

DOI:

Institutional provision of the state regulatory policy in Ukraine

**Alina GLUSHKO**Poltava National Technical University named after Yuriy Kondratyuk, **Ukraine**

glushk.alina@gmail.com

**Olga MARCHYSHYNETS**Poltava National Technical University named after Yuriy Kondratyuk, **Ukraine**

[olga.marchishinec@ukr.net](mailto:olga.marchishinec@ukr.net)

**SUGGESTED CITATION:**

**Article’s History:**

Received; Revised; Accepted. 2017. ASERS Publishing. All rights reserved.

**Abstract**

The article substantiates the necessity of using an institutional approach in the study of the state regulatory policy in the conditions of transformational processes in the national economy. A state regulatory policy is described as a complex multicomponent system. The interrelation of its subjects and objects is determined. The authors define the concept of "state regulatory policy", according to which a state regulatory policy is a normative form of realization of the functions of the subjects of the regulatory processes in the national economy to ensure the socio-economic development of the country and to increase the well-being of its citizens in the conditions of the deepening globalization processes. The authors substantiate the necessity to clarify the conceptual and categorical apparatus during the research of institutional character. The essence of the concepts "institute", "institution" and "institutional provision" is revealed. It is proved that under the institutional provision of the state regulatory policy one should understand the totality of state and non-state institutions that ensure the availability of legal, organizational and economic conditions, which are necessary for the formation and implementation of an effective state regulatory policy. The institutional-legal, institutional-organizational and institutional-personnel provision of the state regulatory policy is characterized. The main existing problematic aspects of institutional provision of the state regulatory policy in Ukraine are outlined and the necessity of an integrated approach to introducing qualitative changes in institutional-legal, institutional-organizational and institutional-personnel provision is substantiated.

**Keywords:** institute, institution, institutional support, state regulatory policy, regulatory processes, regulatory bodies.

**JEL Classification:** E 170, P 200.

**Introduction**

The contemporary transformational processes in the national economy necessitate the improvement of the regulatory environment in Ukraine in order to achieve a balanced economic growth. The regulation of market processes in the Ukrainian economy is caused by a number of factors, including unstable foreign economic conditions, unfavorable investment climate, insufficient growth of the aggregate demand on the domestic market, negative trade balance. The state regulatory policy is a mechanism that can ensure the development of the country's economy at a qualitatively new level and, accordingly, increase its competitiveness in the world.

The formation of an effective state regulatory policy capable of ensuring a balanced development of the national economy has become an urgent task. One of the main conditions for ensuring a high level of efficiency of the state regulatory policy is the availability of effective institutional provision.

***The purpose of the study*** is to substantiate the conceptual foundations and the applied aspects of institutional provision of the state regulatory policy in Ukraine.

***The goal*** is to highlight the essence of institutional provision from the point of view of different conceptual approaches and the authors’ approach to determining the institutional provision of the state regulatory policy as well as institutional-legal, institutional-organizational and personnel provision.

**Literature review**

Theoretical, methodological and applied aspects of institutionalism as an area of economic thought are highlighted in the writings of such scholars as T. Veblen (1918), J. Commons (1931), D. North (2000), J. Hodgson (2003), E. Ostrom (1990), and others. Various aspects of institutionalization of the economic processes are actualized in the writings of D. Burkaltseva (2012), Z. Varnalij (2011), T. Gaidai (2006), M. Stupen’ (2015), S. Onishchenko (2016), B. Shumlyansky (2015) and other scholars.

The theoretical and practical aspects of implementation of the state regulatory policy are considered in the works of foreign scholars: P. Braun (2000), W. K. Viscuzi (2000), J. M. Vernon (2000), J. E. Harrington (2000) and the Ukrainian scholars: Z. Varnalij (2011), O. Litvinov (2012), N. Litvinova (2012), N. Stadnychuk (2012), O. Yuldashev (2011) and others.

However, despite significant scientific achievements in this area the issue of institutional provision of the state regulatory policy in Ukraine remains relevant. The use of the institutional approach to the study of the state regulatory policy will make it possible to explain its essence, to form an institutional architectonics and the mechanism for its provision.

**Methodology**

The theoretical and methodological foundation for the study of institutional provision is based on the fundamental provisions of the neoclassical economic theory.

During the research we used the methods of theoretical comparison and generalization in systematizing scientific approaches to the definition of institutional provision of the state regulatory policy. The use of the institutional approach as a methodology for scientific learning in the study of the state regulatory policy involves the conceptual determination of the key definitions ("institute", "institution", "institutional provision"). As a general method of research, the institutional approach makes it possible to establish interdependence and interrelation between the changes in the institutional structures of the state regulatory policy and its content.

The theoretical substantiation of the mechanisms of realization of the state regulatory policy through the prism of the institutional theory is most appropriate in the conditions of transformational processes in the national economy. An effective institutional provision of the state regulatory policy is the basis for optimal state management in the economic and social spheres, the development of economic activities.

**Results**

In modern conditions the state regulatory policy is a mechanism that can ensure the development of the country's economy at a qualitatively new level and, accordingly, increase its competitiveness in the world. The increased openness of the national economy as a consequence of globalization processes necessitates the improvement of the regulatory environment in Ukraine in order to achieve a balanced economic growth. The international experience shows that an effective state regulatory policy contributes to the sustainable growth of the economy and the welfare of citizens.

The state regulatory policy is a normative form of realization of the functions of the subjects of regulatory processes in the national economy to ensure the country's socio-economic development and to increase the well-being of its citizens in the conditions of the deepening globalization processes.

According to the institutional approach, the state regulatory policy can be legitimately defined as a complex multicomponent system, the synergetic effect of the functioning elements of which is to ensure the implementation of the state strategy in relation to the development of the national economy, an optimal state management in the economic and social spheres, and the promotion of economic activity.

The essence of the state regulatory policy is reflected in the system of relationships between the objects and the subjects (Figure 1).

**Subjects of the state regulatory policy**

**Regulatory bodies**

**Business entities and their** **associations**

**Citizens and their associations**

**Scientific institutions**

**Consultative and advisory bodies**

**Implementation of the state regulatory policy**

**Objects of the state regulatory policy**

**Economic relations (business and non-commercial activities)**

**Administrative relations**

Note. Compiled by the authors.

**Figure 1.** The structure of the state regulatory policy.

The analysis of scientific approaches to the definition of the categories "institute" and "institution" makes it possible to conclude that they are homogeneous in terms of their economic content and the degree of systemic difference. An institution is rightly considered as a system while an institute is the basic inseparable element of the institution.

The study of the essence of institutional provision of the state regulatory policy should begin with the detailed and systematic categorical apparatus, in particular, the notions of "institute", "institutions", "institutional provision".

According to the approach of the representative of the new "institutionalism" D. North (2000), the concept of "institution" covers all kinds of restrictions that are designed to direct human interactions in a particular direction. The purpose of institutions in society is to reduce uncertainty through the establishment of a permanent structure of human interaction (North, 2000).

This approach is supported by E. Ostrom (1990), who defines institutions as a set of rules for decision-making in certain spheres of activity (Ostrom, 1990). At the same time, T. Gaidai (2006) considers the concept of institution according to the functionality – a system of rules and regulations that regulate the socio-economic interaction of economic actors and social groups (Gaidai, 2006).

Therefore, institutions are a system of rules and regulations that cover formal and informal norms that regulate the relations between economic subjects and provide for the existence of the appropriate organizational structures to achieve certain goals.

Institutes are the form of manifestation of institutions. The analysis of the modern studies has shown that the term "institute" is borrowed from jurisprudence. The essential characteristics of this category can be both legal norms and procedures for establishing the relationships between them, "which makes it possible to streamline (regulate) the relations between the subjects of law in order to provide them with a stable character, for which the relevant organizational structures and bodies of control are created" (Varnalij, Burkaltsev and Sayenko, 2011).

One of the founders of institutionalism, T. Veblen defines institutes as a consolidation of the customs and procedures in the form of law (Veblen, 1918). The representative of the institutional theory J. Commons (1931) characterizes institutes as "a collective action of control, release and expansion of individual actions" (Commons, 1931). According to J. Commons (1931), the leading institutes in the state are corporations, trade unions, political parties, and the fundamental institutional categories: – "active collective institute", "market force", "market agreements". They determine the economic behavior in society.

A representative of the "new" institutionalism D. North (2000) defines institutes as a subject of the institutional mechanism. D. North notes, "... there are no other solutions other than the use of institutional mechanisms to establish the rules of the game and the use of organization to ensure the compliance with these rules" (North, 2000).

J. Hodgson (2003) defines institutes as a system of social rules, namely: "long-term systems of the concluded and rooted rules that structure social interactions" (Hodgson, 2003).

D. Burkaltseva (2012) notes that the analysis of institutes should be carried out depending on the micro or macro levels of the research. At the micro level the entrepreneurs, manufacturers and financial intermediaries organize the work of firms, perform the functions for the creation and maintenance of the market infrastructure. At the macro level the state, households and international institutional organizations act as the main subjects that perform the functions of coordination of the system (Burkaltseva, 2012).

In the context of the conducted study institutional provision should be defined as a dynamic process of formation of institutions (rules formed by formal and informal socio-economic formations that affect the behavior of the market participants) and institutes (organizationally formed systems of rules and norms) consolidated in the form of organizations (companies, infrastructure, state bodies), laws (regulations) and rules (economic laws of the market economy) in the process of evolution of the market mechanism (Stupen' and Shumlyansky, 2015).

Institutional provision of the state regulatory policy is a set of state and non-state institutions that ensure the availability of legal, organizational and economic conditions necessary for the formation and implementation of an effective state regulatory policy.

The following three components are constituent parts of the institutional provision of the state regulatory policy:

* institutional and legal provision is a system of normative legal acts regulating the process of implementation of the state regulatory policy in the field of economic activity;
* institutional and organizational provision is a system of organizations (authorities) that ensure the formation and implementation of the state regulatory policy in the field of economic activity;
* institutional and personnel provision is a system of training of personnel to ensure the implementation of the state regulatory policy in the field of economic activity (Glushko, 2013).

The institutional and legal provision of the state regulatory policy provides the purposefulness, consistency and structuredness of activities of the regulatory bodies, determines effective areas of such activity. Consequently, the legal form not only legally fixes the status of various bodies in the system of ensuring the implementation of a certain function in the mechanism of implementation of the state regulatory policy, but also determines the forms of realization of the requirements of the current legislation and the coordinator of implementation of legal ideas (Onishchenko, 2016).

The quality of the result of any activity, including the regulatory one, is ensured by the quality of organization of its process. The legal and organizational principles of implementation of the state regulatory policy in the field of economic activity are defined by the Law of Ukraine "On the Principles of State Regulatory Policy in the Field of Economic Activity". Accordingly, the quality of implementation of the state regulatory policy as well as institutional and legal provisions in general depends on the level of compliance with regulatory requirements by the regulatory authorities.

In accordance with the current legislation, the implementation of the state regulatory policy in the field of economic activity is assigned to the regulatory authorities. The level of observance of the principles and fulfillment of the requirements of the Law of Ukraine "On the Principles of the State Regulatory Policy in the Field of Economic Activity" by the regulatory bodies and their interaction in the process of regulatory activity directly affect the overall level of efficiency of the state regulatory policy.

Taking into account the provisions of the Law of Ukraine "On the Principles of State Regulatory Policy in the Field of Economic Activity", the institutional and organizational provision of the regulatory policy, according to the authors’ approach, includes regulatory bodies of the national and regional levels.

At the national level the regulatory bodies are the Verkhovna Rada of Ukraine, the President of Ukraine, the Cabinet of Ministers of Ukraine, the National Bank of Ukraine, the National Council of Ukraine on Television and Radio Broadcasting, other state bodies, central executive authorities as well as official persons of any of these bodies, if, in accordance with the legislation, this person has the authority to make regulatory decisions.

At the regional level the regulatory bodies are: the Supreme Council of the Autonomous Republic of Crimea, the Council of Ministers of the Autonomous Republic of Crimea, local authorities, local self-government bodies as well as official persons of any of these bodies, if, in accordance with the legislation, this person has the authority to make regulatory decisions.

The regulatory authorities also include territorial bodies of central executive authorities, state specialized institutions and organizations, non-profit self-governing organizations that manage certain types of compulsory state social insurance if, in accordance with their authority, these authorities, institutions and organizations make regulatory acts (The Law of Ukraine, 2004).

In order to coordinate the issues related to the state regulatory policy, Ukraine has a central regulatory authority – the State Service of Ukraine for Regulatory Policy and Entrepreneurship Development. This state service is within the system of executive authority and ensures the implementation of the state policy in the field of entrepreneurship development, supervision (control) in the field of economic activity and is a specially authorized executive body on the issues of implementation of the state regulatory policy, the licensing system and licensing in the field of economic activity.

At the same time, regulatory bodies with special status operate in certain spheres of the economy. In particular, in the sphere of telecommunications, informational support, the use of the radio frequency resources and the provision of postal services there is a functioning regulatory body with a special status – the National Commission that carries out state regulation in the field of communication and informational support, on the financial services market – the National Commission on securities and the stock market and the National Commission that performs state regulation of financial services markets, and in the field of electricity and oil and gas complex – the National Commission, which carries out state regulation in the energy sector.

These commissions have to ensure a single state regulatory policy in the relevant areas.

Therefore, by using a functional approach institutional and organizational provision of the state regulatory policy of Ukraine should be presented in the form of a chart (Figure 2).

**Formation of the state regulatory policy**

**Realization of the state regulatory policy**

**Control over the implementation of the state regulatory policy**

**President of Ukraine, Verkhovna Rada of Ukraine, Cabinet of Ministers of Ukraine, National Bank of Ukraine, central executive authorities**

President of Ukraine, Verkhovna Rada of Ukraine, Cabinet of Ministers of Ukraine, National Bank of Ukraine, central executive authorities

The Verkhovna Rada of Ukraine, the Cabinet of Ministers of Ukraine, the State Service of Ukraine for Regulatory Policy and Entrepreneurship Development, the General Prosecutor's Office of Ukraine, the High Council of Justice, the Prosecutor's Office, the bodies of justice

Specially authorized regulator - the State Service of Ukraine for Regulatory Policy and Entrepreneurship Development

**Regulatory authorities at the national level**

**Regulatory authorities at the regional level**

The Supreme Council of the Autonomous Republic of Crimea, the Council of Ministers of the Autonomous Republic of Crimea, territorial bodies of central executive authorities, local executive bodies, local self-government bodies, citizens' associations and the public

**Judicial power in Ukraine**

Note. Compiled by the authors.

Figure 2. Institutional and organizational structure of the state regulatory policy in Ukraine.

The world and domestic experience in the field of implementation of the state regulatory policy shows that the level of public participation in regulatory activity directly affects the quality of the implemented regulations. In this regard, the issue of the need to increase the participation of the public in the process of development and adoption of regulatory acts becomes particularly relevant.

A well-known Western public administration specialist, Sherry Arnstein, identifies eight key levels of public participation (Table 1).

Table 1. The levels of public participation in the process of making regulatory decisions

|  |  |  |
| --- | --- | --- |
| Level | Name of the level | Level of public participation (influence) |
| І | Manipulation | lack of participation (influence) |
| ІІ | "Therapy" | lack of participation (influence) |
| ІІІ | Informing | limited participation (influence) |
| IV | Advice | limited participation (influence) |
| V | Consideration of opinions | limited participation (influence) |
| VI | Partnership | real (effective) participation (influence) |
| VII | Delegation of authority | real (effective) participation (influence) |
| VIII | Public administration | real (effective) participation (influence) |

Note. Compiled by the authors (Yuldashev, 2011; Brown, 2000)

The first two levels are characterized by the substitution of real public participation, its imitation by the authorities. They are characterized by: the substitution of goals, the lack of alternative solutions, the lack of feedback, manipulative approaches, etc. The imitation of public interaction at the level of manipulation and "therapy" often generates conflicts and does not meet the needs of the community. It is clear that the level of public influence in this case is practically zero.

The third and fourth levels are the levels of limited public participation that are characterized by the ability of citizens to receive information and express their opinions without any guarantee that the latter will affect the subject of management decisions. The level of public influence in this case is limited. A limited (partial) consideration of the public opinion is stipulated by the fifth level.

The sixth, seventh and eighth levels characterize the real participation of citizens in the process of development and making of decisions. At these levels public engagement can take place in a wide range of interactions: from partner participation in the negotiation process in order to reach a compromise with the authorities to making important management decisions directly by citizens. This is the highest level of public influence, the level of significant influence on making managerial decisions regarding a particular problem (Yuldashev, 2011, pp. 9-10; Viscuzi, Vernon and Harrington, 2000).

The provisions of the Law of Ukraine "On the Principles of State Regulatory Policy in the Field of Economic Activity" provide for the fifth level of public participation in the implementation of the state regulatory policy. However, the current realities determine the need for a qualitatively new level of interaction between the public and the regulatory authorities. In particular, the development of partnership between citizens and state authorities in the process of implementation of the state regulatory policy.

Along with institutional-organizational and institutional-legal provision an important role in ensuring a high level of efficiency of the state regulatory policy belongs to the institutional and personnel provision of the state regulatory policy. The issues of personnel provision of the regulatory policy at the regional level are especially relevant.

According to Article 18 of the Law of Ukraine "On the Principles of State Regulatory Policy in the Field of Economic Activity" (2004), in order to exercise the powers to implement state regulatory policy the territorial bodies of central executive authorities and local executive authorities should create structural units on the issues of implementation of the state regulatory policy or to delegate these powers to one of the existing structural subdivisions or individual officials.

According to Article 31 of the Law of Ukraine "On the Principles of State Regulatory Policy in the Field of Economic Activity" (2004), local councils may set up standing commissions for the implementation of state regulatory policy or may assign these powers to one of the existing standing commissions of the relevant council (the responsible standing commission), and in order to exercise the powers regarding the implementation of the state regulatory policy executive bodies of local councils should create structural units on the implementation of state regulatory policy or assign these powers to one of the existing structural subdivisions or individual officials of the relevant executive body of the council (responsible structural units) (The Law of Ukraine, 2004).

The implementation of the state regulatory policy requires a large number of specialists competent in the matters concerning the procedures for the implementation of regulatory activities. Identification of structural subdivisions and persons responsible for the implementation of the state regulatory policy in the field of economic activity, disclosure of information for the provision of external communication and access to such units and individuals (in the form of a directory, a list of persons with coordinates) is one of the key areas for the organization of regulatory procedures at the local level, personalization of responsibility for compliance with regulatory legislation (Litvinov, Litvinova and Stadnychuk, 2012).

**Conclusions**

Summarizing the discussion above it should be noted that it is appropriate to use the institutional approach in the study of the state regulatory policy. It provides an opportunity to study the conceptual foundations of regulatory processes in the national economy and outline the directions of formation and mechanisms of implementation of the state regulatory policy.

It was established that institutional provision of the state regulatory policy is a complex multicomponent system, which includes institutional-legal, institutional-organizational and institutional-personnel provision.

To date, the problem of institutional and organizational provision of the state regulatory policy in Ukraine is that the biggest number of authoritative powers at the regional level belongs to the competence of local state administrations and local self-government bodies, which contradicts the current trends in regional development. This leads to the competition of competencies, unjustified interference of executive authorities in the sphere of local self-government and duplication in solving specific issues of regional development. A clear delineation of powers will make it possible not only to solve the problems of socio-economic development of the regions more effectively, but also to improve the quality of regulatory activity by preventing the emergence of controversial issues in the development of regulatory acts.

The problem of inadequacy of the system of professional training of specialists, who are competent in matters concerning the procedures for implementation of regulatory activities and the absence of a system for the training of such specialists needs to be solved.

Therefore, the improvement of institutional provision of the state regulatory policy requires an integrated approach and involves the introduction of qualitative changes in the institutional-legal, institutional-organizational and institutional-personnel provision. In turn, a well-balanced state regulatory policy backed by an efficient and coherent regulatory system, a sound legal basis and high-quality human resources will contribute to the sustainable development of the national economy and the welfare of Ukrainian citizens.

**References**

1. Brown, P. 2000. The Public Policy Analysis Tool (Trans. from Eng.). Osnovy, Kyiv.
2. Burkaltseva, D. D. 2012. Subjective-institutional provision of economic security of the state. Bulletin of Chernivtsi Institute of Trade and Economics, Series of Economic Sciences, 2: 121 – 127.
3. Commons, J. R. 1931. Institutional Economics. American Economic Review, 21: 648–657. McMaster University, Faculty of Social Sciences, CA. http://socserv2.socsci.mcmaster.ca/econ/ugcm/3ll3/commons/ institutional.txt
4. Gaidai, T. V. 2006. The Institute as an Instrument for Institutional Economic Analysis. Ekonomіchna teorіja, 2: 5–64.
5. Glushko, A. D. 2013. Directions of improvement of institutional support of the state regulatory policy. Proceedings of ninth international scientific and practical internet conference on innovations and traditions in modern scientific thought. Part 1 (15-19). Kyiv, 15 – 17 of August, 2013.
6. Hodgson, J. 2003. Economic theory and institutions: a manifesto of modern institutional economic theory (Trans. from Eng. by M. L. Kazhdan). The Russian Presidential Academy of National Economy and Public Administration, Moscow.
7. Litvinov, O. V., Litvinova, N. N. and Stadnychuk, N. V. 2012. Implementation of the state regulatory policy by local self-government bodies: the practical manual. Monolit, Dnipropetrovsk.
8. North, D. 2000. Institutions, institutional change and functioning of the economy (Trans. from Eng. by І. Dzjub). Osnovi, Kyiv.
9. Onishchenko, S. V. 2016. Institutional Support of Budget Security of Ukraine. Bulletin of the Taras Shevchenko National University of Kyiv. Series of Economics, 5(182): 31-39.
10. Ostrom, E. 1990. Governing the Commons: The Evolution of Institutions for Collective Action. Cambridge University Press, Cambridge. p. 51.
11. Stupen', M. and Shumlyansky, B. (Ed.). 2015. Clarification of the conceptual-categorical apparatus of the institutional support of the investment activity of the forest sector of the economy. Economist, 1: 27-29 http://nbuv.gov.ua/UJRN/econ\_2015\_1\_9.
12. The Law of Ukraine "On the Principles of the State Regulatory Policy in the Field of Economic Activity" from 11.09.2003 No. 1160-IV. 2004. Journal of the Verkhovna Rada of Ukraine, 9: 79.
13. Varnalij, Z. S., Burkaltsev, D. D. and Sayenko, O. S. 2011. The Economic Security of Ukraine: Problems and Priorities for Strengthening. Znannja Ukraїni, Kyiv. p. 42.
14. Veblen, T. 1918. The Theory of the Leisure Class: An Economic Study of Institutions. B. W. Huebsch, New York. Online Library of Liberty. http://oll.libertyfund.org/titles/veblen-the-theory-of-the-leisure-class-an-economic-study-of-institutions.
15. Viscuzi, W. K., Vernon, J. M. and Harrington, J. E. 2000. Economics of Regulation and Antitrast, 3rd ed. MIT Press, Cambridge, MA.
16. Yuldashev, O. O. 2011. Administrative and legal provision of the right of public organizations to access information and state regulatory policy. Nashe Pravo, Special publishing house of UNESCO, 2: 70 – 74.