

## SPECIFIC FEATURES OF GOVERNMENT REGULATION OF UKRAINE'S AGRICULTURE SECTOR WITHIN MARTIAL LAW

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**Abstract.** The article reinforces the significance of scientific research through the complications of effective state regulation of Ukraine's agricultural sector, both during martial law and in the context of ensuring its long-term development in the post-war period. The fundamental concept of state regulation of the agricultural sector has been characterized. It has been discovered that, in the context of modern social changes, state regulation should act as a mediator in the relationships between the State, economic entities, and the population. Due to the aforementioned, the main purpose of the article is to establish the objective need for state regulation of Ukraine's agricultural sector in general, alongside the particulars of its implementation under martial law. For the determination of this aim, the following research methods were used: supervision, abstraction, scientific generalization and economic evaluation, that gave an opportunity to set forth conclusion. As a result, one of the most fundamental issues for the agricultural sector is determining the optimal combination of state regulation and self-regulation in practice. It is established that the state regulation of the agrarian sector in Ukraine under martial law has its own peculiarities related to the need to ensure national security and the responsibility to provide food for the population. To attain this objective, the author identifies the main points of vulnerability of Ukraine's agricultural sector under martial law and considers agricultural state regulation measures used to mitigate the negative impact of martial law on the state of the agricultural sector in 2023. The research concluded that, in addition to focusing on immediate problems, Ukraine's agricultural sector requires immediate attention and the creation of a long-term strategy for its future development. Furthermore, the following are the main areas of ensuring sustainable development of the agricultural sector in the post-war period: restoration of human capital and development of agricultural sector human potential; intensification of investment activity and maximum attraction of direct and indirect financial measures aimed at supporting farmers' economic activities; technological development and gradual restoration of technical capabilities for agricultural sector.

**Keywords:** state regulation, state regulation mechanisms, agricultural policy, agricultural sector, martial law.

**JEL Classification:** H75

**Formulas:** 0; **fig.:** 0; **table:** 0; **bibl.:** 10

**Introduction.** The current social changes taking place in Ukraine and its difficult path to the European community necessitate an objective review of the state's role in managing public affairs, which is increasingly becoming regulatory in nature. In this context, it should be noted that the agricultural sector has always been and remains one of the priority areas of state regulation for Ukraine in terms of, first and foremost, the country's economic development. After all, the issues of organizing the production and maintenance of food supply for a particular state are relevant at all times (including under martial law). Not only the viability and self-sufficiency of the country and society, but also many different areas of human activity depend on it. For example, current practice has shown that, in addition to the stable provision of the country's population with high-quality, safe, affordable food, the agricultural sector of Ukraine, even under martial law, is undoubtedly capable of making a significant contribution to solving the global hunger problem (in particular in North Africa and the Middle East).

At the exact same time, it is important to point out that following Russia's invasion of Ukraine on February 24, 2022, the agricultural sector, as well as the entire country, faced unfamiliar, more intricate challenges and risks. Every one of these, in turn, creates new conditions for the operation of agricultural business entities and necessitates further improvement of the principles governing its state regulation. In spite of the foregoing, research on effective state regulation of Ukraine's agricultural sector, both under martial law and in the context of ensuring its sustainable development in the post-war period, is extremely relevant in the context of current social challenges and threats.

**Literature review.** The agricultural sector has traditionally been and continues to be an important strategic sector of the Ukrainian national economy, ensuring food security and independence, providing jobs for a significant portion of the rural population, and generating revenue for the state budget, all while contributing to the country's international importance and authority in the international market. Through its most important component, agriculture, it is the backbone of the national economy, forms the basis for preserving the sovereignty of the state - food and, within certain limits, economic, environmental and energy security, ensures the development of technologically related sectors of the national economy and forms the socio-economic foundations for the development of rural areas [1].

At the same time, the agricultural sector has been recognized as one of the national economy's engines of growth, having displayed consistent growth of 5 – 6% before the outbreak of full-scale conflict. At the same time, crop production contributed to 10% of Ukraine's GDP, and agricultural processing accounted for 16%. Pre-war agriculture in our country was one of the leaders in the world production of certain types of food, providing trade volumes equivalent to 6% of global calories. The shipment of agricultural products generated Ukraine approximately USD 27.3 billion in 2021, which represents 41% of overall export earnings [2 – 3].

However, the agricultural industry has been experiencing difficulties as a result of Russia's full-fledged aggression against Ukraine. According to FAO, direct asset losses in the business might total USD 6.5 billion. By the beginning of 2023, the indirect losses were already anticipated to be USD 35 billion [4, p. 317].

According to preliminary estimates, approximately 5% of agricultural land was damaged as of the beginning of 2023. Available seeded lands were reduced by more than 25%, irrigated land by more than 70%, berry fields by roughly 25%, and orchards by 20%. At the same time, production costs rose due to rising fertilizer, gasoline, and seed prices. Large areas of land have become unsafe for production activities as a result of damage and mining. Infrastructure facilities: agricultural, warehouse, transportation, energy, and processing industries have suffered significant damage. Due to the physical destruction of agricultural enterprises in the combat zone, up to 30% of livestock is potentially expected to be lost [5].

**Aims.** The main purpose of the article is to establish the objective need for state regulation of Ukraine's agricultural sector in general, alongside the particulars of its implementation under martial law.

**Methodology.** For the determination of this aim, the following research methods were used: supervision, abstraction, scientific generalization and economic evaluation, that gave an opportunity to set forth conclusion.

**Results.** Thus, the main points of vulnerability for the agricultural sector of Ukraine under martial law are:

- imperfect/destroyed logistics, destruction of the infrastructure for production, processing and storage of agricultural products and food;
- significant areas of mined agricultural land (5 million hectares of fields in Ukraine are contaminated with explosive devices) and the impossibility of conducting field work in the conflict zone;
- negative structural changes in the labor market and shortage of necessary labor due to internal and external migration to safer regions, mobilization to the Armed Forces, etc;
- low level of investment in the agricultural sector and significant dependence on state funding;
- deterioration (in some cases, complete destruction) of the material and technical capacities of agricultural enterprises and low level of their innovation activity.

In addition, there are several obstacles that were not overcome prior to the war. These include difficulties connecting to utility networks; protective barriers to agricultural product entry into other countries' markets (including the existence of EU quotas); insufficient adaptation of legislation in the fields of safety, veterinary, and phytosanitary control to EU standards; problems with tax invoice blocking; inadequate transshipment and delivery capacities to meet the growing needs of agricultural producers, and so on. The immediate consequence of this difficult situation in the agricultural sector is a decrease in the size of the domestic market and an extremely low level of food security in Ukraine. For example, according to the Economist Intelligence Unit, in 2023 Ukraine ranked 71st among 113 countries in this indicator, compared to 58th in 2021 [6, p. 780].

Solving all of the above problems of the agricultural sector involves, first of all, overcoming the destabilizing impact of growing challenges and threats and requires effective government intervention. In view of this, today, under conditions of uncertainty (martial law), the issues of state regulation of the agricultural sector in

Ukraine are of particular importance. In this context, it should be noted that at first glance, state regulation is very similar to public administration, as a part always has the properties of the whole. However, such a conclusion should not completely neutralize the differences between these concepts. After all, as a rule, state regulation is compared with state intervention in the industry or with clear regulation of administrative and legal influence on business entities. At the same time, the term state regulation is often interpreted in both broad and narrow terms. In a broad interpretation, state regulation is defined as the general influence of the state on all social processes and the creation of favorable conditions for development [7].

The dictionary-reference research "Increasing the effectiveness of state regulation of the agrarian sector of the agricultural sector in the war and post-war period" conducted by V. Kopytko & O. Kopytko takes a similar approach to revealing the essence of the definition of state regulation as the implementation by the state of comprehensive measures (organizational, legal, economic, etc.) in the field of social, economic, political, spiritual and other social processes in order to streamline them, establish general rules and norms of social behavior, and prevent negative phenomena in society" [8]. From the point of view of a narrow interpretation, state regulation is considered mainly as the following points:

- one of the functions of public administration aimed at ensuring the general rules of behavior (activity) of the subjects of certain legal relations;
- definition of a separate means of influencing processes and achieving results; a set of instruments of influence;
- form of state influence through the establishment and application by state authorities of rules aimed at adjusting the activities of individuals and legal entities, supported by the possibility of applying legal sanctions in case of their violation;
- result-oriented activities of public authorities.

In the framework of modern social changes, we argue that state regulation should function as a mediator in establishing connections between the state, business entities, and the population. As a result, the problem of determining the optimal combination of state regulation and self-regulation in the context of market relations remains one of the core issues in practice, including in Ukraine's agricultural sector.

In view of the above, we propose to consider state regulation of the agricultural sector as a derivative category of public administration in the context of: 1) the defining function of public administration in the agricultural sector, which is related to other management functions (organization, planning, coordination and control), so they are not always possible to distinguish between them; 2) a special type of state influence in the agricultural sector. Thus, the state regulation of the agricultural sector is a set of targeted forms, tools/means and methods of influence of public administration bodies and state-authorized entities to implement an effective state policy in the agricultural sector in order to ensure its sustainable development and adaptation to constantly changing conditions [8].

In this regard, the state's main duty is to foster the formation and sustainable reproduction of effective business entities in the country's agricultural sector through the use of scientifically based forms, tools/means, and methods of influence. This

function is carried out by the state by generating income for the major population groups and maintaining the required level of pensions, benefits, and scholarships. At the same time, the state contributes to the formation of effective demand for food products by regulating the food price system, state and regional orders, and providing assistance in exports. The current legal framework stipulates that the main measures of state regulation of the agricultural sector under martial law in Ukraine may include:

- ensuring food safety of the population by controlling the quality and safety of food products produced in the agricultural sector;
- regulation of food prices in order to prevent the growth of their cost and ensure their availability to the population;
- supporting agricultural production by providing financial support to agricultural enterprises to ensure the stability and productivity of the agricultural sector;
- ensuring the safety and control over the circulation of seeds, fertilizers, plant protection products and other materials necessary for agricultural production; regulation of land relations to ensure the efficient use of land resources and support the development of agricultural production.

The principles of state regulation of sustainable development of the agrarian sector are usually identified taking into account the three-dimensional structure of its components: economic policy, the agrarian sector and the concept of sustainable development. Thus, L. Vdovenko proposes the following list of principles of state regulation of the economy: the principle of efficiency, the principle of justice, the principle of stability, the principle of systematic state influence, the principle of adequacy, the principle of optimal combination of administrative, legal and economic levers, the principle of gradualism and phasing, the principle of ensuring the unity of strategic and current state regulation and its efficiency [9]. These principles generally outline various vectors of state regulation and can be adapted as basic principles to various sectors of the economy (including under martial law).

In this context, it should be recalled that in order to reduce the negative impact of martial law on the state of the agricultural sector of Ukraine, the state took a number of measures back in 2022, among which the following attracted special attention [10]:

1. State Program "Affordable loans 5-7-9%" which provides for the possibility of obtaining loans by farmers at 0% during the martial law and a month after its completion. This financial instrument, as practice shows, has become the most effective mechanism for providing Ukrainian farmers with working capital. Thus, since the launch of this State Program, business entities have received 54,625 loans from authorized banks totaling UAH 171.68 billion, of which 35,193 were from public sector banks totaling UAH 69.15 billion.

2. Offering investment grant assistance for micro and small agricultural suppliers, cooperatives and associations of geographical indication producers from Lviv, Ivano-Frankivsk, Zakarpattia and part of Chernivtsi regions.

3. Implementation of the EU's subsidy program for small farmers who keep up to 100 cows or cultivate 1 to 120 hectares. In 2022, the World Bank allocated €50 million for this program, and this year the amount has been increased to \$80 million.

4. Non-refundable grants for farmers that related to the development of horticulture, berry and viticulture, as well as greenhouse farms, which should help support businesses, agricultural producers, create jobs and ensure food security.

5. Preferential lending to support the spring field works. In March 2023, the Government extended the concessional lending for the agricultural sector for another year - until March 31, 2024. Thus, agricultural producers can attract affordable financing and continue to support their operations.

At the same time, the state regulation of the agricultural sector under martial law in Ukraine provides for the introduction of special measures to ensure food safety and support agricultural production in the face of military threats. The purpose of such state regulation is to ensure the stability and productivity of the agricultural sector, as well as the safety of food products in the face of military threats. Consequently, the state regulation of the agricultural sector in Ukraine under martial law has its own peculiarities related to the need to ensure national security and the responsibility to provide food for the population. As a result, one of the primary functions of martial law state regulation of the agricultural sector is to ensure national security and protect state sovereignty. For this purpose, measures may be taken, such as restrictions on food exports, restrictions on grain exports, prohibition of deforestation, etc.

Moreover, it is important to realize that military operations on the territory of Ukraine have created new conditions and opportunities for the functioning of the country's economy in general and the agricultural sector in particular. As a result, new needs are emerging in the market, including: food supply to the Armed Forces of Ukraine; changes in the structure of consumption during wartime; increased demand in the western regions of the country due to internal migration and its decrease in the occupied or frontline territories, etc. All of this opens up new opportunities for agricultural producers and requires, in turn, the development and implementation of innovative methods and tools for state regulation/support of this sector both at the current stage and in the context of post-war recovery and growth.

In view of the above, we believe that the agricultural sector of Ukraine, in addition to promptly addressing current problems, urgently needs to formulate a strategic vision of its future development. In particular, such a Strategy for Sustainable Development of the agricultural sector will have to take into account all its competitive advantages, as well as the need to develop diversity, balance the production structure, increase the profitability of investments and land yield, widely introduce innovations, develop and deepen the processing of agricultural raw materials, significantly increase the share of finished food products and products with a higher content of added value in the structure of export supplies, and adapt agriculture to climate change.

**Discussion.** Furthermore, the following should be the primary directions for ensuring the agricultural sector's long-term development in the postwar period:

1. Agricultural sector human capital restoration and development (development of social infrastructure in rural areas; attraction of highly qualified personnel (managers, IT specialists, scientists, and narrowly specialized agricultural specialists) to the agricultural sector; proper motivation of personnel to work in the agricultural

sector; support for the development of agricultural professions; staff development, including digital skills.

2. Intensification of investment activity and maximum involvement of direct and indirect financial measures aimed at supporting the economic activities of farmers. Thus, the Recovery Plan for Ukraine for the period 2022 – 2032 contains a number of projects in the agricultural sector, the implementation of which will require at least \$37 billion in investments, including a project for the development of processing in the agricultural sector in accordance with the Green Deal principles, for which it is planned to attract \$10.2 billion [2].

3. Technological development and gradual restoration of technical capabilities for exporting agricultural products and food.

4. Achieving the sustainability of community food systems by stimulating the creation of a closed chain of material and technical resources (agricultural machinery, fertilizers, plant protection products) for agricultural production within the community, as well as the creation of its own market infrastructure for the production, procurement, storage and marketing of agricultural products and food.

5. Revise the structure of agricultural crops in order to balance it in line with the priorities of meeting the needs of the domestic market for important social food products, livestock and advanced processing. The goal is to load the food industry with raw materials, as well as to reorient the structure of export supplies to highly profitable and smaller tonnage raw materials and processed products with higher added value.

6. Ensure adaptation of the agricultural sector of Ukraine to the requirements of the European Union and establish business contacts of domestic entrepreneurs with foreign partners to establish long-term cooperation.

**Conclusion.** Therefore, both under martial law and in the postwar period, all mechanisms of state regulation of the agricultural sector should be aimed at preserving and developing labor, land, material, technical, financial, and information resources, which are the main condition for the successful postwar reincarnation of domestic agricultural production. Accordingly, the state should support agrarians by using existing instruments (tax incentives, low-interest loans, etc.) and by introducing new ones (e.g., digitalization of the economy and tokenization of assets), which is a promising area for our further research.

**Author contributions.** The authors contributed equally.

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