

*regulatory act, the regulatory activity, information relations*

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## **THE ANALYSIS OF THE IMPACT OF THE REGULATORY COMPONENT ON BUSINESS ENVIRONMENT IN UKRAINE**

### **Abstract**

*To analyze the impact of the normative regulatory sphere on business environment in Ukraine in order to identify shortcomings of the existing mechanism of the regulatory activities and prospects of its improvement on the current stage of economic development. To prove the feasibility of studies towards the formation mechanism of information relations in the regulatory activity.*

### **1. INTRODUCTION**

The worldwide experience suggests that better when the decisive factor of economic development of the society is not an authoritarian activity of the outstanding personality – a man-leader, but the creation of a system of organizational and legal conditions for decision-making in public administration streamlined, almost «automatic» mode. System methodology of the implementation of the regulatory activities in Ukraine is the organization of a regime providing preparation, adoption and implementation of regulations (normative acts aimed at the regulation of economic and administrative relations) of the legislative, executive and local governments, institutions, organizations and their officials whose authority is to adopt regulations (RA) defined by applicable law, the quality and effectiveness in controlling of the national economy.

One reason for the current situation in Ukraine on the regulatory activities is that most economic studies [1; 2] limit the scope of the scientific interest stage of the regulations, that their impact on the economy remain unnoticed stages of preparation and adoption of these acts. Because of the theoretical and methodological base that makes it possible to investigate the mechanism of the regulatory activities from the standpoint of economics is underdeveloped.

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## **2. PURPOSE OF THE ARTICLE**

To analyze the impact of the normative regulatory sphere on business environment in Ukraine in order to identify shortcomings of the existing mechanism of the regulatory activities and prospects of its improvement on the current stage of economic development.

## **3. MAIN MATERIAL**

Ukrainian law «About the principles of state regulatory policy in the field of economic activity» (hereinafter – Law) [3] is defined nine compulsory procedural steps of the regulatory activities. The first stage is the definition of the problem, which is expected to be solved by adopting certain RA, collection, compilation, analysis and systematization of the information available on this issue. The second phase is planning the preparation of the project of RA. The third phase is reasoning of RA, preparing its regulatory impact analysis (expert conclusion). The fourth stage is the development of the project RA and realization of basic tracking (to the effective date) of this project. The fifth stage is the proclamation of the report, project RA and its regulatory impact analysis (expert conclusion). The sixth stage is the work with the concerned subjects of the regulatory activity (receiving of the comments and suggestions for open discussion of the project RA). The seventh stage is the approval of the competent authority on the projects RA of legislative and governmental authority or relevant responsible standing committee of the state authority or responsible organizational unit of the executive authority (the executive office) of local council on the implementation of the regulatory policy for projects RA of the local governments. The eighth step is the adoption and official proclamation of RA. The ninth stage is the repeat (one year after the entry into force RA) and periodic (every three years) tracking of the effectiveness (achieving goals) RA and if it is necessary to review.

These procedural steps must comply with the principles of regulatory policy: expediency – a reasonable need for state regulation of the economy in order to solve the existing problems; adequacy – conformity of the forms and levels of the state regulation of the economy need to resolve existing problems and market requirements, taking into account all reasonable alternatives; efficiency – to ensure that the result of RA has maximum possible and positive results due to the minimum required expenditure of resources entities, the citizens (regulated entities) and the state; balance – ensuring regulatory balance of interests of the subjects and the state; predictability - a sequence of the regulatory, compliance with its public policy objectives and plans of preparation of the projects RA, which allows regulated entities to plan their activities; transparency and consideration of public opinion, to be open to regulated entities actions of government national economies (regulatory authorities) at all stages of their regulatory activities, needs

to review by the regulatory authorities initiatives comments and suggestions provided in the manner prescribed by law regulated entities, commitment and timely taken note of RA to regulated entities, informing them of the regulatory activities [3]. Thus, the meaning of regulation is to ensure respect for and protection of socially important interests of such activities.

Although the general principles of law created by constructing the system of the regulatory activities by the established range of economic subjects, unfortunately, the possibility of such a potentially powerful law into practice is not full, because there are unresolved issues that are in low quality of the implementing such a desired system in the ongoing activities of the regulators. This conclusion is supported by the data presented in Tab. 1.

**Tab. 1. Indicators, characterizing the mechanism of the regulatory activities in Ukraine in 2012–2013rr. (summarized by the author on the basis of [4])**

Indicators	2013	2012	Changes (+, -) in 2013 compared to 2012, %	Source
The number of developed and submitted for approval to the competent authority projects RA central authorities (CA), un.	2515	1792	+28,8	State Service of Ukraine on controlling the regulatory policy and developing of the enterprise [4]
The number of developed and submitted for approval to the competent authority projects RA local authorities (LA), un.	226	89	+60,6	
The total number of developed and submitted for approval to the competent authority projects RA CA and LA, un.	2841	1881	+33,8	
The number of failures of the authorized body on developed and submitted for approval of projects RA CA, un.	628	376	+40,1	
The number of failures of the authorized body on developed and submitted for approval of projects RA LA, un.	102	36	+64,7	
The total number of failures of the authorized body for developed and submitted for approval of projects RA CA and LA, un.	730	412	+43,6	
The number of projects agreed by the authorized body RA developed by CA, un.	1987	1416	+28,8	
The number of projects agreed by the authorized body RA developed by LA, un.	124	53	+57,3	

The total number of agreed projects of the authorized body RA developed by CA and LA, un.	2111	1469	+30,4	
The number of completed CA and LA measures for planning the preparation of RA, un.	1306	1185	+9,3	
The number of completed CA and LA measures for disclosure in the regulatory activities, un.	2432	1693	+30,4	
The number of submitted comments and suggestions of the regulated entities of projects RA, un.	938	282	+69,9	
The number of RA, which measures about tracking their effectiveness, un.	1226	817	+66,6	
The share of failures of the authorized body for developed and submitted for approval of projects RA CA and LA in the total number of developed and submitted CEB and MOVV for approval by the competent authority projects RA,%	25,7	21,9	+3,8	
The share of the number of planned projects RA CA and LA in the total number of developed and submitted CA and LA for approval by the competent authority projects RA,%	45,9 at optimum 100	78,1 at optimum 100	-32,2	
The share of the number of information disclosed in the regulatory activities in the total number of developed and submitted CA and LA for approval by the competent authority projects RA,%	85,6 at optimum 100	89,9 at optimum 100	-4,3	
The share of the number of RA, which measures about tracking their results, the total number of developed and submitted CA and LA for approval by the competent authority projects RA, %	43,2 at optimum 100	43,4 at optimum 100	-0,2	

In addition, the analysis of changes in terms of the mechanism of the state regulatory activities in Ukraine in 2013 allows the author to make the following conclusions:

1. There is a growth of the regulatory activity of CA and LA 33,8%.
2. The increase of the proportion of failures of the authorized body for developed and submitted for approval of projects RA CA and LA in the total number of developed and submitted CA and LA for approval by the competent authority projects RA 3,8%.

3. The decrease of not reaching 100%, as provided by law, the level of the implementation of CA and LA action by planning activities for drafting RA (-32,2%).
4. The decrease of the level of the implementation of CA and LA measures for disclosure in the regulatory activities (-4,3%), which also is not good [3] 100% level, while increasing requests of the regulated subjects with comments and suggestions projects RA CA and LA to 69,9%.
5. The decrease of the optimal level of 100% [3] level of performance CA and LA measures to monitor the impact of RA (-0,2%).

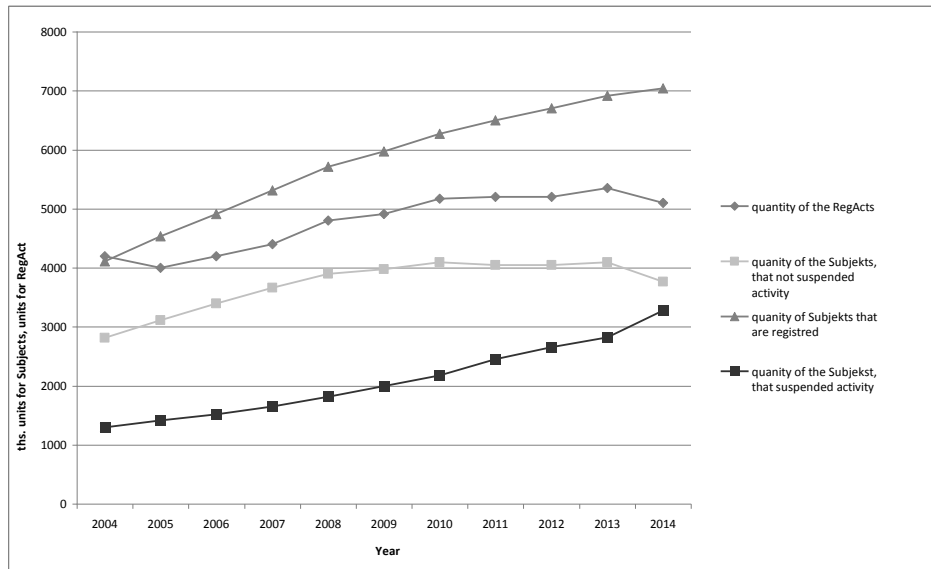
The indicators, which are given above and the conclusions, which are made on the basis of their findings, suggest low controllability of outcomes of the government regulation in Ukraine spheres of economic activity of the national economy on the part of the authorized body, so also of the initiators of the introduction of such regulations.

Thus, the ordering mechanism of the regulatory activities is incomplete and lead to the formal implementation of the regulatory legislation, making unreasonable or inefficient RA.

Given this, there is a need for a new qualitative level of understanding of evaluating the effectiveness of the implementation of its actors (government, business and citizens) of the regulatory activities and find effective evaluation technologies in the interaction of these actors in addressing RA, which affect on the development of social and economic processes in Ukraine.

Category of the entrepreneurship has always been the most vulnerable to a number of external stimuli, including the regulatory component to create the conditions for its operation. The criteria of the development and success of the state in shaping regulatory policy by the state is the number of applicants to do business. Consider and analyze for years 2004-2014 information on the number of adopted legal acts (RegAct) regulating the business environment in Ukraine and quantitative status of state registration (registered number, the number of subjects who discontinued business and the number of subjects not suspended) in Ukraine (Fig. 1).

Since the beginning of the laws of the regulatory policies implemented in phases: the first phase (2004-2011) – deregulation (detection and simplify the regulation of economic activity); the second phase (2012-2014 (till now) – improving the quality of regulations (development of efficient and low-cost qualified regulations of the economic activity, improvements of the regulatory activities and access to adjustments), the third stage (not implemented) – regulatory management (management of the regulatory effects, establishing aof the frameworks and improving of the regulatory flexibility) [7].



**Fig. 1. Dynamics of changes in the number of RegAct governing the business environment in Ukraine and quantitative status of the state registration of business entities (collect by the author and based on [5; 6])**

In view of Fig. 1 it can be argued that the first and the second stages of the regulatory policy in Ukraine, which took place in periods characterized by the development of national economy: 2004-2008 - before the crisis; 2008-2014 (until today) – post-crisis period, there is a dynamic relationship of the number of RegAct, regulating the business environment in 2004-2014, the number of subjects is not terminated and the number of subjects that ceased business in these periods.

The unidirectional relationship of the dynamics number of RegAc is graphically depicted in Fig. 1, regulating the business environment in 2004-2014, the number of subjects is not suspended and diverging from the number of subjects who discontinued business, can be explained by the fact that every year the becoming business environment in Ukraine recorded its qualitative transformation of the crystallization of the market environment through consolidation in certain market niches permanent market participants. This means that the subjects are established on the national market with strong economic ties to the modern economic system of Ukraine. That existing mechanisms for the interaction between economic markets are gradually becoming established. But existing normative regulatory sphere, which positively affects on the activity of economic subjects - not suspended subjects (see Fig. 1), makes it impossible to enter the domestic market by new subjects (see *ibid.*), that is contribute to an increased number of market subjects, why any state doesn't win (shortfall in budgets

of different levels of taxes and duties of such subjects) or citizens don't win too (increase through the established mechanism of competition in the areas of economic activity of the national economy consumer spending).

As a result of correlation analysis of the indicators given above for the entire study period 2004-2014 found that the correlation coefficient figure of RegAct, regulating the business environment in 2004-2014., and the number of subjects is still running 0,89, and the number of RegAce, and the number of subjects which discontinued the enterprise in 2004-2014 – 0,86. Thus, the impact of the normative regulatory environment for quantitative performance of businesses is significant. The estimated coefficients of the determination of these parameters (0,79 and 0,74) show that the pace of business activity subjects up to 80% depends on a statutory regulatory field of the financial and organizational conditions for the functioning of economic sectors of the national economy, and the fate of other factors (solvency of the population, economic globalization, etc.) account for 21–25%.

#### **4. CONCLUSIONS**

Thus, at the current stage of the economic development of Ukraine state regulation of the economic activity sectors of the national economy is not to abolish existing legal acts on the enterprise and making new documents, but in finding the effective technologies with the relationship between the process of the regulatory activities in the modernization of existing Ukraine model mechanism of the regulatory activities or in other words: the construction of the mechanism of informational relationship of the subjects in the regulatory activity.

The important thing is the methodology of selection tools and levers of the mechanism of information relations in the regulatory activity. Methodological basis of this mechanism is situational and systemic approaches. Methodology mechanism of information relations in the regulatory activities should be based on the use of dependency that has already developed, taking into account characteristics of the processes taking place, eliminating contradictions.

It is important to emphasize in the conceptual aspect that the information relationships in the regulatory activity requires formation (development) or improvement. You should distinguished formation (development) mechanism of its improvement. The improvement means the improving of individual elements or characteristics of the current system or its components, which should lead to increased efficiency of the system. Therefore, the formation (development) mechanism should be seen as a process of gradual transition from the current state to another, better. Moreover, the characteristic transformation occurring in the functioning of the whole or regulation as a process; qualitatively new elements are introduced to encourage respond in some way other components of the system [8].

Considering the dynamic object, on which the state regulation of the economy is directed (the process of the regulatory activities), the formation (development) of the mechanism of information relations in the regulatory activities directly related to its improvement, that is about the same time, that further actualizes the subject of our research.

The main driving forces on the formation (development) of the mechanism of information relations in the regulatory activity at the present stage of socio-economic development and the creation of an information society in Ukraine are:

- 1) the natural opportunities for growth and development of the mechanism of information relations in the field of the regulatory activity, since this mechanism is yet at the stage of development and is being tested;
- 2) the specificity of the regulatory activity that requires the creation and formation of the mechanism of multilateral relations of business information;
- 3) the environmental conditions that are constantly changing;
- 4) the achievement of the international experience and the search associated with it and the introduction of new instruments of the state regulation of information relations in the regulatory activities that have proven its effectiveness in the international practice.

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