

STATE AND LAW IN THE CONTEXT OF ECONOMIC TRANSFORMATION: CHALLENGES OF THE TRANSITIONAL PERIOD

Liliia Matvieieva¹, Polina Baltadji², Viktoriia Shevchuk³

Abstract. The article provides a thorough analysis of the economic transformation of the state and law during a period of transition. It reveals the transitional period to be a regular stage of societal development combining political, legal and economic changes. The article emphasises that, for Ukraine and other post-socialist states, transition is multidimensional, involving a shift from a centralised planned economy to a market economy, from an authoritarian model to a democratic system, and from an industrial society to an information society. In the politico-legal dimension, the study examines the adaptation of institutions to the conditions of martial law, restrictions on constitutional rights, and the need to ensure a balance between security and democracy. In the economic dimension, the dynamics of wartime transformation are outlined, including a sharp decline in GDP in 2022, stabilisation measures by the government and the National Bank, the introduction of a simplified tax regime, and support for business under wartime conditions. *The article concludes that the success of economic transformation directly depends on the effectiveness of the legal system and state institutions.* The Ukrainian experience offers a distinctive illustration of a tripartite combination of the struggle for statehood, modernisation of the legal system, and economic renewal, thus constituting a valuable exemplar for the international community. The *subject* of the research is the processes of economic transformation of the state and law under conditions of transition, in particular the interrelationship between politico-legal reforms and economic changes in Ukraine during 2022-2025, determined by the war, post-war reconstruction, and integration into the European Union. The *research methodology* employed is founded upon the utilisation of both general scientific and special legal methods. The dialectical method was employed to elucidate the essence of transitional processes in the state and law, and to identify their interrelation with economic transformations. The comparative-legal method was utilised to analyse the experience of post-socialist and European states that underwent a similar transitional path. The systemic-structural method made it possible to examine the state, law and economy as interconnected elements of a single social mechanism, in which changes in one sphere predetermine transformations in the others. The *article aims* to conduct a comprehensive study of the peculiarities of state and legal transformation during periods of transition. It seeks to identify the interrelationship between political and legal reforms and economic changes in Ukraine between 2022 and 2025. Finally, it aims to determine strategic guidelines for post-war reconstruction and European integration. *Research results.* The study establishes that Ukraine's transitional period is multidimensional, characterised by simultaneous changes in the political, legal and economic spheres. It shows that the legal system has become more adaptable under wartime conditions. The research confirms that the success of economic transformation hinges on the effectiveness of state institutions and the rule of law, as well as the capacity to strike a balance between security requirements during wartime and democratic principles. *Conclusions.* The study makes it possible to draw several key general conclusions. Ukraine's transitional period remains inherently multidimensional: economic transformations are closely intertwined with political, legal, and institutional reforms. The legal system has demonstrated a notable capacity for adaptation; even under conditions of martial law, state institutions continued to function, while legislation was adopted to protect human rights,

¹ Odesa State University of Internal Affairs, Ukraine (*corresponding author*)

E-mail: liliya.matveeva@i.ua

ORCID: <https://orcid.org/0000-0002-8402-5584>

² Odesa State University of Internal Affairs, Ukraine

E-mail: brava05@ukr.net

ORCID: <https://orcid.org/0000-0003-2346-4230>

³ Odesa State University of Internal Affairs, Ukraine

E-mail: wshevchyk@ukr.net

ORCID: <https://orcid.org/0000-0002-3929-4769>



This is an Open Access article, distributed under the terms of the Creative Commons Attribution CC BY 4.0

counter collaborationism, strengthen anti-corruption measures, and advance judicial reform. The economy experienced a profound crisis; however, sustained international support combined with domestic reform efforts enabled a degree of stabilisation and gradual recovery. Progress in European integration, including the implementation of visa-free regimes and alignment with EU membership criteria, has further highlighted the strong interdependence between economic policy and legal transformation. Finally, the social dimension of the transition – encompassing demographic losses, the return of displaced persons, and the reintegration of veterans – has generated new demands on state policy. Addressing these challenges is essential to ensuring long-term sustainable development and social stability. Ukraine's experience of 2022–2025 demonstrates that, even in extraordinary circumstances, it is feasible to implement reforms, amalgamate wartime mobilisation with democratic transformations, and establish the foundations for future economic and legal advancement. Consequently, the period of transition for Ukraine represents not only a challenge, but also a significant opportunity. The convergence of economic transformation and legal modernisation is laying the foundation for the establishment of a sustainable European state, grounded in the principles of the rule of law, democracy, and a competitive market economy.

Keywords: transitional period, state, law, economic transformation, martial law, reforms, economy, European integration, post-war recovery.

JEL Classification: O10, O20, H56, F15

1. Introduction

The transitional (interim) period is defined as a stage in the development of society during which it undergoes a shift from one qualitative state to another. For Ukraine and other post-socialist states, several such transitions are superimposed simultaneously: from a planned socialist system to competitive market capitalism, from an industrial society to an information-based one, from authoritarian totalitarianism to democracy, and from the imagined internationalism of the Soviet era to the construction of an independent nation-state. Such a multi-vector transformation is never simple. The transitional period is invariably accompanied by complexity and contradictions in social processes, which often take the form of a crisis for the state and law. This requires a critical rethink of previous practices and how they function. Concomitantly, these periods are a historical inevitability. The transitional stage in the existence of the state and law is as normal a condition as periods of stability, but with its own distinctive developmental patterns. The comprehension of this transitional phase facilitates the delineation of pathways of gradual transformation, thereby minimising social losses and averting regression.

Ukraine has been undergoing a period of transition since the restoration of independence in 1991. The formation of new political institutions, the establishment of a legal system, and the transition to a market economy were the determining factors in shaping the agenda of the 1990s. In the early 2020s, the state confronted a series of significant challenges and underwent a period of accelerated transformation. These included the outbreak of the full-scale war in 2022, the attainment of EU candidate

status, the imperative for post-war reconstruction, and the implementation of substantial reforms. In such circumstances, research into the interrelationship between the transformation of state institutions, changes in the legal system, and economic challenges becomes particularly relevant. Transitionality is defined by two interrelated dimensions: the politico-legal dimension, which encompasses changes in governance, legislation, and the judiciary; and the economic dimension, which encompasses structural transformations of the economy and the shift to a new development model. The Baltic states successfully underwent a similar path, rendering Ukraine's experience of particular interest to the international scholarly community.

2. State and Legal Aspects of the Transitional Period

The transitional period is characterised by significant shifts in all elements of the state and the legal system. In the general theoretical dimension, transitional processes signify that the old model of state power and law no longer corresponds to new socio-economic realities, while new institutions have not yet been fully established. The prevailing interpretation of transition within the domain of legal scholarship is as a phenomenon of legal dynamics. The transitional stage is defined as a complex, crisis-driven condition in which law, in its capacity as a system of norms, legal relations, and legal consciousness, undergoes intensive change under the influence of profound social transformations (Matvieieva, 2015; Plotnikov, 2016; Podpiatnikova, 2019). As Ukrainian scholars have observed, law has traditionally fulfilled a stabilising function by restraining social chaos. However, in an extraordinarily dynamic modern society, the very stability of law itself

is tested. Transition in the legal sphere manifests itself in phenomena atypical for stable periods: situational lawmaking intensifies, legislative «activism» emerges (the rapid adoption of numerous new acts), often under the pressure of circumstances or public sentiment. It has been observed that during periods of transition, the activity of legislation may result in either societal progress or regression. This may be manifested in the renewal and humanisation of legal regulation, as well as in the adoption of repressive or low-quality norms. It is evident that sources of law and legal culture are subject to evolution. New forms of law are frequently observed to emerge, the circle of norm-making actors expands, and the value dimension (human rights, democracy) gains particular significance in a transitional context. Each transitional stage is unique, generating positive and negative legal development trends, and the outcome is not predetermined. History offers examples of transformation resulting in reverse transition and a return to obsolete forms of governance instead of progress (Matvieieva, 2015). Therefore, scholars stress the importance of a conscious approach to reforms. In order for the transitional character of the state and law to lead to a qualitatively new level, a strategic vision and reliance on universal values are required in order to avoid chaotic fluctuations and potential regression.

Over the past few decades, Ukraine has undergone several waves of state and legal transformation. The first major transitional period began in the early 1990s, with the initiation of the construction of a democratic rule-of-law state, the adoption of the Constitution of Ukraine, and the creation of institutions of a market economy. However, this process was accompanied by a sharp transformational crisis, as the old governance and economic structures were dismantled faster than new ones could be established, resulting in economic decline and social upheaval. Attempts at constitutional reform and a partial reassessment of the development course were observed in the early 2000s and after 2004 (the Orange Revolution). Another significant transition occurred after the Revolution of Dignity in 2014, when the state definitively committed to a European path and initiated a series of key reforms, including decentralisation of power, re-establishment of anti-corruption bodies, police reform, and judicial reform. The decentralisation reform (2015–2020) in particular transformed the state's structure, establishing a new level of effective local governance that proved crucial during the 2022 war. Thanks to decentralisation, local communities obtained the resources and authority to respond independently to wartime challenges, such as accommodating displaced persons, supporting the military and maintaining vital local services, while the central government was overwhelmed.

The full-scale Russian invasion in February 2022 marked the beginning of a new transitional

period that was political, legal and economic all at once. Ukraine introduced martial law, a legal regime that sharply altered the balance between citizens' freedoms and state authority. This regime entails the temporary restriction of constitutional rights, including freedom of movement, assembly and information, and the concentration of power to defend the state. During the first months of the war, Parliament and the government acted with extraordinary urgency: in 2022, experts recorded 164 significant normative acts, almost equalling the number recorded the previous year. The vast majority of these changes were evaluated positively (159 acts), reflecting the fact that reforms were oriented towards addressing urgent problems even under wartime conditions. The most progressive steps included the ratification of the Istanbul Convention on preventing domestic violence and the "energy visa-free regime", whereby Ukraine synchronised its power grid with the European ENTSO-E system in March 2022 (Dorontseva, 2022). This enabled Ukraine to integrate into the European energy market within the first few weeks of the war, which was crucial for ensuring energy security.

During wartime and the subsequent post-war period, the state and legal system have faced unprecedented challenges. The first of these was ensuring national security while simultaneously safeguarding human rights. Legislators were compelled to introduce strict provisions on collaborationism and treason, as well as toughening criminal liability for sabotage and looting. The thousands of war crimes committed on Ukrainian territory required a response: special mechanisms were created to document the aggressor's crimes, and close co-operation was established with the International Criminal Court. At the same time, the concept of transitional justice gained prominence in Ukrainian discourse. This concept involves a range of processes and mechanisms aimed at overcoming the consequences of war, prosecuting perpetrators, compensating victims and restoring justice in society (Laboratory of Legislative Initiatives, 2025). The purpose of transitional justice is to transition from conflict to peace and stability by reforming institutions to prevent similar conflicts from occurring again. The Ukrainian government developed the concept of transitional justice prior to the large-scale aggression, primarily in relation to the de-occupation of Donbas and Crimea. However, these approaches are now even more pertinent to the post-war settlement. It is already clear that comprehensive legislative changes will be required to reintegrate the occupied territories, compensate for damages, remove war criminals from public office, and promote reconciliation within society.

Moreover, the war brought judicial and anti-corruption reforms to the forefront of the national agenda. Without an independent and effective judiciary and law enforcement agencies, the influx of wartime

and post-war cases cannot be managed. Acknowledging this, Ukraine did not halt reforms even during the war. In 2022, the long-delayed Law of Ukraine "On Fundamentals of State Anti-Corruption Policy for 2021-2025" was adopted (The Law of Ukraine "On Fundamentals of State Anti-Corruption Policy for 2021-2025"). This ensured the reinstatement of anti-corruption institutions. Such steps demonstrate the interconnection between the state's international economic and political objectives, such as advancing towards EU membership, and domestic legal changes.

Next, transitionality requires the adaptation of the public administration system to new conditions. The war revealed the strengths and weaknesses of Ukraine's state power system. The strengths include societal mobilisation, the efficiency of local government and the digitisation of many services via the Diia app. The weaknesses include customs inefficiencies, bureaucratic inertia in responding to business needs and corruption risks in defence procurement. In response, institutional reforms were initiated, with the Verkhovna Rada adopting laws to reboot the Bureau of Economic Security and the State Customs Service (Institute of Social and Economic Transformation, 2024). The goal was to improve revenue administration and prevent customs-related fraud at a time when every hryvnia in the budget is critical. In autumn 2023, the government also announced plans for civil service reform to make it more flexible, including reducing staff numbers, digitising processes and engaging private sector experts to help rebuild the country.

Finally, demographic processes must be addressed as they play a crucial role in the socio-economic development of the state. O. Petrivskyi emphasises that population size and structure determine labour potential, the capacity of the domestic market, the burden on the social security system and the pace of economic growth (Petrivskyi, 2025). An analysis of statistical data shows that Ukraine has experienced a long-term trend of depopulation for decades. Following its independence in 1991, the country's population stood at around 51.5 million. By early 2022, excluding occupied territories, this figure had fallen to around 37 million. This trend was exacerbated by the full-scale war launched by Russia in 2022, which triggered a significant population exodus and a large-scale humanitarian crisis. The hostilities caused a profound demographic shock. By the end of 2024, the UN estimated that Ukraine had suffered demographic losses of around 10 million people – approximately one quarter of the pre-war population. These losses were due to fatalities, a sharp decline in birth rates and substantial migration (Petrivskyi, 2025).

Thus, in the contemporary legal and political context, Ukraine is confronted with two tasks that are crucial for its future. The first is to ensure the resilience and

legitimacy of state institutions in wartime, when democratic processes are subject to certain restrictions. The second is implementing profound reforms that will lay the groundwork for the state's development in line with European standards. These processes are closely interconnected: without reforms, the authorities risk losing public trust and international support; however, without basic security and unity, these changes cannot be realised. The main challenge for Ukraine during this transitional period is to strike a balance between the strong state authority that is essential for victory in the war and the principles of the rule of law and democracy, which are crucial for EU accession and the sustainable development of the state and society.

3. Economic Transformation and Its Interrelation with the State and Law

Economic transformation is a fundamental component of the transitional period. The term 'transitional economy' is employed to denote an economic system that is in a state of transition from one model of economic management to another, typically from a centrally planned economy to a market-oriented one. A transitional economy is defined as a historically brief period during which the administrative-command system is dismantled and a coherent system of the core institutions of a market economy is formed.

The authors of the monograph *Transitional Economy: Theory and Practice* emphasise that the modern Ukrainian economy is undergoing a reformist-evolutionary transition. Within this theoretical framework, transformational changes are directed at the shift from non-market to market forms of economic activity. The term "transitional economy" is defined as denoting a specific state of the economic system at the stages of formation (an evolutionary approach toward a stable and mature form) and reform (an evolutionary movement toward a new economic model). It is important to note that scholars have emphasised that such an economy is a dynamic system in constant flux, which is instrumental in the shift from a centralized planned model to a market order. The process is founded on the implementation of novel legislative norms, programmes and policies, particularly those of an innovative character, with the aim of revitalising the industrial potential of the state. As is the case in other countries experiencing analogous economic processes, Ukraine is undergoing profound structural changes that include the development of market institutions. The primary directions encompass the liberalisation of the economic environment, wherein pricing is determined by market mechanisms as opposed to centralised planning; the strengthening of state regulation within specific sectors; the privatisation of state-owned assets; and the training of qualified specialists and entrepreneurs for effective functioning under new conditions (Vorobiienko, P. P.,

Lozova, T. I., Oliynyk, H. Yu., 2018). Thus, the theory of the transitional economy defines the typical tasks of the transformation process. These include liberalisation (of pricing, trade and entrepreneurial activity), the privatisation of state assets, the development of the private sector, the ensuring of macroeconomic stability (through controlling inflation and balancing the budget) and the conducting of institutional reforms (through creating mechanisms of market regulation, a legal framework for competition, a functional banking system and an effective tax policy).

Ukraine's transition to a market economy began in the early 1990s. The aim was to replace the Soviet command-administrative model, which was based on state ownership, planning and centralised distribution, with market relations grounded in private initiative. As in other countries with transitional economies, Ukraine experienced a decline in production and a deterioration in living standards during the initial stage of reforms.

The extent of Ukraine's economic decline largely depended on the conditions under which the transition began. The prolonged existence of a rigid planned system, significant structural distortions of the economy and deep militarisation meant that Ukraine started from a less favourable position than the countries of Central and Eastern Europe. Ukraine was under the Soviet command-administrative model for more than seven decades, which resulted in heavy industry dominating and consumer goods constantly being in short supply. These factors caused an especially severe economic crisis in the 1990s and hindered the pace of reform.

The success of the transition from a planned to a market economy hinges heavily on the role of the state. Its responsibilities include establishing the legal framework for market reforms and managing these strategically, while limiting interference in areas where the market functions more efficiently. If the state apparatus is weak or corrupt, transformation is slowed down and the benefits accrue to a narrow group, turning the state into an oligarchic system. It is therefore evident that the rule of law and the presence of high-quality state institutions are indispensable prerequisites for the successful economic transformation of a nation. It is more than twenty years since the collapse of the USSR, and the Ukrainian economy has yet to stabilise and enter a phase of sustained growth. The underlying factors contributing to this phenomenon include the presence of under-reformed sectors, pervasive corruption, and recurrent economic crises. Concurrently, by the early 2020s, the foundations of a market system integrated into the global economy had been established.

The full-scale war that began in 2022 dealt a severe blow to Ukraine's economy. The country's real GDP fell by almost 29%, millions of citizens were compelled

to seek refuge abroad, and many enterprises were forced to cease operations or were destroyed by hostilities. It is evident that economic infrastructure, encompassing ports, factories and energy networks, has undergone substantial losses. In light of the imminent threat of complete economic collapse, the government was compelled to implement unparalleled measures. In particular, the tax system underwent simplification: in the spring of 2022, a wartime tax reform was introduced, providing for voluntary payment of a single tax at the rate of 2% of turnover instead of VAT and corporate profit tax, and the cancellation of most inspections (President of Ukraine, 2022). It is evident that regulatory requirements for business were substantially reduced. The National Bank of Ukraine introduced a fixed exchange rate and strictly controlled capital outflows. These measures were implemented with the objective of providing support to entrepreneurs operating within the challenging environment of war, with a view to averting a financial panic. As a result, a collapse of the financial system was avoided. The banking sector remained stable, the national currency depreciated, albeit not catastrophically, and Ukraine's foreign exchange reserves increased significantly due to international assistance, rising from 30.9 billion USD at the end of 2021 to a record 39.7 billion USD in early October 2023. Inflation, which stood at 26.6% in 2022, slowed significantly to 5.1% in 2023 (On the State of Reform Implementation, 2024), indicating a degree of macroeconomic stabilisation despite the ongoing war.

In the second half of 2023, Ukraine's economy gradually transitioned from a phase of shock to one of adaptation and partial recovery. GDP growth in 2023 was estimated at around 5.3%, with a further 3–4% predicted for 2024. During this period, exports of goods and services gradually recovered, and business activity was revitalised in safer regions of the country. Meanwhile, the concept of economic transformation took on a new meaning: rather than transitioning from a planned to a market economy as in the 1990s, the focus was now on shifting from a wartime economy to a recovery and development model. This transitional stage presents unique challenges. The most pressing problem was the extremely challenging budget situation. In 2023, the budget deficit equalled around 20% of GDP (or 27% when grant support is included) (Institute of Social and Economic Transformation, 2024).

The state lacked the internal resources to cover even protected expenditure, let alone finance reconstruction. Consequently, Ukraine is heavily reliant on external financial support. While international partners such as the EU, USA, IMF and World Bank continue to provide significant financial assistance, they are increasingly imposing stricter reform requirements in exchange for further support. This trend gives

international creditors and donors an unparalleled degree of influence over the shaping of the state's economic policy. It also encourages the government to tackle corruption, reinforce the rule of law and guarantee transparency in the management of funds (Institute of Social and Economic Transformation, 2024). At the same time, however, the authorities must strike a balance between the strict demands of partners and domestic public opinion in order to ensure that reforms remain acceptable to a large part of society, particularly in the context of ongoing war.

In light of its limited resources, and with the aim of stimulating post-war recovery, Ukraine has prioritised integration with the European Union and the attraction of foreign investment. European integration offers concrete economic benefits as well as being a geopolitical course. Following its acquisition of candidate status in 2022, Ukraine has swiftly begun to integrate into various sectors of the EU internal market. Several so-called "visa-free regimes" were already implemented in 2022: the energy visa-free regime (integration of power grids); the transport visa-free regime (an agreement on freight transport by road, eliminating the need for bilateral permits between Ukraine and the EU) (Dorontseva, 2023); and, from October 1, 2022, the customs visa-free regime, whereby Ukraine joined the Convention on the Common Transit Procedure, allowing Ukrainian cargo to cross the borders of 35 countries with a single electronic document (Ministry of Finance of Ukraine, 2022). To achieve this, Ukraine had to harmonise its customs legislation with that of the EU. For example, amendments were made to the Customs Code of Ukraine in line with EU norms (The Law of Ukraine "On Amendments to the Customs Code of Ukraine and Other Laws of Ukraine Regarding Certain Issues of Implementation of Chapter 5 of Section IV of the Association Agreement between Ukraine, on the one hand, and the European Union, the European Atomic Energy Community, and Their Member States, on the other Hand"). In 2019, the Law of Ukraine 'On the Common Transit Regime and the Introduction of the National Electronic Transit System' was adopted pursuant to the Association Agreement between Ukraine and the EU.

On May 22, 2025, the European Commission formally endorsed a series of provisional measures, the aim of which was to regulate Ukrainian exports to the EU. These measures are scheduled to come into force on June 6, 2025, following the expiration of the EU's autonomous trade preferences for Ukraine, formally known as the "trade visa-free regime" (Vysotska, 2025). The trade visa-free regime, which entailed the temporary suspension of EU import duties and quotas on Ukrainian goods, was introduced in June 2022 and remained in effect until June 2025. This measure was instrumental in enabling domestic exporters to sustain

their presence in European markets. These measures were instrumental in mitigating the adverse economic consequences of the war, while concurrently propelling Ukraine towards closer integration with the EU's single economic area. For Ukrainian businesses, integration signified a reduction in trade barriers, accelerated logistics, and novel prospects for collaboration. However, it concomitantly necessitated enhanced competitiveness and adherence to EU standards. The state must also ensure the adoption of regulatory norms, including technical standards, customs rules, environmental requirements and labour standards. This large-scale legal effort essentially continues the transitional process, shifting to new "rules of the game" in the economy that are synchronised with those of the most developed states.

An important aspect of economic transformation is creating conditions that encourage post-war reconstruction and investment. Between 2022 and 2023, the government collaborated with experts to develop the Ukraine Recovery Plan. This plan sets out priorities for infrastructure reconstruction, housing and economic modernisation, based on the principles of green and digital transformation. However, in order to implement this plan, it is essential to secure funding from private investors and international foundations. Legislatively, Ukraine is already attempting to enshrine new incentives. For example, special tax regimes have been introduced for Diia.City residents in the IT sector. Diia.City provides a favourable economic environment within Ukraine where the country's high-tech sector can realise its full potential, making Ukrainian IT businesses competitive on the global stage and attracting companies such as Google, Amazon and Apple. The aim is to create conditions that allow specialists to gain experience with these companies without having to go abroad (Yarova, 2023; Mysiuk, 2022). In the context of globalisation and technological progress, Ukraine is actively developing its IT sector, startup culture and innovative projects. The digitalisation of the economy has become a key part of the state's economic strategy (Riabkov, 2025).

Ultimately, achieving economic transformation requires addressing the social issues exacerbated by the war. Key issues include the reintegration of veterans, many of whom will return to civilian life requiring jobs, business startup opportunities, and social support. It is also crucial to facilitate the return of millions of displaced people and to alleviate the growing poverty caused by the war. In response, the state is adapting its social policy by introducing modern systems for registering and accounting for displaced persons, developing electronic services for financial payments, and implementing programmes to help veterans adapt psychologically. This approach is significant, yet insufficient budgetary resources mean that not all needs can be met. Therefore, restoring economic

growth and employment becomes critically important. The effectiveness of economic policy directly affects citizens' living standards and determines socio-political stability. Thus, economic and social resilience form the foundation of state stability and the realisation of legality. Fair laws and effective governance are therefore indispensable for the successful functioning of the economy.

Therefore, modern Ukraine is in a situation where economic transformation and state-legal changes are inextricably linked, so it is impossible to consider them separately. The war has posed serious economic challenges requiring rapid and adaptive responses from state institutions and corresponding legal decisions, such as extraordinary measures, regulatory updates and preparations for broader integration with the European Union. At the same time, the effectiveness of the state and the legal system is increasingly being assessed in terms of economic feasibility and their ability to promote development. Legal reforms that improve the business climate, attract investment and facilitate reconstruction are supported by both society and international partners. However, when bureaucracy, corruption, or a lack of judicial transparency causes the legal system to become an obstacle to economic activity, it threatens not only the economy, but also the stability of the state. Consequently, Ukraine must address the challenges of economic transformation through legal and administrative instruments simultaneously. Any significant change in economic policy requires robust legal backing, and legal innovations must consider their potential economic impact.

4. Conclusions

Ukraine's experience of the transitional period at the beginning of the twenty-first century demonstrates the complex interaction between the state, the legal system and the economy. This transitional phase has become a test of institutional maturity: the state is evolving from old authoritarian or oligarchic practices towards genuinely democratic governance; the legal system is moving from formality towards the practical realisation of the rule of law; and the economy is transforming from an inefficient model into a competitive market structure. All of these changes

must occur simultaneously and in a coordinated manner. In recent years, Ukraine has faced three challenges: defending its statehood during war, modernising its legal system in accordance with European standards, and implementing an economic transformation to ensure long-term prosperity.

The analysis shows that economic transformation largely depends on progress in public administration and judicial reform. International support, which is crucial for Ukraine's economy, hinges on the success of the judicial system, anti-corruption initiatives, and the safeguarding of human rights. While integration into the European Union opens up new economic opportunities, it also requires the large-scale implementation of legal norms and a rethink of how state institutions function.

Economic realities determine the priorities for state and legislative development. Limited resources and external threats mean the government must focus on the most effective reforms to support the economy and strengthen defence. During the transitional period, the law becomes more flexible, adapting to the demands of the time. However, it is essential to preserve its fundamental principles in order to avoid legal chaos. Sustainable economic growth is only possible if citizens trust governance institutions and the legal system. Therefore, transparency, accountability and governmental efficiency are as important as investment in infrastructure.

In conclusion, it should be emphasised that Ukraine's transitional period is not only challenging, but also a historic opportunity. Although it is accompanied by difficulties, economic transformation provides an opportunity for state renewal. During this period, a new, more resilient Ukrainian statehood oriented towards the West is being formed, equipped with improved governance and legal systems. The future of Ukraine depends on the success of reforms in both military resistance and the international economy. Only through societal co-operation, the determination of political leaders and the support of international partners can maximum results be achieved with minimal losses. Ukraine's experience from 2022 to 2025 has demonstrated its ability to implement change even under difficult conditions, including introducing digital solutions, adopting dozens of new laws, preserving financial stability, and initiating state reconstruction.

References:

- Matvieieva, L. H. (2015). *Transitionality in the legal sphere*. Kyiv: Yurinkom Inter. 328 p.
- Mysiuk, V., Tatenko, M., & Tatenko, N. (2022). Special tax regime "diya city": features of innovative audit. *Efektivna ekonomika*, vol. 5. DOI: <https://doi.org/10.32702/2307-2105-2022.5.70>
- The Law of Ukraine "On the Common Transit Regime and the Introduction of the National Electronic Transit System" of October 1, 2022, No.78-IX. The Official Bulletin of the Verkhovna Rada of Ukraine (BVR), 2019, No. 41, Art. 232. Available at: <https://zakon.rada.gov.ua/laws/show/78-IX#Text>

- Petrivskiy, O. (2025). The demographic situation in Ukraine: Prospects for overcoming the crisis and minimizing its impact on the country's economic development. *Economy and Society*, no. 77. DOI: <https://doi.org/10.32782/2524-0072/2025-77-3>
- Plotnikov, O. (2016). "Justice of the transitional period" or "transitional justice": On the definition of the term. *Ukrainian Journal of International Law*, no. 4, p. 43–47.
- Podp'iatnikova, A. Ya. (2019). Conceptual directions of development of the transitional space of Ukraine. *Scientific Notes of Taurida National V.I. Vernadsky University. Series: Public Administration*, no. 30(69)(4), p. 14–17. DOI: <https://doi.org/10.32838/2663-6468/2019.4/03>
- Ryabkov, S. O. (2025). Modern requirements for the transformation of the socio-economic system for Ukraine. *Transformational Economy*, no. 4 (09), p. 60–70. DOI: <https://doi.org/10.32782/2786-8141/2024-9-10>
- Sobkevych, O. V., Shevchenko, A. V., Rusan, V. M., et al. (2024). Priorities for the development of the real sector in the conditions of war and post-war recovery of Ukraine's economy: Analytical report (Ya. A. Zhalilo, Ed.). Kyiv: National Institute for Strategic Studies. DOI: <https://doi.org/10.53679/NISSanalytrep.2024.03>
- Vorobiienko, P. P., Lozova, T. I., & Oliinyk, H. Yu. (2018). *Perekhidna ekonomika: teoriia ta praktyka*. Odesa: ONAZ im. O. S. Popova. 276 p.
- Yarova, M. (n.d.). What is Diia City – a special legal regime for the IT industry. Make Ukraine great again at last. Available at: <https://special.ain.ua/diia-city-faq-ua/>
- Kritz, N. J., & Mandela, N. (1995). *Transitional Justice: How Emerging Democracies Reckon with Former Regimes*. Vol. 1. General Considerations Washington, DC: United States Institute of Peace Press, 736 p. Available at: https://books.google.com.ua/books?id=A2c9E7TZxhEC&pg=PR5&hl=ru&source=gbs_selected_pages&cad=2#v=onepage&q&f=false
- President of Ukraine. Official website. (2022, March 15). President of Ukraine announced the beginning of tax reform. Available at: <https://www.president.gov.ua/news/prezident-ukrayini-ogolosiv-pro-pochatok-podatkovoyi-reformi-73565>
- The Law of Ukraine "On Fundamentals of State Anti-Corruption Policy for 2021-2025" of 20.06.2022, No. 2322-IX. Available at: <https://zakon.rada.gov.ua/laws/show/2322-20#Text>
- The Law of Ukraine "On Amendments to the Customs Code of Ukraine and Other Laws of Ukraine Regarding Certain Issues of Implementation of Chapter 5 of Section IV of the Association Agreement between Ukraine, on the one hand, and the European Union, the European Atomic Energy Community, and Their Member States, on the other Hand" of 24.12.2023, No. 2510-IX. The Official Bulletin of the Verkhovna Rada of Ukraine (BVR), 2023, No. 22, Art. 89. Available at: <https://zakon.rada.gov.ua/laws/show/2510-20#Text>
- Ministry of Finance of Ukraine. (2022, October 1). "Customs visa-free regime" launched. Government of Ukraine official websites. Available at: https://mof.gov.ua/uk/news/mitnii_bezviz_zapratsiuvav_v_ukrainu_i_z_ukraini_vzhe_priamuiut_vantazhi_pid_protseduroiu_spilnogo_tranzitu-3631
- National Bank of Ukraine. (2022, December). *Financial stability report* (regarding the consequences of the war for the banking sector). 47 p. Available at: https://bank.gov.ua/admin_uploads/article/FSR_2022-H2.pdf
- Dorontseva, Ye. (2023, February 20). Reforms during the year of war: Nine areas that underwent the greatest changes in 2022. VoxUkraine. Available at: <https://voxukraine.org/reformy-u-rik-vijny-dev-yat-sfer-yaki-zaznaly-najbilshyh-zmin-u-2022-rotsi>
- Dubrovskiy, V., Cherkashyn, V., & Hetman, O. (2024, October). Regarding the status of implementation of economic reforms during 2023-2024. Kyiv: ISET. 32 p.
- Institute of Social and Economic Transformation. (2024, October 11). On the state of implementation of economic reforms during 2023–2024. Available at: <https://iset-ua.org/ua/doslidzhennya/item/218-reformi-2023-2024>
- Laboratory of Legislative Initiatives (2025, March 7). *Transitional justice: How and when to implement it?* Analytical material. Available at: <https://parlament.org.ua/analytics/perehidne-pravosuddya/>
- Vysotska, T. (2025, May 22). The European Commission adopted transitional measures to replace the "trade visa-free regime" with Ukraine from June 6. *Ukrainska Pravda*. Available at: <https://www.eurointegration.com.ua/news/2025/05/22/7212171/>

Received on: 15th of November, 2025

Accepted on: 07th of January, 2026

Published on: 17th of February, 2026