

SECTION 3.

FINANCE AND BANKING; TAXATION, ACCOUNTING AND AUDITING

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CROSS-FUNCTIONAL METHODOLOGY FOR ASSESSING THE LOSS FOR UKRAINE'S CORPORATE SECTOR DUE TO RUSSIAN ARMED AGGRESSION IN UKRAINE

Under modern conditions, the scientific and practical issues of defining a loss for micro-level economic agents (i.e., corporate sector) in Ukraine as a result of Russian armed aggression becomes essential, firstly, due to the actual incurred scale of destruction and the needs of post-war economic recovery, and secondly, due to volatility assessing Ukraine's corporate sector loss volume due to significant uncertainty. This uncertainty includes a number of aspects:

1. Lack of adequate approach for assessing necessary volumes of post-war reconstruction – depending on the needs of the post-war economy of Ukraine, which is significantly complicated by the lack of an adequate strategic plan at the government level in this context;

2. Search for a benchmark to assess the funding needed for economic recovery of Ukrainian damaged companies as a result of Russian armed aggression inflicted destruction – for the purposes of cross-referencing and sanity check due to a sheer volume of destruction and the far-reaching consequences which are not limited to fixed asset loss, yet spreads to business reputation loss, contract loss, logistic chain loss, etc.;

3. Selection of a method for assessing the Russian armed aggression inflicted destruction damage – assessment of the caused damage though Cost Approach under Valuation methodology, or expansion of the losses' assessment by the amount of damage to Intangible Assets (e.g., destruction of business ties and the reputation of a business partner) under the stakeholder approach and stakeholder value creation paradigm.

Accordingly, we propose to apply a cross-functional approach to the formation of a methodology for determining the amount of damage as a result of Russian armed aggression in Ukraine. This approach is meant to apply techniques that are inherent in assessing the damage caused by a natural disaster or pandemic adopted by international institutions [1, 2], government agencies [3], think tanks and consultants [4, 5]. We justify this approach with two arguments. Firstly, the objectives of the methods for assessing the damage caused to economic agents are the same both for natural disaster [6] or pandemics [7], and the armed aggression – determining the amount of funding required and choosing the method of financing this project with subsequent monitoring and control of the results of implementation. Secondly, the tools for attracting financing, implementing the project for the economic recovery, controlling and monitoring project results' implementation are more similar than divergent.

We confirm this statement by highlighting the key characteristics of recovery programs for economic agents based on the results of a natural disaster or pandemic:

- Dependence on external sources of funding for economic recovery;

- Need for an adequate approach to the fund formation to finance economic recovery in terms of the choice for financing sources and the introduction of controlling and monitoring systems for the use of allocated funds;
- Need to attract financing at low rates – primarily from international institutions;
- Ensuring economic stability at the micro- and macro-levels during the recovery as a result of the shock to the national economy.

It should be stressed that this list of system-structural features is characteristic of all the above mentioned reconstruction programs – both in case of a natural disaster or pandemic, and armed aggression. However, when planning and implementing a recovery program as a result of armed aggression, it is also necessary to include a component of fundamental reforms (judicial reform, administrative reform, etc.) in the state that ensure the sustainability of the results achieved [8]. Accordingly, the Rule of Law component within the framework of the financing and implementation of post-war reconstruction programs is a key factor for long-term success.

Accordingly, based on the nature of the tasks of post-war economic recovery, we consider it appropriate to single out several key principles for building up an approach to assessing the damage caused. This approach is based on several analytical blocks, the use of which is a best practice within the paradigm of Managerial Economics and Controlling. It is important to emphasize that it is the combination of these blocks that will be effective, and not their single use. Among these analytical blocks, we highlight the following.

Top-Down approach: policy analyst has to follow the path from national priorities in economic recovery after the armed aggression to specific losses on company-level. Such an approach allows for easier evaluation for the losses and funding needed. Furthermore, Top-Down approach allows for more cohesive and ordered manner for the project of economic recovery. Another advantage of employing the Top-Down approach – e.g., from macro-level to micro-level – is that it gives more reasoning for structural reforms crucially needed for effective economic recovery and long-lasting results. Top-Down approach corresponds to the macro-level block of funding program for the economic recovery project, incorporating the macro-level results for stakeholder groups and positive externalities.

Bottom-Up approach: in turn, policy analyst is able to assess the specific loss for the specific company starting from the micro-level and further on summing up the inflicted damage on the macro-level. Bottom-Up approach gives more reasoning for the allocated financing in the form of hard evidence on the specific company-level which is granular in a positive sense of the word. Top-Down approach represents the micro-level block of financing program for the economic recovery project, concerning the company-level results and stakeholder value.

Stakeholder approach incorporates both micro- and macro-level and serves as a cohesive mind-map. Stakeholder approach is essential for identifying the value losses in direct and indirect ways through value chains that go far further than the asset damage (e.g., loss of business reputation, loss of logistic chains, loss of contracts).

Both *General* and *Specific* blocks have to be outlined in terms of planning and implementing financing program for economic recovery project. The General block incorporates the best practice approaches towards planning and implementing the financing programs due to natural disaster and pandemics. In turn, the Specific block concerns the structural reforms component which is essential for long-lasting results. Given the abnormality of the case for Ukraine's corporate sector economic recovery due to Russian armed aggression, such a cross-disciplinary approach most likely would be the best option of effective funding program.

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