction Finance Corporation. The mass withdrawal of deposits was banned for the population. Excise taxes were increased, and the fiscal policy was strengthened; it became a norm to hold public trials against the violators of financial, tax and labour laws. Various institutions for crisis management were established, among them The National Recovery Administration (NRA), The Works Progress Administration (WPA), and The Agricultural Adjustment Administration (AAA). The establishment of the Civilian Conservation Corps (CCC) and the Federal Emergency Relief Administration (Fera) had become instrumental in overcoming the crisis. Its significant role was played by the social insurance system based on the principle of future generations compensating for the expenses of social subsidies in the period of crisis. Most researchers believe that the New Deal brought about innovative changes at the time and ensured the preservation of the country's existing constitutional, economic and social structure.

Another instance of recovery from the crisis may be observed in Great Britain's experience of the mid-1970s-1980s. A precondition for the emergence of this crisis became the establishment in the western world of a model of a welfare state developed in a joint effort by American scientists, Nobel prize laureates J. Buchanan and P. Samuelson as well as L. Johansen (Sweden), R. Musgrave (USA) and A. Peacock (Great Britain) *et al.* This model found its practical application in the socio-economic programme by W. Beveridge, the eponymous Beveridge Report, which was presented to the British parliament in 1942 and was later fully implemented by an already post-World War II Clement Attlee's government in 1951. It became the baseline model for public services around Great Britain. Its underlying principle – state-guaranteed universal, equal access to quality public services according to need, not ability to pay; funding of public services primarily from the state budget and provision of such services by government institutions.

The centralisation significantly improved the quality of public services, ensured standardisation of price formation, unified procedures for all individuals and equal access to them. Conversely, all this led to increased government spending and, correspondingly, tax hikes, making the system inflexible and unreceptive to ever-changing needs on the local level. Apart from this, centralised government control and standardisation did not encourage the growth of innovation and the responsibility of citizens for the common good. A similar situation could be observed in other West European countries: The Federal Republic of Germany, France, and Sweden. Globalisation on par with increasing international competition has also played a prominent role by prompting national states to modernise public governance, combat corruption and minimise administrative barriers. All this, combined with the growing demands of citizens for the quality of public services against the background of the economic crisis which engulfed the developed West European countries in the mid-1970s-1980s, caused a new wave of administrative reforms bound together by an ideology of NPM. This novel approach, stipulated by the economy's needs, called into question all the fundamental precepts and principles of traditional public governance.

The doctrinal baseline of NPM was comprised of the following conceptual provisions: a priority of professional hands-on management responsibility for the implementation of goals of state governance and vested with broad administrative autonomy; transparent standards and indicators of state governance (predominantly quantitative metrics); focus on controlling and monitoring the result, not the initial conditions or preservation of state governance procedures; decentralisation and disaggregation of governance structures, their division into a compact, controlled structural units with individual budgets; introduction of corporate governance framework into state administration with clearly separated areas of responsibility of individual governance structures and granting them a broadest possible autonomy; downsizing the state apparatus and limiting its impact on the economy.

New market-oriented NPM doctrine established its leading positions not only in science and politics but also became an ideological foundation for activities of neoliberal political forces which came to power in the leading Anglo-Saxon countries – Great Britain and the USA and consequently spanned

the developing countries in Latin America, Africa, Central and Eastern Europe, Asia (including post-socialist countries). A prominent role in the global expansion of NPM was played by international organisations, such as UNDP, IMF, the World Bank, WTO and others, which actively supported the NPM-inspired reforms. The implementation of NPM was also solicited by international consulting companies whose services were used by the developing countries in elaborating their national programmes for modernising public administration.

To a large extent, NPM is based on the presumption of the advantage of market-based mechanisms over state-related ones. Margaret Thatcher's government, which conducted a series of effective reforms, is rightly considered a «trailblazer» of NPM. For instance, in 1988, Thatcher's government initiated a programme related to fundamental reform of state governance with the presentation of the report «Improving Management in Government: The Next Steps». As a result of the programme's implementation, the functions of government policy and rendering public services were institutionally separated. Cumbersome government departments were reorganised, whereas to render public services, over 130 agencies were created, with their work organised according to business management principles. In this way, structural and functional separation of the government policy and the sphere of public services became one of the significant innovations of NPM.

With all its positive effects in countries with a developed democracy, implementing NPM in developing countries brought about ambiguous consequences. There, a «governance gap» was observed when the governments acting in these countries were not capable of ensuring the necessary reform measures and activities while the society was not ready for them. As an outcome, the state apparatus weakened, which allowed local corrupted elites to seize power in their regions. In several countries, this led to significant internal contradictions within society and even armed conflicts at the international level. The most severe effects were observed in the countries with a high level of corruption in the state apparatus and security agencies – the DRC (formerly until 1997, Zaire), Iraq, Afghanistan, Liberia, Colombia, etc.

### **3.2. UKRAINE: A DIFFICULT PATH FROM GAINING INDEPENDENCE TO THE ARMED CONFRONTATION WITH THE AGGRESSOR STATE**

The reform of the state governance system came with a considerable delay in the post-socialist countries, including Ukraine – in 1998. Its objective was to create a state governance system that would comply with European standards for a democratic state governed by the rule of law and possessing a market economy. The concept of the administrative reform in Ukraine at the time stipulated such changes: goal-oriented governance; standardisation and regulation of public services and their rendering at multifunctional service centres; rendering of public services and information about them in electronic form; optimisation of functions of executive power and counteraction against corruption; establishment of effective interaction between the executive authorities and the society. An inhibiting factor for progressive NPM ideas became the fact that they were being implemented based on the institutional platform of the post-Soviet period, which possessed the «vices» common to all countries of the former USSR: non-transparency, weak regulation of administrative and governance processes, uncertainty and irrationality of the functional structure of state governance, excessive and inefficient government intervention, willfulness and corruptness of government officials.

A peculiarity of the administrative reform in the then Ukrainian state was an effort to combine the reception of the global trend for NPM (with its key points of market competition, managerialism, and focus on the consumer of public services) with addressing the challenges that evolutionarily should have predated the implementation of NPM but for a variety of historical reasons were not duly solved. This specifically concerns the creation of solid rational bureaucracy in its classic Weberian sense. At the beginning of the 2000s, the administrative system of Ukraine was not yet prepared for market competition and boosting productivity. In contrast, it required basic consolidation, surmounting

the legal chaos and elaborating executive discipline standards on all levels of state governance. As a result, neoliberal principles of economic efficiency of state governance, ideas of managerialism and quality public services naturally receded into the background against the top priority at that time – the establishment of national statehood and civic society.

The first clear evidence of the formation of a new European-value oriented society became the Orange Revolution of 2004 – a campaign of protests, public rallies, strikes and other acts of civil disobedience in Ukraine as a fierce reaction to mass vote rigging conducted by the authorities during the presidential elections. The change of the ruling elites, which occurred as the consequence of these events and a subsequent European integration policy of Ukraine, became a fertile ground for modernisation and transformation of state-level and municipal-level institutions, as emphasised by Khadzyradieva, Sitsinska and Slukhai (2021). As a result, Ukrainian society proclaimed its readiness to conduct a qualitative reform of local administration based on principles of subsidiarity, regionalisation, decentralisation and sustainable development.

The formation of a new European society in Ukraine has been taking place in a state of permanent resistance to indirect and, later on, direct and open aggression on the part of the Russian Federation. The watershed years for the entire country proved to be 2013-2014, when the Revolution of Dignity occurred as a protest against an unlawful dispersal of peaceful students, and civic activist demonstrations and military activities started in the east of the country following Russia's efforts to instigate and provide weapon supply to separatist sentiments among the local population. In the open Russian military aggression conditions, Ukrainians are fighting for their freedom and state integrity with weapons.

Indicators of quality of governance (Table 1) cited in the comprehensive periodic study World Bank Group «Worldwide Governance Indicators» affirm positive developments within this domain in Ukraine over the last 20 years.

**Table 1** | Changes regarding the quality of governance in Ukraine from 2000 to 2020 (data sourced from «Worldwide Governance Indicators»)

<i>No</i>	<i>Indicator</i>	<i>Year</i>	<i>Number of Sources*</i>	<i>Governance Score** (-2,5 to 2,5)</i>	<i>Percentile Rank***</i>	<i>Standard Error****</i>
1	Voice and Accountability	2000	8	-0,61	30	0,18
		2020	11	0,09	51	0,12
2	Political Stability and Absence of Violence/Terrorism	2000	4	-0,41	32	0,34
		2020	7	-1,16	12	0,23
3	Government Effectiveness	2000	6	-0,70	26	0,20
		2020	8	-0,36	38	0,22
4	Regulatory Quality	2000	8	-0,53	29	0,23
		2020	9	-0,30	40	0,19
5	Rule of law	2000	11	-1,11	14	0,16
		2020	12	-0,67	27	0,14
6	Control of Corruption	2000	8	-1,15	8	0,18
		2020	11	-0,78	23	0,14

*Notes:*

\* Shows the number of individual data sources on which the aggregate indicator is based.

\*\* Estimate of governance measured on a scale from approximately -2.5 to 2.5. Higher values correspond to better governance.

\*\*\* Indicates Ukraine's rank among all countries in the world. 0 corresponds to the lowest rank, and 100 corresponds to the highest.

\*\*\*\* Captures the precision of the estimate of governance for each country. Lower values indicate a higher precision. Standard errors are related to confidence intervals reported elsewhere: a 90% confidence interval is the estimate of governance +/- the standard error multiplied by 1.645.

Source: WGI <http://info.worldbank.org/governance/wgi/Home/Reports>.

Indicator 1, which demonstrates the ability of the country's citizens to participate in selecting their government and other public authorities, the level of independence of media and the level of civil liberties have displayed an improvement from -0,61 to -0,09. The Government Effectiveness (Indicator 3) has also improved: the indicators increased from -0,70 to -0,36. Government effectiveness indicator captures perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies. According to Indicator 4, which estimates the ability of the government to implement sound policies and regulations that promote private sector development, positive changes have taken place in the last 5 years and proved to be less significant (from -0,53 to -0,30). As per Indicator 5 – efficiency and predictability of legal framework, crime rate, the efficiency of the police, courts, etc. – the indicators improved from -1,11 to -0,67. Virtually identical value of positive changes has been observed in respect of combating corruption (from -1,15 to -0,78) – as per Indicator 6.

Negative dynamics (from -0,41 to -0,16) have been displayed within the scope of Indicator 2, which measures the stability of government institutions, the likelihood of resorting to drastic policy shifts, destabilising or overthrowing the government through violence. Such an outcome proves logical, considering two revolutions and an armed conflict in the country's east occurred between 2004 and 2021.

Consequently, the data provided in Table 1 assert the predominantly positive changes in the quality of state governance from 2000 to 2020. Even though these positive governance quality developments may hardly be labelled as rapid and extensive, they manifest as systemic and consistent. Furthermore, despite all the difficulties encountered in the development of the state after the second bloody revolution and the outbreak of hostilities in the east of the country, since 2014, an installation of innovative forms of municipal democracy has begun. It has been actively proceeding, particularly in such instances as electronic petitions, electronic elections, citizen's (participatory) budget, etc., based upon the reception of the positive experience from European and other foreign countries with a high degree of democratic development as well as accounting for recommendations of the Council of Europe.

In 2021 the government of Ukraine adopted the Public Administration Reform Strategy until 2025, which defines its priority as building a competent service and digital state in Ukraine which ensures the protection of the interests of its citizens based on European standards, best practices and experience. In contrast, among its key objectives, it lists the development of effective and accountable state institutions that shape public policy and successfully implement it for the state's sustainable development.

The positive developments in the state governance system were halted due to Russia's armed aggression.

With the outbreak of military action in February 2022 and until presently, an increasingly worsening situation has been observed in the economy and the state of the environment, which became a passive and the least protected victim of this war.

As a result of military activities, the air, the water and the soil are being contaminated, and flora and fauna are being exterminated. In addition, there arise risks of damage to particularly hazardous industrial installations: chemical industry enterprises, nuclear power stations and other installations, which represent a potential source of danger to the population.

Since the beginning of the full-scale Russian invasion, the natural environment in Ukraine has sustained over 300 cases of ecocide (UNN, June 6, 2022), significantly impacting food security within the country and across all European countries. This is the first international military conflict in the past 20 years which caused such considerable and irreparable damage inflicted to the environment. Generally, no military conflict may be referred to as local regarding the natural environment, given that conventional



borders cannot separate ecosystems on the map. If the natural balance in one geolocation is ruined, it will inevitably impact the others. For example, the war has caused multiple deaths of dolphins off the coasts of Turkey and Bulgaria; thus, its consequences are far more profound.

From the very first days of the invasion, the experts of the Ministry of Ecology and Natural resources of Ukraine have been recording the damage to the natural environment inflicted by explosions at fuel and lubricant depots, oil products storage, and air strikes against enterprises which utilise dangerous chemical agents in their production, damage and destruction of sewage treatment facilities as well as damages to the soil cover, forest fires – specifically in the locations of natural reserve funds. In the view of the head of the Ministry Roman Strilets, the environmental destruction in Ukraine threatens to destroy 2,5 million hectares of European environmental network, specifically 160 sites within the Emerald Network (territories and objects protected at the pan-European level) as well as 17 Ramsar sites covering 627,3 thousand hectares (wetlands of international importance). The Minister emphasises that due to Russia's actions, at least 20% of the natural protected areas of Ukraine have been jeopardised (MINISTRY OF ENERGY AND ENVIRONMENT PROTECTION OF UKRAINE, 2022).

The Russian Federation is conducting military operations in natural protected areas of international and European importance, subsequently destroying the habitats of rare and endemic animal species. Further, deforestation is occurring, which may lead, specifically in the south of Ukraine, to wind erosion and desertification. Ukraine's almost 3 million hectares of forests are in war-torn regions. For comparison, this nearly comprises the territory of Belgium.

Missile attacks against petroleum storage depots and industrial enterprises, as well as the heavy shelling of infrastructural objects and residential buildings in Ukraine, eventuate in the atmospheric air pollution by harmful substances.

Emissions into the atmosphere caused by the detonation of missiles and projectiles are carried over, deposited as sediments and have a detrimental impact on the territories of other countries.

The situation with the economy of Ukraine is likewise highly complex. Its downturn is anticipated at the level of 30-50%. The disrupted logistics require investments to restore international trade, and a demand for social relief and recovery is growing. Budget revenues have fallen into the risk zone, the expenditures are high, and they keep growing. The fuel crisis is choking off business activities and adaptation of the economy to the conditions of war. The government allocates the largest share of budget expenditures for defence purposes, law enforcement and social support. To equalise budget expenditures and recover the economy over the next several years can be made possible under increased international financial support.

The state governance system, which existed in Ukraine before the beginning of the military invasion, requires overhaul and optimisation with an account for wartime requirements and those humanitarian challenges and threats that the society faced with the outbreak of war.

### 3.3 AN ANTI-CRISIS STRATEGY OF STATE GOVERNANCE IN THE CONDITIONS OF THE WAR-INDUCED SOCIO-ECONOMIC CRISIS

In September 2015, at the 70th Session of the UN General Assembly in New York, a Summit on Sustainable Development was held where new agenda for sustainable development was approved. The resulting document of the summit, "Transforming Our World: The 2030 Agenda for Sustainable Development", adopted 17 sustainable development goals (SDGs) and 169 targets. As a result, Ukraine, similarly to other UN member states, joined the global process of ensuring sustainable development, and since then, an inclusive process of adaptation of SDGs has been initialised within the country.

Throughout the time of adaptation of the SDGs in Ukraine, 42,6% of resources were channelled to implement Goal 16 of the SDG – «Peace, justice and strong institutions». In the conditions of an ongoing war and a socio-economic crisis that it caused, the interpretation of targets (the total of 9 targets were defined for Ukraine) within the framework of the given goal must be significantly revised. For instance, Goal 1 – «No poverty» – will now become a key target for state governance, whereas the allocation of costs for its implementation before the outbreak of military action amounted to only 0,7% of the state budget. Due to the massive destruction of infrastructure, another top-priority goal becomes SDG 6 – «Clean water and sanitation», which includes the provisions for availability and sustainable water management and sanitation (previously, 3,3% of the state budget).

SDG 9 – «Industry, Innovation and Infrastructure» and SDG 8 – «Decent work and economic growth» both possess outstanding significance in ensuring progress to achieving all SDGs by creating prerequisites for the growth of added value and the GDP. The latter of the two goals acquires particular relevance considering the necessity of returning Ukrainian refugees to their homes. For Ukraine, which currently (as of March 2022) has 12 million forcibly displaced persons, with 3,5 million of those having fled abroad, the provision of jobs and the resumption of industrial operations have become a specific requirement (REZNIKOVA; PANCHENKO, 2022).

In such a way, the war introduced significant amendments to principles and the process of state governance, which is reflected in the provisions of the anti-crisis strategy elaborated by the authors.

### *3.3.1 «PRINCIPLES»*

General provisions:

- Unity of purpose at all levels of administrative hierarchy;
- effective planning, which allows achieving balance between the measures of economic «survival» of territories, support of business, ensuring environmental security and social protection of the population;
- centralisation of power in the short term (up to half-year) with a mandatory return to decentralisation in the long term. It must be noted that during peacetime, the efficiency of governing a democratic state is ensured primarily through the formation and maintenance of «safeguards» against excessive centralisation of power. It is achieved by separating powers, delegating authority, and specific political levers of counteracting such centralisation. In the conditions of war and a socio-economic crisis induced by it, the centralisation of power becomes an indispensable provision for mobilising the resources of state governance. However, it may become detrimental if it remains prioritised in subsequent stages of the crisis unfolding.

Partial provisions (about economic, social and environmental dimensions):

- maximum mobilisation of internal resources (productive, intellectual, energy, financial, enforcement, etc.);
- prioritised funding of armed forces;
- ensuring uninterrupted functioning of systemically vital financial institutions of the state;
- minimisation of government institutions' regulatory impact on the economy's operational functioning. First and foremost, this concerns downsizing the number of controlling bodies and their authority and the liberalisation of permitting procedures.

- the principle of decarbonisation and decentralisation of the energy sector. The green recovery must include Ukraine's accelerated phase-out of fossilised fuels, particularly its importation. Ukraine, similarly to developed democratic countries of Europe, must solve the challenge of transitioning to 100% renewable energy sources by 2050 and gradually opt out of using nuclear energy for power generation. Any investments into the energy sector must be based on the necessity to phase out fossil fuels.

### 3.3.2 «PROCESS»

To optimise the process of governance in the conditions of the war-induced crisis, it is imperative to observe the following provisions:

Provision 1. Flexible situational response to the challenges of wartime with a simultaneous concentration of efforts of government authorities on prospective directions of political and socio-economic development;

Provision 2. Timeliness and adequacy of response to threats; mobility in utilising the available resources; consistency in the implementation of decisions taken; promptness and efficiency in correcting errors. All these requirements may be unified in a critical notion of «balanced efficiency». «Sluggish» governance system of the state in the conditions of crisis is jeopardy to society, business and citizens as a whole.

The decisions taken by the government of Ukraine two weeks after the outbreak of war (from February 24<sup>th</sup> to March 10<sup>th</sup>) testifies to its capacity for swift and radical actions. On the other hand, the problem of filling the state budget has been successfully solved using emission: planned issuance of military bonds for the amount of 400 billion UAH – 26% of 2022 budget expenditures, 10% of GDP (ECONOMIC TRUTH, February 26, 2022); through external loans and aid packages (the obtainment of which was successful due to timely efforts of the state leadership) there has been achieved a frail yet, given ongoing active hostilities, macroeconomic stability.

Provision 3. An adequate financial foundation is formed due to building up and developing an intrinsic production potential. However, 50% and more economic decline requires a considerable public investment in constructing new types of factories and production cycles for added value chains «from scratch» in cooperation with countries friendly to Ukraine. Reforms of state governance and liberalisation, when conducted in the condition of the destruction of budget-forming enterprises and disruption of value and supply chains, will be «caught in limbo» without producing any tangible result.

Provision 4. Optimisation of the governance process in the long term (over half-year) stipulates elaborating a well-coordinated interaction between government authorities and local self-government based upon the principle of subsidiarity.

This provision attains particular significance under martial law when all the elements in the power hierarchy naturally gravitate towards the centralisation of governance decisions. Hence, an absolute priority for the warring country lies in ensuring maximum efficiency of local government authorities in managing the resource potential of corresponding territories and establishing coordinated activities of all government institutions to timely secure the pressing military needs and economic recovery.

Provision 5. Governance influence is directed at balancing the containment of inflation and the necessity to minimise losses in production output volumes. Achieving the said balance is possible provided the reduction in the regulatory impact of government institutions on the operational functioning of the economy. This concerns foremost the downsizing of the number of controlling bodies and their authority, liberalisation of permitting procedures, lowering of customs barriers or their complete

elimination (excluding the cases of protection of domestic market from subsidised import or import from unfriendly or hostile countries).

Provision 6. Reduction of the tax burden on the economy, particularly through VAT differentiation (primarily the introduction of the zero rate for socially significant groups of commodities), substantial reduction of taxes on labour: USC (unified social contribution) and PIT (personal income tax), leastwise for small businesses.

Shocks in the energy and food markets resulted in price hikes for essential commodities. Therefore, it is necessary to steer further towards normalising the lending conditions or suspending such internal inflation factors as salary and housing rental. Furthermore, optimisation of the system would be facilitated with the launch of automatic budgetary stabilisers such as reducing tax payments. Presently, In Ukraine, fuel taxes have been reduced; a drastic downsizing in the number of regulatory documents has been reached (by 30 times less); finally, the government has taken an unprecedented decision to cancel the VAT and introduce the turnover tax for the duration of the state of war.

Provision 7. Focus on restoring the human capital of the country.

Returning Ukrainian refugees to their homeland and providing them with employment and housing is a top-priority condition for the subsequent recovery of the country's economy. Similar attention is required by the internally displaced persons, specifically the entrepreneurs. To efficiently employ their potential and, correspondingly, ensure their complete adaptation to new conditions, local government authorities must work resolutely to preserve and restore the region's business environment. This includes the formation of adequate production infrastructure, for instance, by creating industrial, technology and science parks, industrial zones, etc. and the launch of mutually agreed relocation of enterprises and their potential employees, development of objects of related social, engineering and marketing infrastructure.

Provision 8. In the medium term, transition to alternative energy sources with low emission levels (such as wind, solar and nuclear energy). At the same time, in the short term, in the capacity to temporarily safeguard fossil fuels from sources other than Russia. This provision complies with SDG 13, 14, 15 («Climate action», «Life below water», «Life on land»).

Climate change and the war against Ukraine have a direct interconnection and common roots. This refers to the fossil fuel and morbid addiction of the world's countries to it. Oil and gas constitute 60% of Russian export. The war unleashed by the Russian Federation not only harmed Ukraine but also jeopardised the implementation of climate goals and the ability of the world to adapt to climate changes.

Most governments and companies anticipate that the energy crisis caused by the war in Ukraine would nonetheless accelerate the world's transition to alternative energy sources with low emission levels (CUMMINS; CHERNEY, 2022). For instance, the EU's plan REPowerEU proposes to replace approximately 100 billion cubic meters of Russian-produced gas until the end of the year with 50 billion cubic meters through the supply of liquified natural gas from other countries, with the rest being ensured through the use of wind and solar energy generation, energy saving and diversification of sources of pipeline gas.

Simultaneously, to implement the presented goal, there is a necessity for quick investment into the development of energy efficiency and energy saving, ensuring increased energy security and enhancement of climatic measures for every country. In order to implement these ambitious goals in unstable and war-affected countries and to endorse adaptation to climate change at the local level, specialised international institutions must develop and implement transparent and flexible access mechanisms to climate finance.

Provision 8. Development of sustainable and decentralised governance systems to ensure food security.

Currently, the system based upon large-scale and monocultural production centralises logistics and processing represents a weak spot for Ukraine. The aggressor can instantly decimate it with corresponding systemic implications for all supply chains in Ukraine and worldwide. Hence, developing and maintaining flexible, sustainable and decentralised systems of managing the agro-food sector must become a top priority for an agriculturally oriented country, Ukraine.

#### 4 FINAL CONSIDERATIONS

In 1991 when Ukraine became independent, along with other countries of the former Soviet Union, it possessed vast natural resources for further development, a robust industrial basis and an advanced military-industrial complex. Nevertheless, as a consequence of the splicing of the then government with financial and industrial oligarchy and their criminal activities concerning the utilisation of state resources in their vested interests, reformation of the system of state governance in the country had been ongoing at a slow rate and had no systemic nature. Implementation of NPM in Ukraine at the beginning of the 2000s, when the administrative system and the society were not yet evolutionarily ready to such extent of change, proved to have a morphogenetic effect – it further weakened the already «weak points» in the economy and social structure of the country. At the same time, in developed countries such as Great Britain and the USA, the ideology of NPM already two decades earlier became an effective tool in the hands of governments that allowed not only to recover the economy from the crisis but also to ensure its steady growth for a long term. The analysis of «stories» of implementing NPM in the developed (Great Britain) and the developing country (Ukraine), provided in the given paper, affirms the validity of the pattern revealed by Myrdal about the morphostatic and morphogenetic impact of market relations on the system of state governance.

The experience of Ukraine is furthermore of interest as it allows to investigate the processes of transformation of the state governance system in the conditions of a protracted military conflict. Since 2014 Ukraine has remained in a state of permanent resistance to indirect and, since February 2022, direct and open aggression on the part of the Russian Federation. Consequently, over the last eight years, a unique model of state governance has been formed therein, under which the motion towards liberalisation of socio-economic relations and particular progress of inclusive institutions of democracy has been occurring predominantly from the «lows», i.e. by the growing civil society. At the same time, for the «highs» of the state governance, a general approach has remained a centralisation of political and administrative practices as an instrument of maximum mobilisation of internal resources to ensure the Ukrainian state's repulsion of external military aggression both in its indirect and direct form.

The strategy of state governance in wartime, suggested by the authors, stipulates maintaining the balance between the wartime needs for centralisation of power and a natural demand of the society for the reduction of the regulatory influence of government institutions upon the development of the economy. The analytical data provided in the given article permits to significantly extend the frontiers in understanding cause and effect relations between the outbreak of armed conflicts (and crises related to them) along with overcoming them and implementing a particular model of state governance in the country.

Ukraine made its civilisational choice in favour of democracy and presently goes down a troubled path of literal trial by fire, similar to what all modern democratic states experienced in their past. The war unleashed by the Russian Federation against Ukraine is a war of freedom against slavery, security against a constant threat, sustainable development against degradation, of the future against the past. Historically, the clash of two fundamentally opposed value domains in the 21st century is occurring precisely on the border between Ukraine and Russia, between the country of great potential and the country of the «embalmed» past. The war between these countries is waged for the sake of the new architecture of Europe and the world as a whole. Thus, Ukrainians are now giving their lives not only for the sake of protecting the sovereignty of their state but also to protect the values and the priorities of

a civilised civic society which chose the path of sustainable development for peace, equity, and justice and safe existence of the humankind.

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