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CERTIFICATION OF AGRARIAN ENTERPRISES-PRODUCERS OF ORGANIC PRODUCTS IN ORDER TO ENTER EUROPEAN MARKETS

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Abstract. The *objective* of the article is to consider the actual issues of institutional support for the development of agrarian enterprises producing organic products in Ukraine, as well as the definition of formal and informal institutions for the regulation of organic products market. *Methodology*. While the study, the following methods were used: analytical method – to identify the basic rules and procedures for the development of organic production and the structuring of its institutional environment; synthesis method – to assess the state of development of institutes and infrastructure of the industry; abstracting and logical modelling of the system of interconnections and regulating and stimulating influences of environmental elements on the development of organic production. *Results*. The article deals with topical issues of institutional support for the development of agrarian enterprises producing organic products in Ukraine. There were established formal and informal institutions for regulating the organic products market. The features of placement and specialization of agrarian enterprises for the production of organic products are revealed. Certain institutions of certification of production and products are described as separate institutions. The further prospects of development of agrarian enterprises producing organic products on the basis of improvement of institutional regulation and certification are substantiated. *Practical importance*. The results of the study can be taken into account and used for the development of state and industry programs for the development of organic production. *Scientific novelty*. The systematic vision of the development environment of organic production in Ukraine is substantiated, which, in contrast to the existing views, is interpreted as an interconnected and interdependent set of elements regulated by managerial influences of the state and industry levels.

Key words: organic production, agrarian enterprises, institutional regulation, certification, market, development, improvement.

JEL Classification: P42, D02, Q13, F63

1. Introduction

Objectively, the formation of the system of institutional provision for the sustainable development of organic production in Ukraine cannot take place apart from a solution of ecological problems caused by the whole agricultural sector. The necessity of solution motivates state authorities to participate in and sign the numerous nature-protecting conventions since any subject of economic management performs in a certain institutional environment directly interacting with and effecting upon it.

This is why the institutional environment formed in agrarian sector of the country in the process of transformational changes in economics and other spheres of human life activity is characterized by the influence of formal and informal institutions on the efficiency of performance of the subjects of economic management inclusive of those active in the production of organic agrarian commodities. Such an influence provides for the balance of agro-landscapes and warrants for sustainable development of ecological, social, and production-economic spheres of rural territories.

In our opinion, the preservation of natural resources in the process of economic management should be considered in conjunction with the necessity of promotion of resource-preserving ecologically safe technologies. The task is expected to be favoured by way of introduction of the institutions of the owners and users' social and economic-legal responsibility for the provision of reproduction of agricultural lands fertility. As well, it is referred to the organizational-economic mechanism of organic agricultural

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production, optimization of the lands' phytosanitary state and improvement of agro-technologies. It is due to these reasons that further economic activity in organic management is possible only within respective institutional limits.

2. Current issues of institutional support for the development of agrarian enterprises with organic production in Ukraine

Development of agrarian enterprises with organic economic management would solve problems related to the saving of natural resources, the establishment of harmless and non-waste technologies, and environmental ecological "turnover". It must be emphasized that once there appeared an increasing demand for it, Ukraine possesses great potential for the production of organic commodities, their export and domestic consumption (Marmul, Novak, 2016). Since capable of helping to improve the financial-economic, social, and ecological state of commodity producers, organic production would add to the complex development of the agrarian sector and improvement of public health. However, the concept of "organic production" is not yet clearly defined and it is still difficult to give a clear definition of it, for, at all stages of its production, the end product does not have to change its properties and should maximally present its natural qualities to the consumer.

Institutional provision for the development of production of organic agricultural commodities represents a fundamental basis of agrarian nature use. It effects on interrelations between subjects of economic management and the environment and determines the nature of institutional changes in the sphere of natural resource use. Institutional changes are the driving transformational-modifying processes that provide for qualitative changes within the system of agrarian resource use, as well as for the modelling of vectors of organic production development.

Formation and further improvement of the institutional environment for the development of organic agricultural production should rest on the social-economic and ecological interests of economic entities. It is necessary to take into account the market position in the sector and the degree of infrastructure development; legal support and protection of subjects of the organic economy; their (subjects') provision with financial-investment and other resources; population's demand for organic food commodities and industrial demand for organic agricultural raw materials; ways of use of and capacity to reproduce nature-resource potential; and environmental monitoring efficiency. It seems reasonable that economic entities were stimulated to implement in organic agricultural production the resource-saving and eco-safe technologies.

Thus, the formation of the system of institutional provision for the development of organic agriculture presupposes availability of harmonized formal and informal institutions that would determine and regulate its territorial, social, production-economic, ecological, legal, and organizational-managerial parameters. Realization of organic production in Ukraine shall become a success only with visible shifts in the system of fundamental moral-ethic principles, restrictions and rules, values and interests that predefine economic interaction and social responsibility of the subjects of economic management, consumers, state institutions, big agro-holdings, etc. (Ihnatenko, 2015). The components of the institutional environment for organic production establish the "rules of the game" within a threefold system of social-economic, legal or political institutions of formal content and informal ideological institutions (Table 1).

Table 1
Institutions of organic economy management that provide for integration of agricultural production and nature-resource sphere

Institutions	Institutions of organic economy management
Formal	Organic standardization and certification
	Licensing
	Ecological audit and monitoring
	Subsidization and penal sanctions
	Crediting and taxation
	Insurance and compensations
	Legal responsibility and power
Informal	Public control
	Education and upbringing
	Ecological self-awareness
	Professional self-awareness
	Ethics and morals
	Cultural values

Formal institutions contour directions of organic farming and specificities of organic production, as well as form conditions for the creation of its market. Informal institutions, though represented as being an important component of the institutional environment, are poorly assessable with respect to their real influence on the development of organic production. It is in the first place connected with the fact that the period of the rise of organic farming essentially affected the agrarians and rural people's psychology, made them change their way of thinking and mode of life, and recollect traditions of husbandry management.

Active representatives of rural community and entrepreneurs have become initiators of ideological and cultural changes in the process of transition to the organic type of agricultural management, and of the denial of present-day sometimes excessively intense methods of agricultural production. The consumers' stereotypes were also broken, as well as their behaviour changed due to newly opened opportunities of leading a healthy life and eating safe food.

Institutional environment of organic production in Ukraine is represented by such of its components as institutions called to facilitate production development and adapt it to international standards. Among these, the most influential and organic-oriented institutions are as follows: "BioLan Ukraine", an international public association of bio-production participants, and "Naturprodukt", an association of organic agricultural production participants. Besides, the Federation of Organic Movements in Ukraine is an active participant for the improvement of the institutional environment. The latter was founded for activation of organic production in the context of consolidation of efforts by scientific and business structures interested in production and spreading of ecologically safe products cultivated and processed with a caring attitude towards the environment (Chudovska, 2012). In practice, the caring attitude is expressed through the performance as follows:

- preservation and reproduction of the environment due to the introduction of organic technologies;
- assistance in the development of systems of organic and bio-dynamic agriculture for agro-producers with the use of the best national and world scientific and practical experience, and propagation of respective programs;
- assistance in the development of reference documents in the sphere of organic education, writing and publication of scientific-methodical literature, manuals, guidebooks, periodical editions;
- assistance in the formation in all regions of Ukraine of the network of producers and processors of organic production who would not only develop its export but form the domestic organic market.

The shaping factor of organic production's institutional environment, taking into account its specificity, shall be represented by a system of guarantee with all totality of standards and institutions that specialize in inspection and certification of organic enterprises and their products. The Organic Standard is a leading institution of certification in Ukraine, a state body accredited by the International Federation of Organic Agriculture Movements (IFOAM). It performs inspection and certification of the processes of production, processing and marketing of organic agricultural commodities. This element of the institutional structure of organic movement development certifies organic enterprises and their production on the basis of major international standards.

It should be remembered that the product is recognized as organic only when certified according to established procedure, found to comply with established standards and correspondingly marked. The product's assessment takes place with the consideration of national and international standards that verify its conformity within all chains of the production from the point of view of its influence on the environment (Andreyeva, Kharichkov, 2010).

There are 19 organizations in Ukraine accredited to certify agricultural enterprises according to the EU legislation, and national organic producers can, therefore, export their certified commodities to the European Union with no additional import approvals. However, strange as it is, such enterprises cannot be officially recognized as organic producers in Ukraine since legal framework in this country is not yet modified to conform with European requirements, and no legal instruments are yet developed to establish the procedure of economic performance.

Institutional-legal problems encountered in the process of introduction of organic farming in Ukraine require their urgent solutions and represent as follows:

1) absence of a respective legal framework, in the first place, fundamental law that would meet the requirements of international legislation with respect to the regulation of organic production and its certification;
2) absence of an efficient national system of certification and control of organic economies and their products;
3) absence of respective domestic infrastructure (associations/unions/centres of organic commodity producers);
4) necessity of integration into world structures (EU, IFOAM) and getting access to world markets for organic production;
5) necessity in due informational support (popularization of organic farming technologies, ecological education of population and agricultural producers, producers' consultative support, special trainings for managers and employees).

Integration of Ukraine into world economics, namely, the country's intention to join the European Union, the EU-Ukraine Association Agreement, the WTO membership, the country's activity in other world organizations and associations in conditions of intense globalization leads to increased competition in domestic and world markets. This, in its turn, necessitates the production of highly qualitative and competitive agricultural commodities, which, in the first place, are represented by the organic (ecological) products.

3. Features of placement and specialization of agrarian enterprises for the production of organic products

The organic trend in Ukrainian agriculture is now gaining the ground and it is, therefore, essentially important that a legal framework was instilled with it. For example, the Organic Agricultural Commodity and Raw Material Production and Turnover Act that came into effect in 2014 is called to strengthen responsibility of all producers in the agrarian market since this instrument presupposes implementation of the system of control over all steps of organic commodity production (Law "Organic Agricultural Commodity and Raw Material Production and Turnover", 2014). The Act

also establishes procedures of production/processing inspection and certification on the level of operators.

The organic operator can be defined as a physical person or legal entity, irrespective of ownership, an organizational/legal form of activity who, keeping to provisions of Ukrainian law in effect, undertakes production, processing, storage, and realization of organic commodities.

We have carried out the institutional distribution of organic operators within national market according to such differential attributes as territorial belonging; organizational/legal forms of performance; field of activity; certification bodies functioning in the country; certification standards and certification status.

Information based on the data available from the Organic Market Development in Ukraine, a Swiss-Ukrainian project. Thus, as of 31 December 2015, there were 208 organic operators in Ukraine, inclusive of 127 producers and 81 other operators. Operators perform in Ukrainian administrative region as presented in Table 2. It should be noted that some operators do not give their consent for publication of their data, thus complicating analysis efforts.

Table 2
Organic producers and operators in Ukraine

No.	Regions	Number of producers	Number of organic operators in the region (inclusive of producers)
1	Vinnytsia	7	11
2	Volyn	2	6
3	Dnipropetrovsk	3	6
4	Donetsk	2	3
5	Zhytomyr	8	9
6	Zakarpattia	8	12
7	Zaporizhzhia	3	8
8	Ivano-Frankivsk	0	1
9	Kyiv	16	35
10	Kirovohrad	4	4
11	Luhansk	0	0
12	Lviv	6	11
13	Mykolaiv	4	4
14	Odesa	4	13
15	Poltava	4	5
16	Rivne	2	6
17	Sumy	0	1
18	Ternopil	3	3
19	Kharkiv	9	10
20	Kherson	19	25
21	Khmelnytskyi	2	2
22	Cherkasy	1	3
23	Chernihiv	7	8
24	Chernivtsi	1	2
25	Autonomous Republic of Crimea	12	20
	Total:	127	208

Source: (Ukrainian Organic Production Business Reference Book, 2014)

As appears from Table 2, organic operators are predominantly concentrated in the Kyiv region (35, or 16.82% out of their total number in Ukraine). Among other regions-leaders in availability of organic operators we can mention Kherson region with 25 operators (12.01 %), Odesa – 13 (6.25%), Zakarpattia – 12 (5.8%), Lviv – 11 (5.29%), Vinnytsia regions – 11 (5.29%), and the Republic of Crimea – 20 operators (9.62%). It is almost in the half of Ukrainian regions, namely, Ivano-Frankivsk, Chernivtsi, Ternopil, Khmelnytskyi, Sumy, Poltava, Cherkasy, Kirovohrad, Donetsk, and Mykolaiv regions, the number of organic operators is insignificant and varies from 1 to 5. It is only the Luhansk region that features none organic operators, though the region is characteristic for great natural perspectives for the successful development of organic production due to the huge agricultural background. Among organic operators, the biggest share belongs to producers of organic production whose territorial distribution is close to the same of organic operators on the whole. Thus, the biggest number of organic producers is concentrated in the Kherson (19, or 14.96% out of their totality) and Kyiv regions (16, or 12.6%). If the organizational/legal form of economic activity is considered (Fig. 1), organic operators predominantly perform as business partnerships (57.10%), and private enterprises (23.60%) where the farming economies take over the half (56.76%).

Operators of organic production work in different agricultural branches. Some subjects of economic management are issued certificates where only one type of activity is indicated, some other were permitted to perform in two or more types of certified activity. The latter prevail since one and the same operator is capable of growing organic production, processing it, and sale in the national market or conducting export/import operations, etc. Major types of certified activity are as follows: crop farming (inclusive of wild crop farming), cattle-breeding (inclusive of bee farming), processing, trade, export and import, etc. Table 3 represents the territorial distribution of organic commodity producers by major branches of agricultural production.

Regarding the structure of the market in the aspect of the production of different organic commodities, it should be noted that organic cereals, beans, and sunflower are the most developed markets that represent major export commodity groups predominantly realized in the European market. Asian countries are insufficiently represented in the export structure, though Egypt and Turkey, besides the EU, are the biggest importers of organic soy.

World demand for the most popular groups of products predefines the formation of Ukrainian organic operators' assortment policy since up to 70% of produced organic commodities are exported (Sava, Sydoruk, Oliynyk, Dovgan, 2014), and only 30% are consumed by the domestic market. The subjects of economic management should have focused on

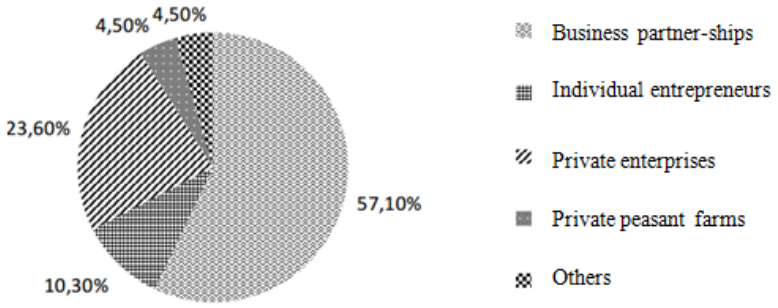

Figure 1. Organizational-legal structure of organic operators

Source: Ukrainian Organic Production Business Reference Book, 2014

national consumers since the national demand for organic production also increases. However, spreading of organic production in Ukraine still encounters serious obstacles, which are poor assortment of presented production, insufficiently branched sales channels, the population's low awareness, etc. Thus, it is a crop farming primary production that prevails in the structure of export. Further perspectives on national crop farming producers are focused on organic fruits and vegetables, these markets actively expand. On the contrary, the share of organic cattle-breeding products is rather insignificant due to inharmonious technical

Table 3

Territorial distribution of organic producers by major branches of agricultural production

No	Regions	Number of producers	Crop farming								Cattle breeding				
			Cereal crops	Bean cultures	Vegetables	Fruits and berries	Technical cultures			Wild crops	Pig farming	Animal husbandry	Sheep breeding	Poultry husbandry	Bee farming
							Fibrillose	Sunflower	Sugary						
1	Vinnytsia	7	+	+	+	+	+			+		+		+	
2	Volyn	2	+							+					
3	Dnipropetrovsk	3	+												
4	Donetsk	2			+	+		+							
5	Zhytomyr	8	+	+	+							+	+	+	+
6	Zakarpattia	8			+	+				+					+
7	Zaporizhzhia	3								+					
8	Ivano-Frankivsk	0													
9	Kyiv	16		+	+	+		+	+	+	+	+		+	
10	Kirovohrad	4		+								+			
11	Luhansk	0													
12	Lviv	6	+	+	+			+		+					
13	Mykolaiv	4		+		+									
14	Odesa	4			+	+		+							+
15	Poltava	4	+												
16	Rivne	2	+	+	+			+		+					
17	Sumy	0													
18	Ternopil	3	+		+							+			
19	Kharkiv	9	+	+	+									+	
20	Kherson	19	+	+				+							
21	Khmelnytskyi	2								+					
22	Cherkasy	1	+												
23	Chernihiv	7	+	+	+							+			+
24	Chernivtsi	1								+					
25	Autonomous Republic of Crimea	12	+			+				+					+
	Total:	127													

Source: Ukrainian Organic Production Business Reference Book, 2014

regulations and standards, which prevent national agricultural production from being competitive in the European market at the expense of its quality. The Ministry of Agrarian Policy and Food, Ukraine, seeks for harmonization of all legal and normative parameters with respect to perspectives of organic livestock.

That would allow for the export of processed products and live weight with corresponding quality confirmation. Organic cattle-breeding in Ukraine is represented by horned cattle, pigs, sheep, goats, and poultry. The most dynamic figures of development are featured with organic milk from horned cattle where the raw material is processed for the subsequent production of milk products. Organic poultry rising is also regarded to have good perspectives in Ukraine (hen, duck, goose) (Klitna, Bryzhan, 2013). It is also interesting to trace the institutional distribution of organic operators by certifying bodies accredited to perform in Ukraine. Loosely, they can be divided into two groups: those included in the official List approved by the Commission of the European Union (Resolution (EC) No. 1235/2008 as of 08 December 2008, as revisited on 01 July 2013), and those that were not (Table 4).

Thus, the first group performing in the national organic market includes 14 foreign certifying bodies from such countries as Austria, Italy, the Netherlands, Germany, Turkey, France, and Switzerland, and the only one certifying body from Ukraine – the Organic Standard, recognized in the European Union and Switzerland. The second group is made up of one certifying body which is the Biokontroll Hungária Inspection and Certification Nonprofit Ltd. (Hungary). Table 4 represents how organic operators are distributed between certifying bodies. Distribution refers to only 170 national operators since there is no respective official statistics with regard to Ukraine. The data were taken from the open lists of organic operators available on sites of certifying bodies, and from the Ukrainian Organic Production Business Reference Book. It is the available information on the activity of 170 organic operators that was taken as a basis for the present study.

As appears from Table 4, Ukrainian organic operators are predominantly certified by the Organic Standard Ltd, a national certifying body, while the Ekolojik Tarim Kontrol Organizasyonu (ETKO) from Turkey takes the second place. The leadership of the aforesaid certifying bodies in Ukrainian organic market is explained by the fact that, according to Appendix IV of Resolution No. 1627/2011 as of 6 December 2011, these two companies were officially recognized by the European Union and included into a list of controlling bodies that perform outside the EU borders.

The situation actually allowed the Organic Standard Ltd and Ekolojik Tarim Kontrol Organizasyonu (ETKO) to monopolize the market for certification of organic commodities made by producers who undertake their export to Europe. The matter is that, according to new provisions of the Resolution No. 1627/2011 as of 6 December 2011, the commodities that have been certified by the controlling body listed hereinabove are allowed for the export in European countries with no additional import approvals. Such a procedure, in the first turn, essentially stimulates organic producers' export activity. Secondly, it aims at the enhancement of consumer's trust in the quality of products certified by the aforesaid controlling bodies.

The clients of other certifying companies active in Ukraine within the studied period underwent the legislatively different procedure of export of organic production to the EU countries from third countries (Novak, 2016). For example, the enterprise had to be certified by a controlling body internationally accredited according to a standard of organic production recognized by the European Commission as equal to the EU standard. After the contract is signed, the importer should receive the import approval from the state competent body of his native country. According to the procedure, it should take up to 4 weeks, though, practically, it may last for 2 months. Each batch of organic produce to be shipped is accompanied with the export certificate issued by exporter's controlling body thus allowing for goods' customs clearance as organic production.

4. Further perspectives of development of agrarian enterprises with organic production on the basis of improvement of institutional regulation and certification

Hence, little wonder that national organic operators' decision to cooperate with the above-stated certifying companies came from the opportunity of making use of a simplified export regime to the countries of the European Union. Beside operators' differentiation by the organic product's certifying bodies, there is no less important differentiation by the standards according to which operator's activity itself is certified. The basic regulatory standards and rules are as follows: the EU standards – Council Regulation (EC) 834/2007, Commission Regulation (EC) 889/2008, Commission Regulation (EC) 1235/2008; US Department of Agriculture (USDA), National Organic Program (NOP); Japanese Agricultural Standard (JAS), a Japanese law concerning standardization and correct marking of agricultural and forestry products with respective provisions for organic production; and the Swiss Organic Regulation.

Certification under the standard that is equivalent to the Council Regulation (EC) 834/2007 and the Commission Regulation (EC) 889/2008 is widely popular with Ukrainian organic operators (over 90%). Certified according to European standards, a significant number of the economic entities in the market for organic agricultural production (30%) have made additional use of the American USDA National

Table 4

Structural distribution of organic operators by certifying bodies performing in Ukraine

No	Certifying body	Body's country of registration	Certifying body's code	Certification directions						Number of organic operators
				A	B	C	D	E	F	
According to official List approved by the Commission of the European Union (Resolution (EC) No. 1235/2008 as of 08 December 2008, as revisited on 01 July 2013)										
1	Organic Standard	Ukraine	UA-BIO-108	+	+	–	+	–	–	95
2	Institute for Marketecology (IMO)	Switzerland	UA-BIO-143	+	+	–	+	–	+	15
3	Ecocert SA	France	UA-BIO-154	+	–	–	–	–	–	0
4	Austria Bio Garantie GmbH	Austria	UA-BIO-131	+	+	–	–	+	+	3
5	SGS Austria Controll-Co.GmbH	Austria	UA-BIO-159	+	–	–	+	–	–	1
6	Control Union Certifications	Netherlands	UA-BIO-149	+	–	–	+	–	–	2
7	Ekolojik Tarim Kontrol Organizasyonu	Turkey	UA-BIO-109	+	–	–	+	–	–	34
8	CERES Certification of Environmental Standards GmbH	Germany	UA-BIO-140	+	+	–	+	–	–	2
9	Abcert AG	Germany	UA-BIO-137	+	–	–	+	–	–	8
10	Lacon GmbH	Germany	UA-BIO-134	+	–	–	–	–	–	0
11	QC&I GmbH	Germany	UA-BIO-153	+	–	–	+	–	–	0
12	BCS Oko-Garantie GmbH	Germany	UA-BIO-141	+	–	–	+	+	–	0
13	Bioagricert S.r.l.	Italy	UA-BIO-132	+	–	–	+	–	–	0
14	ICEA	Italy	UA-BIO-115	+	–	–	+	–	–	1
15	Suolo e Salute srl	Italy	UA-BIO-150	+	–	–	–	–	–	2
Not included to official List approved by the Commission of the European Union (Resolution (EC) No. 1235/2008 as of 08 December 2008, as revisited on 01 July 2013)										
16	Biokontroll Hungaria Inspection and Certification Non-Profit LTD	Hungary	HU-ÖKO-01	+	–	–	–	–	–	7
	Total:									170

Notes: Directions of certification: A – non-processed plant products. B – living animals or non-processed animal products. C – Products of aquaculture and weed. D – Derived products of agricultural origin to be consumed as food. E – Derived products of agricultural origin to be consumed as forage. F – Planting stock and seeds.

Organic Program (NOP) and Swiss Organic Regulation (nearly 4%) (Nykytiuk, 2009).

It should be noted that, according to Organic Agricultural Commodity and Raw Material Production and Turnover Act, Ukraine, adopted on 3 September 2013, No. 425-VII, not all active operators of organic market have the right to mark their products with the standard-form state logo composed of the inscription "Organic product" and respective graphical image. Art. 29 of the said law (General Requirements to Marking of Organic Production (Raw Materials)) provides that the use of the standard-form state logo and marking of organic production (raw materials) is only allowed if product's respective certificate is available. Marking of products at the stage of transition to organic production is done with the use of state logo where the same words, "Product at the stage of transition to organic production," are inscribed.

Thus, according to certification status, 140 Ukrainian organic operators (82.35% of the excerption) mark their commodities as "Organic product", 11 operators (6.47%) – as "Product at the stage of transition to organic production". And, finally, 19 operators of organic market (11.18%) feature products with no conformity to marking requirements suggested in the Organic Agricultural Commodity and Raw Material Production and Turnover Act, Ukraine, and therefore, have no appropriate status. As provided by Ukrainian effective laws, such commodities should be marked as common traditional products since their operators live their first year of certification.

5. Conclusions

The components of the institutional environment of organic production in Ukraine exert somewhat multi-vector but predominantly restraining effect on the development of its market. Among negative effects, we should mention immaturity of legal framework, in particular, that of the state system of certification, stimulation and regulation of performance of organic enterprises; poor infrastructural provision for the inspection and certification of organic production, in particular, that of scientific-research establishments that could confirm organic products' quality and conformity to standards; poor infrastructure of organic market, in particular, with respect to its informational and marketing components.

Development of organic production presents itself as a counterbalance to processes of agricultural

intensification; usefulness and safety of organic food is a precondition for the increase of the consumer demand, and its production is expected to become an impulse towards eco-saving attitude to the environment. Ukraine has chosen the way of sustainable development where organic production serves as some alternative to traditional agriculture. To understand the specificities of the formation of a national organic production market, one should consider the question of institutional distribution of organic operators.

The structure of the market for organic production to a great extent depends on the world's organic development trends, whereas domestic operators in the market are motivated by the chance to develop its new segments, the advantages of orientation towards European standards, and the world consumer demands. Besides, the popularization of organic agricultural food products within the domestic market gradually forms balanced demand and offer to be observed within the nearest future.

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A GRAVITY MODEL OF TRADE TURNOVER BETWEEN UKRAINE AND THE EU

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Abstract. Determining the conditions for further liberalization and the reality of long-term and effective trade and economic cooperation of Ukraine with the EU countries requires assessing the strength and probability of the influence of institutional factors. The possibility of taking into account the significance of institutional factors in the development of foreign trade relations creates a gravity modelling. Determination of gravitational principles of foreign trade actualizes the problem of developing the gravity model, which takes into account impact of institutional factors, contains the necessary and sufficient number of factors, and may be tested for adequacy based on statistical data. The *purpose* of the paper is to construct the gravity model taking into account the institutional conditions of trade and its empirical verification on the example of trade turnover between Ukraine and the EU. *Methodology.* Methods of statistical analysis and econometric modelling were used for constructing the gravity model, estimating its statistical significance and predictive ability. In the article, the necessity of taking into account the influence of institutional factors on the formation of the competitive status of the country in the sphere of international trade is substantiated. It is proved that, in conditions of increasing the contradictory nature of trade relations, the role of institutional gravity factors in foreign trade between states increases. *The result* of the article is the gravity model with such explanatory factors, as the gross domestic product of trade partners in purchasing power parity and the complex characteristic of "trade distance" between countries as an indicator of the influence of institutional factors on foreign trade relations. As a *conclusion*, it may be noted that the model is statistically significant, adequately describes the input data. The proposed model takes into account the presence of institutional factors of foreign trade, whose influence on the interstate trade and economic cooperation conditions is constantly increasing. *Value/originality.* The proposed results can be used for modelling and forecasting of foreign trade between trading partners, taking into account the impact of specific institutional factors on their foreign trade relations.

Key words: foreign trade, liberalization, European Union, institutional factors, gravity model, export promotion.

JEL Classification: F12, F41, F47

1. Introduction

An important aspect of the present is to determine the integration vector of Ukraine's development, taking into account the peculiarities of the national economy and the possibilities of realizing its potential as a part of modern integration associations. Currently, the problems of developing the Ukrainian economy in the framework of European integration processes are at the centre of attention of many domestic scholars. Ukraine's progress on the path to European integration was affected by the implementation of the Association Agreement and, consequently, the liberalization of the trade regime with the EU in terms of administering the origin of goods and tariff regulators. At the same time, an attention should be paid to the presence of restraining institutional factors of bilateral foreign trade, which have been caused by rapid geopolitical transformations in the European and post-Soviet space. Under current conditions, the liberalization of foreign trade is increasingly determined not by economic expediency but by institutional factors for the development of bilateral relations between the countries.

The determination of the possibilities, conditions, and reality of long-term and effective trade and economic cooperation of Ukraine with the EU countries requires assessing the strength and probability of the influence of institutional factors on the course of foreign trade processes.

The possibility of taking into account the significance of institutional factors in the development of foreign

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trade relations creates a gravity modelling. Forming an adequate gravity model contributes to understanding the mechanisms and restrictions on foreign trade between partner countries, identifying factors that affect the volume and direction of trade flows.

The increasing importance of institutional factors in the development of foreign trade makes it necessary to consider them in the construction of the gravity model. At the same time, it is important not overburdening the model by a large number of factors, which usually leads to its statistical insignificance. Thus, there is a problem of constructing the gravity model, which takes into account the impact of institutional factors on foreign trade relations and contains the necessary and sufficient number of factors.

2. Determinants of constructing gravitational models of external trade

First gravity equation of foreign trade was formalized and empirically confirmed by J. Tinbergen (Tinbergen, 1966). Since then, a large number of gravity model specifications have been proposed. These specifications differ by a set of qualitative and quantitative factors of influence on foreign trade that should be taken into consideration. The most widely used gravity model specifications belong to H. Linnemann (Linnemann, 1967), J. McCallum (McCallum, 1995), S. Baier & J. Bergstrand (Baier & Bergstrand, 2009). These models were further developed and nowadays serve as the basis for the formation by many domestic researchers of their own gravitational equations, as well as for testing hypotheses as for the prospects of mutual trade between certain countries (Konchyn et al, 2012; Nasadiuk, 2012; Poliakova & Shlykova, 2014). In order to form their own gravity models, authors either follow the classic model shapes with a minimal number of gravity variables (Korovaichenko & Shevchenko, 2015) including 1-3 dummies (Nasadiuk, 2012) or tend to maximize the number of factors in equations (Konchyn et al, 2012). The sharp increase in the significance of institutional factors in the development of the world economic system leads to the fact that researchers are trying to take into account the impact on foreign trade flows of various qualitative parameters. Essentially, the authors adhere primarily not to inductive but to deductive research methods. That is, there is a search with result known in advance, which later gets the econometric rationale, and expands understanding of the sources, perspectives, and limitations of foreign trade between countries.

The logic of building a gravity model of foreign trade is based on the idea of Newtonian gravity. Namely, the force of attraction between the objects is directly proportional to their masses and inversely proportional to the square of the distance between them. In the context of describing the interaction of economic agents (in particular, their bilateral trade), this idea is transformed into the following: the force of interaction between economic subjects (integration entities, countries, regions, etc.) is directly proportional to the product of their importance indicators (economic potential) and inversely proportional to their mutual remoteness. A gravity model of foreign trade traditionally is presented in a multiplicative form. Transformation of the model from multiplicative to log-linear form makes possible to apply multiple regression analysis methods.

Standard gravity explanatory variables, such as the economic significance of the objects and the distance between them, are presented both in classic and modern specifications of the gravity model. Usually, the gross domestic product (GDP) indicator measures the significance of objects in the gravity model. The approach to using GDP as a basic gravitation variable is followed by a majority of both foreign (Tinbergen, 1966; Linnemann, 1967; McCallum, 1995; Baier & Bergstrand, 2009) and domestic (Nasadiuk, 2012; Poliakova & Shlykova, 2014; Podorozhnii et al, 2018) researchers. It is also possible to include other factors that determine economic strength of countries into gravity model, such as gross income (McCallum, 1995), population (Tinbergen, 1966), or modifications of gross domestic product by calculation method GDP per capita (Konchyn et al, 2012), GDP calculated in international dollars (Korovaichenko & Shevchenko, 2015).

In our opinion, it is reasonable to use the gross domestic product based on purchasing-power-parity (PPP) as a basic gravitational explanatory variable. This macroeconomic indicator calculated in international dollars reflects differences in costs of living in different countries and, therefore, is quite an accurate description of the economic development and economic growth of a particular country.

The distance between partners, usually interpreted as a geographical remoteness of their main economic centres (capitals), is another classic explanatory variable in gravity models of foreign trade. Clearly, transport costs affect foreign trade between partner countries, increasing or decreasing (depending on distance) their mutual turnover. In our view, it is reasonable to separate transportation costs arising from the geographical remoteness and those associated with other factors: the presence of trade barriers, bureaucratic obstacles, lack of adequate commercial infrastructure, high-risk economic activity, changes in the foreign policy of countries, etc. The impact of these indirect factors on bilateral trade in some cases can exceed the importance of geographical distance.

In particular, the current state of Ukrainian-Russian trade relations confirms that under actual geopolitical conditions, the geographical proximity is not a premise for a large volume of bilateral trade. Conversely, a beneficial foreign economic cooperation with geographically distant countries that are members of

international integration entities with common political and security and/or economic goals (EU, CIS, NATO, BRICS, etc.) may be expected.

In this connection, it should also be pointed out that the tendency of protectionism and antiglobalism in the foreign policy of the world leaders is spreading nowadays. The active applying of economic pressure methods in international trade suggests that the intensity of the tension in foreign trade relations between the states-leaders of the world will tend to increase from contradictory situations in bilateral trade to the stage of trade and economic wars. Under such conditions, the priority in the formation of bilateral foreign trade relations between the states will be institutional factors, which confirms the necessity to consider them when constructing gravity models of foreign trade.

3. Survey methodology

It seems appropriate to define as a basic gravitational variable the complex characteristic of "trade distance" between partner countries with an expected significant negative coefficient. It is reasonable to use the yearly average oil price as a quantitative equivalent of "trade distance". The appropriate approach is realized, particularly by Korovaichenko, N. & Shevchenko, L. (Korovaichenko & Shevchenko, 2015) in modelling bilateral trade between Germany and Ukraine assuming that transport costs depend on fluctuations in oil prices. We think that the explanatory potential of the idea of using yearly oil prices as an indicator of "trade distance" between countries is much broader. Indeed, fluctuations in oil prices obviously affect the cost of international transporting. In this sense, oil price is a factor of direct impact on the value of "trade-distance". First, transport costs are proportionate to geographical remoteness of partner countries (static component), and secondly, the cost of traffic changes due to fluctuations in oil prices (dynamic component). On the other hand, the oil price can be considered as the factor of indirect impact on trade relations between partner countries, to be exact – an indicator of dynamics of institutional conditions of international and bilateral trade.

Based on the above, it is possible to offer the gravity model equation for foreign trade in goods between the two countries as follows:

$$E_{ij} = \alpha_0 Y_i^{\alpha_1} Y_j^{\alpha_2} D_{ij}^{\alpha_3} \eta_{ij}, \quad (1)$$

where E – bilateral turnover between countries;

Y_1, Y_2 – gross domestic products of countries in purchasing power parity (GDP in PPP);

D – a complex characteristic of "trade distance" between countries, which quantitatively is equalled to yearly average oil price;

α_0, α_1, α_2, α_3 – estimated model parameters;

η – the random term of the equation.

The gravity model of trade turnover between Ukraine and the EU may be suggested based on proposed factors. The source data for the multiple regression model are as follows: gross domestic product of partners in purchasing power parity (International Monetary Fund, 2017), mutual trade turnover between the partners (State Statistics Service of Ukraine, 2017), and yearly average price for Brent crude (IndexMundi, 2017) in the 1996-2017 period.

The multiple regression equation can be constructed using logarithmic variables:

$$\ln E = \ln \alpha_0 + \alpha_1 \ln Y_1 + \alpha_2 \ln Y_2 + \alpha_3 \ln D + \ln \eta \quad (2)$$

The following notations are proposed:

$$y = \ln E,\ x_1 = \ln Y_1,\ x_2 = \ln Y_2,\ x_3 = \ln D \quad (3)$$

In order to assess the validity of including the factors in the gravity model, it is necessary to determine a correlation between them (Table 1).

Table 1

The matrix of intercorrelations for the model

	x_1	x_2	x_3	y
x_1	1	0,936	0,944	0,988
x_2	0,936	1	0,852	0,923
x_3	0,944	0,852	1	0,953
y	0,988	0,923	0,953	1

There is a strong positive correlation both between factors and result, as well as between factors, as shown in Table 1. There are standard approaches to overcome correlations between factors, such as exclusion from the model of one or more factors; transition to combined regression equations that take into account intercorrelations; a combination of both aforementioned approaches. Typically, several statistically significant models can be built based on input data.

The process of selecting the optimal model can be formalized using information criteria. The most popular information criteria are the Akaike criterion (AIC) and the Schwartz criterion (BIC), defined as:

$$AIC = -2ln(L) + 2p$$
$$BIC = -2ln(L) + ln(n)p \quad (4)$$

where $ln\ (L)$ – log-likelihood function value;

p – the number of assessed model parameters, including estimated variance;

n – the number of observations.

The information criteria value decrease with increasing likelihood function value and increase with increasing number of model factors. The model with lower criteria value is considered as preferable, i.e. the one with higher likelihood function value and lower number of model factors. The introduction of new model factors is justified if it leads to a marked increase in the likelihood function value. The criteria AIC and BIC differ only way to take into account a complexity of the model (the second term on the right of expression (4)). Usually $Log(n)>2$, meaning the criterion BIC selects a simpler (more economical) model.

The coefficients of determination and information criteria for 64 models that take into account all the possible interactions between factors x_1, x_2, x_3 were calculated. The expediency of calculating the adjusted coefficient of determination occurs due to comparability of the number of factors in the model and number of observations ($n = 22$).

Table 2 presents the results of calculating the coefficients of determination for models with the highest values of the criteria AIC and BIC. The minimum value both information criteria take for a set of factors $\{x_3, x_1x_3\}$, as shown in the table. At the same time, the values of coefficients of determination for the first six models are nearly identical and high enough.

So the model with a set of factors $\{x_3, x_1x_3\}$ should be considered as optimal one. This model takes into account the effect of the first order interaction between factors x_1 and x_3 and may be presented in a general form:

$$y = c_0 + c_1x_3 + c_2x_1x_3 \quad (5)$$

The chosen model is consistent with the principle of efficiency, contains minimum sufficient number of factors, and does not include factor x_2 in the pure form. As shown in Table 1, there is a strong correlation between model factors. Therefore, the influence of factor x_2 on the target is taken into account through intercorrelations.

The model parameters can be determined using the least square method. The combined regression equation is:

$$y = 2.84607 - 3.27341x_3 + 0.583x_1x_3 \quad (6)$$

We estimate the statistical significance of regression equation parameters using the Student's t-test. In Table 3, *P-Value* is the probability that the t-statistic is higher than the resulting value. If $P - Value \prec 0.05$, the hypothesis about statistical insignificance of regression equation parameter can be discarded. As one can see, this requirement is satisfied for all the three parameters, which means they are significantly different from zero.

The statistical significance of the multiple regression equation generally is measured using the Fisher test. In Table 4, *P-Value* is the probability that the F-statistic is higher than the resulting value. If $P - Value \prec 0.05$, the hypothesis concerning statistical insignificance regression equation can be discarded. A low *P-Value* indicates a statistically significant model.

4. Findings

Figure 1 plots the visual confirmation of the statistical significance of the regression equation comparing the output data with model predictions. As shown in Figure 1, the actual values of mutual trade turnover between Ukraine and the EU for the 1996-2017 are sufficiently consistent with the model predictions in the respective years. Thus, we can conclude that the proposed specification of gravity equation of foreign trade between Ukraine and the EU is statistically significant, adequately describes the source data, and can be used for modelling and forecasting of foreign relations between partners.

Table 2
Results of calculating the coefficients of determination and information criteria for selected models

Model	Coefficient of determination	Adjusted coefficient of determination	AIC criterion	BIC criterion
$\{x_3, x_1x_3\}$	0,988505	0,987295	-47,0553	-42,6911
$\{x_1, x_2, x_3, x_2x_3\}$	0,990532	0,988304	-47,3227	-40,7765
$\{x_3, x_1x_3, x_2x_3\}$	0,989062	0,987239	-46,1485	-40,6933
$\{x_3, x_1x_2, x_1x_3\}$	0,989017	0,987187	-46,0584	-40,6032
$\{x_2, x_3, x_1x_3\}$	0,988970	0,987131	-45,9631	-40,5079
$\{x_1, x_3, x_1x_3\}$	0,988643	0,986751	-45,3219	-39,8667

Table 3
Statistical estimation of significance of parameter regression equation

Parameter	Parameter estimation	Standard error	t-statistics	Probability level P-Value
c_0	2,84607	0,301144	9,45086	1,2969x10-8
c_1	-3,27341	0,363694	-9,00046	2,79055x10-8
c_2	0,583399	0,050393	11,577	4,73833x10-10

Table 4
Variance table for the multiple regression equation

Variance	Number of freedom degrees	Sum of squares of deviations	Sum of the squares of deviations per one degree of freedom	F-statistic	Probability level P-Value
Factorial	2	9,06952	4,53476	816,934	3,75749x10-19
Residual	19	0,105468	0,00555095		
Total	21	9,17499			

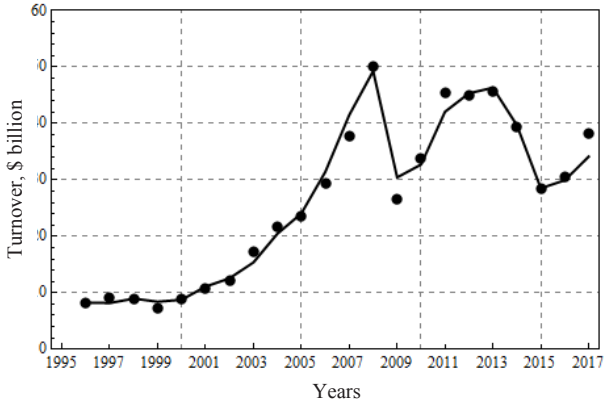

Figure 1. Comparison of actual turnover between Ukraine and the EU with model predictions

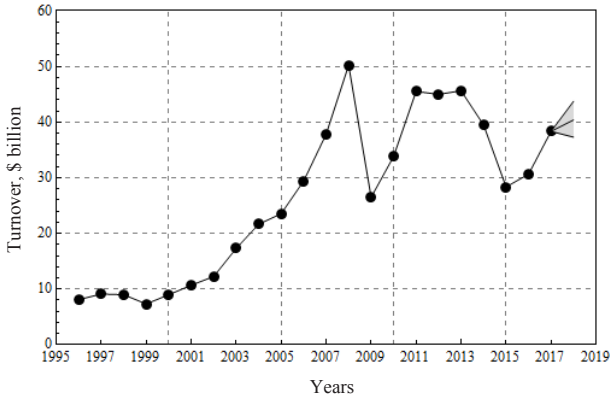

Figure 2. Actual trade turnover between Ukraine and the EU and interval forecast for 2018 (with a probability of 67%)

In order to test the predictive power of the model, we forecast trade turnover between Ukraine and the EU in 2018, which can reach $34.4 billion provided that the trend of the first quarter continues. According to the International Monetary Fund [9], the predictive value of Ukraine's GDP in PPP in 2018 is $386.393 billion; the average Brent oil price for the year is expected near $68.3 per barrel.

According to the proposed gravity model, the point forecast turnover between Ukraine and the EU in 2018 is equal to $40.4 billion, which is 5.37% higher than its actual value in 2017. Note that the point forecast of trade turnover is probabilistic; its value will be corrected in accordance with the final results of 2018. An interval forecast provides a more complete picture about predictive ability of the model, according to which the trade turnover between Ukraine and the EU in 2018 will be in the range from $34.2 to $47.8 billion with a probability of 95%, and will be in the range from $37.3 to $43.7 billion with a probability of 67% (standard error).

Figure 2 presents the actual trade turnover between Ukraine and the EU and its interval forecast for the 2018 year with a probability of 67%. Obviously, the predictive ability of the model is at the appropriate level, and the expected value of trade between Ukraine and the EU in 2018 ($40.4 billion) belongs to the calculated confidence interval.

5. Conclusions

Summarizing the experience of gravity modelling of trade relations allowed proposing the gravity model of foreign trade with such basic explanatory variables: the gross domestic product of the trade partners in purchasing power parity with expected positive significant impact; the complex characteristic of "trade distance" between the countries, which quantitatively is equalled to yearly average oil price. The proposed model takes into account the presence of institutional factors of foreign trade, whose influence on the interstate trade and economic cooperation conditions is constantly increasing.

Based on proposed factors, the gravity model of trade turnover between Ukraine and the EU has been built. The specification of gravity model has been realized using information criteria. It has been confirmed that the model is statistically significant, adequately describes the input data, and can be used for modelling and forecasting of foreign trade between other partners, taking into account the impact of specific institutional factors on their foreign trade relations.

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LIFE INSURANCE UNDER REFORMING THE PENSION INSURANCE SYSTEM

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Abstract. The *purpose* of the paper is to generate practical recommendations on the prospects of life insurance development under reforming the pension insurance system in Ukraine. *Methodology.* In the article, a considerable attention is paid to international experience, the implementation of which is relevant for Ukraine today. In determining the place of life insurance in European pension systems, the experience of Spain and the United Kingdom is considered, which is sufficiently indicative for Ukraine and can serve as a model for reforming the national pension system. Methodological basis of the article are methods of scientific cognition, which enable to expose basic conformities to the law of development of the pension systems in this countries and place of life insurance in them. Such methods are in particular used as: analysis and synthesis – during the study of reforming pension systems, their detailed analysis and definition of their peculiarities; scientific abstraction – with the purpose of forming of theoretical generalizations and conclusions; also, the method of scientific synthesis, forecasting method, econometric modelling for forecasting the development of life insurance in Ukraine up to 2020. *Results.* The pension insurance system of Ukraine is at the stage of reformation by introducing compulsory accumulation of pension funds and the development of voluntary non-state pension insurance. The main financial intermediaries providing voluntary pension accumulation services in Ukraine are: banks – through the possibility of saving on retirement deposits, insurance companies – through life insurance products, and non-state pension funds (NPFs) – through the voluntary participation of citizens in such funds. The article discusses the key differences in the activity of the given subjects in the system and also determines the place of life insurance itself in the system of pension insurance in Ukraine. *Practical significance.* Having considered the key macroeconomic indicators of Ukraine's economic development, the article predicts the volume of investments into NPFs and insurance premiums for life insurance companies using econometric methods; the benefits and prospects of life insurance are determined. Practical recommendations on the prospects of life insurance development under reforming the pension insurance system in Ukraine are formulated. *Value/originality.* The modelling of the development of the non-state level of the pension system of Ukraine allowed determining the dynamics of growth of contributions to life insurance companies and contributions to the NPFs in 2017-2020 and drawing a conclusion on the positive prospects for the development of the life insurance market in Ukraine and its special role in the successful reformation of Ukraine's pension system.

Key words: pension insurance, pension system, life insurance, voluntary pension insurance, non-state pension funds.

JEL Classification: H55, G22, G23, J26, J32

1. Introduction

Under modern conditions of the Ukrainian economy, the system of pension insurance is not only a unique indicator of the perfection of the development of the social area but also the final indicator of the labour contribution of members of society to achieve progress, plays an important role in the financial system of the state, influencing the formation and redistribution of monetary resources in the regional and sectoral aspects. This necessitates the continuous improvement of the pension insurance system in accordance with the needs of society and the real level of economic development of the country. Pension reform in Ukraine should be the first step towards high-quality, equitable social security, as well as the full implementation by the state of its responsibilities to citizens. The experience of developed countries shows that attracting life insurance to retirement plans is an effective way to overcome the

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financial imbalance of the pension insurance system, increase individual responsibility of a citizen in the formation of his own pension protection, achieve social justice in the clear attachment of the amount of pensions received to pre-paid contributions, provision the economy with the long-term financial resources and investment growth of pension assets. The novelty of this article is a forward-looking analysis of the pension insurance system of Ukraine through the development of life insurance, its place and role in the system of pension insurance.

2. Literature review

The role of life insurance is studied in the works of such domestic and foreign scientists as V. D. Bazylevych, N. M. Vnukova, O. M. Zalietov, M. V. Kravchenko, Kurt Kral, Lans Bovenberg, Deborah Lucas and others. The key aspects of reforming the pension insurance system of Ukraine are highlighted in the works of such domestic scientists as E. M. Libanova, M. I. Malovanyi, S. A. Melnikov, O. V. Petrushko, M. B. Rippa, V. K. Rudyk, V. S. Tolybyak, G. M. Tretyakova, and others.

However, many challenges to this problem remain unanswered, and existing proposals are controversial or debatable. The complexity and versatility of issues related to the development of the pension insurance system in Ukraine, its reform and the role of life insurance in this process necessitate their further research and are evidence of the relevance of the chosen topic.

3. Voluntary retirement savings

In Ukraine, life insurance companies can take a part in the formation of an additional pension for the population of the third-level of the pension system. During his life, the insurer pays contributions to the insurance company and, after surviving to a certain retirement age, receives benefits for a decent living.

The pension system of Ukraine, according to the current legislation, consists of three levels: the first – compulsory solidarity, the second – mandatory accumulation, and the third – voluntary accumulation. Participants in voluntary accumulation are non-state financial institutions, and therefore, non-state pension funds (NPFs) and banks can be at the level of competition among insurance companies that provide life insurance. Banks and NPFs offer a number of savings products, while life insurance companies provide clients (through life insurance policies in its various modifications) not only with the accumulation of funds but also with protection from a number of risks: in case of death or disability of the supporter, his/her family does not remain without funds, which in turn is a solution to the tasks of a social nature. Other differences in the activities of these institutions regarding the offer of savings tools are given in Table 1.

Let's consider more detailed, how the abovementioned role and tasks of life insurance work in developed economies of the world, and above all, how many of these tools and how exactly they are involved in developing the effective pension systems. This will enable formulating the appropriate proposals for Ukrainian realities, as in October 2017 the reform of the pension system is initiated in Ukraine with the Law of Ukraine No. 2148-VIII.

4. International experience

An analysis of the current state of life insurance markets in developed countries of the world suggests that life insurance companies are the most powerful financial institutions. Approximately 90% of the adult population has policies of long-term accumulative life

Table 1
Comparative characteristics of non-state pension insurance by financial intermediaries

Criterion	Financial intermediaries		
	Non-state pension funds	Life insurance companies	Banks
Type of contract	Pension contract / Pension scheme	Pension insurance contract	Deposit pension account
The person in whose favour the contributions are paid	A participant of the non-state pension fund	The insured person	The contributor
Pension funds	Amount of commitments in monetary terms by the pension fund to the participant	Insurance reserves from pension insurance contracts	Deposits amount
Types of retirement benefits	- pension for a specified period; - one-time pension payment. The participant of the fund, in case of the choice of a life annuity, concludes the insurance contract of life insurance pension	- annuity pension (life annuity); - pension for a specified term (insurance annuity) with guaranteed period of payment and without; - one-time pension payment.	One-time pension payment
Type of guarantee	Retirement contract as a type of pension guarantee by entering into a pension contract with a non-state pension fund	Pension insurance as a type of pension guarantee by entering into a pension insurance contract	Pension deposit as a type of pension guarantee by opening a pension account at a bank

Source: compiled by the authors

insurance. Life insurance, while formally remaining voluntary, is in fact compulsory in the economies of the highly developed countries, as most Americans and Europeans have formed a number of stereotypes, according to which life and health simply cannot be insured. The solvent demand for insurance policies in general and life insurance policies in particular in 2016 (Swiss Re, 2017) can be estimated at 3505 USD per average citizen, including life insurance policies of 1954 USD.

The level of insurance culture in terms of life insurance policies is also increasing in the countries of Eastern Europe and Asia, which are being reformed, especially regarding pension systems. According to the continental distribution of life insurance markets, their global shareholding belongs to insurance companies in Asia – 38.22%, with a slightly smaller share of European countries – 32.81%, and North American insurers collect 23.26% of the world's payments market. The aggregate share of markets in other continents (Latin America, Oceania, and Africa) is only 5.7% of the world's life insurance (Swiss Re, 2017).

According to the report of the "Swiss Re" International Analytical Centre, in 2016 (Swiss Re, 2017), global insurance market of life insurance collected 2,217 billion dollars of contributions, which is 2.5% more than in 2015. This growth was lower than in the previous year – 4.4% but higher than the average figure in 10 years, which is 1.1%. The main sources of growth in life insurance contributions are markets of developing countries, because in 2016, premiums in such countries increased by 17%. An example of such development is the development of life insurance in China, which, thanks to the advent of classical life insurance products, including supplementary pension insurance (due to the reform of the pension system), as well as interest rate liberalization and government efforts to promote increased security of long-term savings, was able to provide 5.7% of the total increase in life insurance premiums in the world. The development of the life insurance market in Asia is also based on an increase in demand for life insurance products in such countries as India, Indonesia, and Vietnam.

In 2016, the growth rates of life insurance in North America and Western Europe were almost equal. In the United States, small nominal profits are offset by inflation, while in Western Europe downward figures reflect the market response to the introduction of Solvency II. Although overall, the level of collected insurance premiums decreased by 0.5% to 2,110 billion USD, the high level of life insurance features these countries, because the penetration rate for life insurance varies from 5% to 10%. For developing countries, this figure does not exceed 3% (Table 2). It is expected that the economies of developed countries should increase the amount of insurance premiums collected worldwide by a further 50% in dollar terms by 2021. It should be noted that in 2016 the markets of leading countries accounted for 81% of global insurance payments for life insurance (Swiss Re, 2017).

At the same time, the development of life insurance in the world faces many obstacles, including low interest rates, a difficult price environment, and the need to adapt to regulatory changes, including the introduction of Solvency II for European countries, which has created new, tougher conditions for the operation of insurance companies.

In developing countries, the stabilization of economic growth, population growth, urbanization, and the increase in the middle class are the basis of the positive

Table 2
The key indicators of life insurance development in the world in 2016

No.	Country	Ratio of life insurance premiums to the country's GDP, %	Insurance premiums, million US dollars	No.	Country	Ratio of life insurance premiums to the country's GDP, %	Insurance premiums, million US dollars
1	USA	3.02	558847	16	Singapore	5.48	17557
2	Japan	7.15	354053	17	Netherlands	2.13	16385
3	China	7.15	262616	18	Indonesia	1.64	15299
4	UK	7.58	199369	19	Thailand	3.72	15131
5	France	6.06	152817	20	Malaysia	3.15	9189
6	Italy	6.23	122438	21	Israel	2.51	7997
7	South Korea	7.37	104169	22	Portugal	3.59	7446
8	Germany	2.75	94661	23	Poland	0.99	4664
9	India	2.72	61817	24	UAE	0.69	2448
10	Canada	3.27	49976	25	Vietnam	1	2053
11	Australia	2.99	37692	26	Greece	1.01	1971
12	Spain	2.8	34459	27	Turkey	0.19	1644
13	Switzerland	4.72	31151	28	Croatia	0.86	429
14	Finland	9.53	22620	29	Kazakhstan	0.12	163
15	Denmark	6.95	21327	30	Ukraine	0.13	113

Source: compiled by the authors using (Swiss Re, 2017)

prediction of penetration into the life insurance field. In a broader sense, changes in demography, medicine, and technology can affect mortality and morbidity in many parts of the world, increasing the fundamental impact on life insurance.

The experience of developed countries shows that life insurance plays a significant role in shaping pension plans for future pensioners at the level of the non-state pension system. In turn, non-state pensions, in particular, through life insurance instruments, play a significant role in about half of the countries of the Organization for Economic Cooperation and Development (OECD). Thus, in 2016, for pension systems in the OECD countries, the average gross replacement rate for state pensions was 41%, while for non-state actors – 53%. When including the non-state voluntary pension insurance, the average indicator for OECD increases to 59%. For eight OECD countries (Belgium, Germany, UK, Ireland, USA, Canada, Japan, and New Zealand), where voluntary non-state pensions are spread, and the average replacement rate is 63% for the average recipient, who wants to pay voluntarily, compared with 37%, when only mandatory accumulation is considered (OECD, 2017).

Defining the place of life insurance in pension systems of European countries, the experience of Spain and Great Britain is sufficiently indicative for Ukraine.

Spain's experience is important for Ukraine since its economy is at the stage of rebuilding after the debt crisis in Europe and depends directly on the policy of cooperation with creditors (IMF). It should be noted that in 2016 Spain collected 21.5% more life insurance contributions than in 2015, which in cash amounts to 7 million euro. Over the past 5 years, this indicator has grown by 7.87% (OECD, 2017), which was primarily due to an increase in contributions from retirement savings products and is a clear indication of the positive dynamics of the life insurance market, in general, the insurance market and the country's economy.

At the present stage of market transformation, Spain has a three-level pension system consisting of dominant state pension plans (analogous to the solidarity pension system of Ukraine), voluntary professional and private pension savings. The reform of the pension system in Spain was carried out in 2011. There has been an increase in the retirement age from 65 to 67 years, as well as an increase in the number of years of payment of insurance premiums necessary for a full pension from 15 to 25 years. These changes began to be implemented gradually from 2013 and their full implementation is expected until 2027. Currently, pension payments in this country are formed at the expense of workers' contributions – 4.7% and employers' – 23.6%. In December 2013, according to the reform plans, the "sustainability ratio" began to work, which linked the initial pension with changes in the expected life expectancy and changed the procedure for indexing public pensions under the state pension plan. Starting from 2019, the sustainability rate will be based on the life expectancy after reaching the retirement age during 5 years. This ratio will only be applied once during the appointment of pensions and will be reviewed every 5 years. It is projected that the size of initial pensions may be reduced by 5 percent, on average, every 10 years. Also in 2013, a new indexation method was introduced, according to which pensions are adjusted on the basis of the ratio of contributions to the pension system to expenditures over the past 5 years and the forecast for the next 5 years. According to the National Institute of Social Insurance estimates, the new adjustment method will allow Spain to save 33 billion euro (45.5 billion USD) by 2022.

Such savings methods should enable the state pension system to balance the contributions and disbursements in the short and long run.

The non-state voluntary pension system of Spain, which began to develop rapidly after the pension reform, is presented in the form of pension plans, which are provided by pension funds and insurance companies that provide life insurance. Spanish legislation stipulates that life insurance companies may be subject to pension fund management. By the beginning of 2016, out of 82 authorized management companies, 47 were life insurance companies representing 57.3% of the market, and which account for 33% of the total assets of pension funds (IMF, 2016).

The positive dynamics of the development of the non-state voluntary level of the pension system can also be explained by the tax benefits that feature the Spanish law. Contributions to private pension plans can be deducted from taxable income up to the specified annual limits, which today are:

- EUR 10000 – for taxpayers under the age of 50;
- EUR 12500 – for taxpayers over the age of 50.

The legislation also establishes a limit of 30% of the taxpayer's income for the tax year in question (50% for persons over 50 years of age). Such limits are applied annually during the calendar year. The taxpayer may save the maximum marginal tax rate, which in 2017 accounted for 43%. Also, additional contributions of up to 2000 euro can be made to the spouses' pension plans, which are taxed from 0 to 8000 euro. For people with disabilities, these limits are higher and set at 24250 euro (Advoco, 2017). Direct relatives can contribute up to 10000 euro to retirement plans for people with disabilities.

Consequently, the reform of the Spanish pension system and the experience of using life insurance are relevant to the Ukrainian practice of reforming the pension system and can be used in the following part:

- increase in retirement age is a prerequisite for the reform of the state component of the pension system for its further effective functioning;
- life insurance companies, being the experienced financial market participants, can provide pension management services based on insurance policies both to individual enterprises, as well as NPFs;

- tax incentives are a driving tool for the development of a non-state voluntary sector of the pension system (third level of the pension system of Ukraine), which increases the motivation for participation in this system for both the employer and the worker or self-employed person. Individual conditions for taxation of participation in the pension system may be offered to people with disabilities.

The UK economy is one of the world's leading with the branched financial system and a wide range of services, so the experience of using life insurance under the reform of the country's pension system is indicative.

The UK is the fourth largest country in the world (after the USA, Japan, and China) and the first in Europe to develop the life insurance market and collects per year 65 million USD more than France, which is in the next position (Table 2). Despite the fact that the country had a small downward trend in life insurance contributions collected in 2016, they increased by 13% over the past 5 years (Swiss Re, 2017).

The pension reform, which took place in the United Kingdom in several stages, began in 2009, triggered dramatic changes in the country's pension system in 2014, when the transition from a two-level state pension system to a one-level system was legislated. Since April 2016, a new state pension system has entered into force, which introduced a single-rate state pension with a fixed rate for workers who retire after April 6, 2016. A full new state pension in the country can be obtained with 35 qualifying years of work experience and is based on insurance premiums to the National Insurance Fund. However, this system does not apply to pensioners who retired earlier than the specified date, for them the state pension is paid according to the old rules. Such pensioners have the opportunity to receive a basic pension from the state, subject to the availability of 30 qualifying years, as well as an additional pension if they also contributed money under a special state pension plan that provided the second level of the state pension system. The basic pension is indexed each year, depending on the consumer price index.

Consequently, there are three types of pensions in the country and, accordingly, three ways of receiving them:
- state pension (for the registration of this type of pension, it is necessary to transfer a fixed amount monthly to the Pension Insurance Fund for at least ten years);
- labour pension (employer pension plans);
- personal/private pension (personal savings of citizens).

The reform will also increase the retirement age of 65 for men and 63 for women up to 66 years of age (from 2018 to 2020) and 67 years (from 2026 to 2028) for the citizens of both sexes. At the same time, the system of motivation for late retirement is working: for every 9 weeks, for which the pensioner has decided to postpone his retirement, the payment of the state pension will increase by 1%, i.e. by 5.8% per year (5 weeks and 10.4% per year under the old system).

Since April 2015, the flexibility of the population's access to own pension savings has been increased, which gave the right to choose the way to receive pension benefits – in the form of a lump sum, payments for a certain time or the purchase of an annuity.

The pension reform also applies to labour pensions and provides that all employers are required to automatically credit employees to their company's qualified pension plan or to the NEST State Pension Plan and make contributions on their behalf. Enrolment is automatic for all workers, but unlike the employer, they have the right to refuse such participation (SSA, 2017).

For labour pensions, there are two tools available: insurance schemes offered by life insurance companies and retirement plans created for self-government by the employer. Insurance schemes are mechanisms that are provided directly by insurance companies, where the benefits provided are covered by one or more insurance contracts or annuity contracts. After retirement, the worker has the right to withdraw up to 25% of retirement savings once. This amount will be exempt from taxes. The remaining payments will be made proportionally and subject to income tax (SSA, 2017).

For the purpose of providing a private pension in the UK, the so-called personal pension plans are an agreement that an employee can individually set up with an external supplier – an insurance company, an insurance agent or a broker. The credibility of this type of savings is evidenced by the ever-increasing amount of contributions and retirement benefits made by life insurance companies. Thus, the total UK long-term pension payments in 2016 (Statista, 2016) amounted to 122728 billion pounds, which is by 3.2% more than during the previous period. The overall trend of payments over the past ten years is positive. The average growth is around 7% per year.

Consequently, the experience of the UK regarding the role of life insurance companies in the country's pension system is indicative for Ukraine, which is at the stage of reforming the pension system. Thus, insurance companies may not only participate in non-state voluntary insurance but also take a definite place in the introduction of the second level of the pension system, which will be mandatory for employers and workers. The availability of reliable tools for long-term savings, the fight against informal employment, and the motivation to legalize income can be provided with insurance products that offer life insurance companies and tax incentives for their consumers. Also, the UK experience can be implemented in Ukrainian pension legislation in terms of financial incentives for late retirement and the need to increase the retirement age of the population.

Accordingly, it can be concluded that life insurance in the developed world markets and emerging markets has a significant socio-economic value for the economies

of these countries. The high growth of the insurance industry as a whole, and life insurance in particular, is an indicator of the effective development of the financial sector of these countries.

The experience of developed countries shows how important is life insurance in pension systems in these countries. Thanks to the implementation of foreign experience (countries such as Spain and the UK) into the Ukrainian pension system, we can talk about the relevance and prospects of life insurance as an effective tool for long-term retirement savings. In particular, obstacles such as the mentality of the population, distrust and stereotypes regarding insurance products, the imperfection of the management apparatus, high inflationary risks, and low incomes of the population may arise in the path of reforming the pension system as a whole and the development of life insurance in particular.

One of the main problems is the solvent demand for non-state pension insurance in general and insurance products in the field of life insurance, the solution of which in the future will depend on the success of the functioning of both the second and third levels of the pension system in Ukraine.

5. Prospects for the development of life insurance in Ukraine

At the current stage of market transformation in Ukraine, the demand for non-state pension system services and savings tools is quite low, which is explained by the low purchasing power of the population. In general, only 1.5%-2% of GDP is redistributed through the insurance industry in Ukraine, while in developed countries this figure ranges from 6% to 12% (Swiss Re, 2017).

The Ukrainian insurance market is at an early stage of development but has a great potential. In 2016, the gross insurance premiums collected by life insurance companies more than doubled their respective volumes in 2011, while insurance premiums grew by 17% compared to 2011 (NFP, 2011-2017).

The Government of Ukraine provides for the active implementation of economic and social reforms, as identified in the medium-term plan of priority actions (KMU, 2017). Accordingly, in this scenario, in 2018, GDP growth is projected at 3%, in 2019 – by 3.6%, in 2020 – by 4%. The consumer price index (December to December of the previous year) is projected at 107% in 2018, 105.9% in 2019, and 105% in 2020.

One of the most important tasks of the pension reform in Ukraine is to stimulate the development of the non-state level of the pension system in order to preserve pension savings and further invest them in the Ukrainian economy.

In order to determine the prospects for the development of life insurance in Ukraine at the reform stage, we have modelled the forecast for the development of this type of insurance as a part of the pension system of Ukraine.

In the scientific work, the basic models of econometric analysis are used, such as: polynomial model, ARMA and ARIMA models.

As a statistical basis, the time period of 10 years from 2006 to 2016 was chosen. It is planned to build a forecast from 2017 to 2020.

The main indicators of the country's economic development, which influence the degree of development of the non-state level of the pension system of Ukraine, were selected as follows:

- the volume of GDP, since GDP is one of the main macroeconomic indicators of the economic development of any country – GDP;
- the total amount of incomes – INCOME, and savings of the population of Ukraine – SAVINGS;
- the amount of pension contributions to the NPF – PENSION;
- insurance contributions to life insurance companies – LIFE-INS.

These indicators describe the level of incomes of the population and the part, which can be invested in voluntary pension accumulation and life insurance.

Features of the main macroeconomic indicators of Ukraine's economic development from 2006 to 2016 are presented in Table 3.

The process of forecasting the development of the non-state level of the pension system of Ukraine is based on an algorithm that involves the construction of four econometric models.

Forecasting the volume of investments into NPFs and insurance premiums into life insurance companies consists of the following stages:

1. The linear model of the dependence of the population's income on the GDP growth rate.
2. ARMA model of type (0,1) of the volume of savings depending on the volume of GDP and household income.
3. ARMA model of type (0,1) of the amount of insurance premiums depending on the volume of income and savings of the population.
4. ARIMA model of type (1,1,1) of pension funds' contributions to NPF depending on the volume of income and savings of the population.

The following econometric models are constructed using the macroeconomic indicators of the development of the pension system of Ukraine and in accordance with the defined modelling algorithm:

1. The linear model of the dependence of the income of the population on the volume of GDP, in the form of HOUSEHOLD_INCOME = 0.896428 * GDP + 33356.67.
2. ARMA model of type (0,1) of the changes in volumes of savings depending on GDP growth rates and household incomes, in the form: SAVINGS = 0.490318 * HOUSEHOLD_INCOME – 0.446560 * GDP [MA (1) = 0.458471] + 65753.37.

3. ARMA model of type (0.1) of the growth rate of insurance premiums depending on the growth rates of income and changes in volumes of savings, in the form: LIFE___INS = 0.001496 * HOUSEHOLD_INCOME +0.006673*SAVINGS [MA (1) = 0.876809] - 219.4848.

4. ARIMA model of type (1,1,1) of the growth rate of pension contributions to the NPF depending on the growth rate of household income and changes in the volume of savings, in the form: PENSION = -0.000152 * * HOUSEHOLD_INCOME + 0.000345 * SAVINGS [AR (1) = -0.566664 MA (1) = 3.025943] + 369.1841.

The assessment of the quality of the constructed models was performed using the following criteria (Table 4):

- AdjustedRsquared criterion (more than 0.5) – to test the quality of the model;
- DurbinWatsonStst criterion – for the auto-correlation test;
- Prob. (F-stat) criterion (less than 0.05) – to check the adequacy of the model and its significance;
- M.A.P.E. criterion (8-15%) – to check the quality of the forecast.

According to the results of econometric modelling, the projected volume of Ukrainian population's incomes in 2018 will amount to 2,203,324 million UAH, and in 2019 – to 2,280,450 million UAH, which is 3.5% more than in 2018. According to the projected figures,

Table 3

Key macroeconomic indicators of development of the economy of Ukraine, 2006-2016

Year	Dynamics of average monthly salary, (UAH)	Household incomes, (million UAH)	Savings, (million UAH)	GDP, (million UAH)	Contributions to insurance companies, (million UAH)	Contributions to NPFs, (million UAH)
2006	1041	472061	37044	565018	608	120
2007	1351	623289	37840	751106	991	234
2008	1806	845641	22496	990819	1609	583
2009	1906	894286	69884	947042	1789	755
2010	2239	1101175	142289	1120585	2185	925
2011	2633	1266753	123123	1349178	2664	1102
2012	3026	1457864	147280	1459096	3222	1314
2013	3282	1548733	116266	1522657	2476	1588
2014	3480	1516768	83320	1586915	2160	1808
2015	4195	1743979	6200	1988544	2186.60	1886.80
2016	5183	1989771	-18400	2385367	2756.10	1895

Source: developed by authors using (Ukrstat, 2006-2016)

Table 4

Characteristics of the econometric analysis models

No.	Model	Equation	Model Characteristics	Forecast for 2020
1	The linear model of the dependence of population income on the GDP growth rate	HOUSEHOLD_ INCOME = 0.896428*GDP + 33356.67	Determination coefficient R2=0.985623, indicating a very close linear relationship. The value of Prob. (F-statistics) = 0,00000, so the model is adequate both at the level of significance 0.05, and at the level of 0.01.	Increase in income by 19%, forecasted figure for 2020 is 2,369,221 mln. UAH
2	ARMA model of type (0,1) of the changes in volumes of savings depending on GDP growth rates and household incomes	SAVINGS = 0.490318* HOUSEHOLD_ INCOME - 0.446560* GDP [MA(1) = 0.458471] + 65753.37	Determination coefficient R2=0.864671, indicating a very close linear relationship. The value of Prob. (F-statistics) = 0.002008, so the model is adequate both at the level of significance 0.05 and at the level of 0.01.	Reducing savings by 9.2%, the forecasted figure for 2020 is 57 167, 69 mln. UAH
3	ARMA model of type (0,1) of the growth rate of insurance premiums depending on the growth rates of income and changes in volumes of savings	LIFE___INS = =0.001496* HOUSEHOLD_ INCOME + +0.006673* *SAVINGS [MA(1)=0.876809]- 219.4848	Determination coefficient R2=0.912432, indicating a very close linear relationship. The value of Prob. (F-statistics) = 0.000447, so the model is adequate both at the level of significance 0.05 and at the level of 0.01.	Increase in insurance premiums by 18.2%, the forecasted figure for 2020 is 3920.58 mln. UAH
4	ARIMA model of type (1,1,1) of the growth rate of pension contributions to the NPF depending on the growth rate of household income and changes in the volume of savings	PENSION=-0.000152 * * HOUSEHOLD_ INCOME + +0.000345*SAVINGS [AR(1) = -0.566664 MA(1)=3.025943]+369.1841	Determination coefficient R2=0.947282, indicating a very close linear relationship. The value of Prob. (F-statistics) = 0.008044, so the model is adequate both at the level of significance 0.05 and at the level of 0.01.	Increase in the amount of pension contributions by 4.2%, the forecasted figure for 2020 is 2887.23 mln. UAH

Source: developed by the authors

the income of the population in 2020 will be 2,369,221 million UAH, which is 19% more than in 2016.

The projected increase in household incomes in future periods can actively affect the level of population accumulation, the increase in the contribution activity to non-state pension funds and life insurance companies.

The key factors influencing the saving activity of the population are (Zaletov, 2006):
- expectations about the dynamics of prices and quantity of goods in the market;
- expectations of changes in the volume of income and financial position in the future;
- interest rates on loans and deposits;
- tax rates, as the increase in tax rates reduces the income of end-use and, as a consequence, reduces the consumption and savings;
- development of the system of state social insurance;
- development of capital markets, as they perform a dual function of stimulating savings and loans;
- demographic factors: age, gender, social status, education of the person who decides on the type of financial behaviour in general;
- level of corruption in the country;
- trust in financial institutions and the availability of convenient investment instruments.

To date, in Ukraine, only the banking sector has privileges among the financial institutions that provide long-term savings. There is a fund for guaranteeing deposits of individuals only for banking institutions, which in turn makes a life insurance company less competitive. In conditions of high level of mistrust of the population, unformed insurance culture and certain mental features, it is necessary to provide guarantees and broad rights to protect the insurer's deposits and the investment income in life insurance, as this is one of the key factors in stimulating the placement of savings in the life insurance segment.

According to the results of the model of population saving forecasting, there is a slight decrease. In 2020, the volume will be about 57,167.59 million UAH, which is 9.3% less compared to 2017. This phenomenon can be explained by an increase in consumption and rising prices due to the devaluation of the hryvnia, because despite the increase in household incomes, the cost of living increases, which does not allow saving enough money that could be used to invest in the real economy or pension insurance.

Despite the declining dynamics of savings, the modelling results show that contributions to life insurance companies in 2018 will amount to 3,517.93 million UAH, which is 6.04% more than in 2017 (3,316.604 million UAH). Estimates in 2020 should increase by 5.4% compared to 2019.

Given the social significance of life insurance, as well as the inherent investment in this area, a strong legislative framework is essential for its sustainable development and growth stimulation. In this issue, the experience of developed countries of the world can be drawn.

The nearest priorities in regulating the life insurance market in Ukraine should be: introduction of European principles of regulation of insurance activity; ensuring transparency of the insurance market by publishing reliable and regular financial statements; the struggle for the purity of the insurance market, by raising standards and increasing the responsibility for the failure to comply.

According to the results of the modelling, the amount of pension contributions to the NPF will be 2,516.38 million UAH in 2018, 2,703.024 million UAH in 2019, and 2,887.23 million UAH in 2020. The actual state of payments to the non-state pension system of Ukraine in part of the contributions to non-state pension funds is characterized by a slow increase in growth rates over the past 5 years. Contributions to life insurance companies have a significantly higher gain and more powered dynamics. There is a passive increase in contributions to non-state pension funds with an active growth of contributions to life insurance companies, which features the overall improvement of the climate in the life insurance market in Ukraine.

According to the results of 2016, the amount of pension contributions to life insurance companies was 45.4% higher than to non-state pension funds, which confirms the effectiveness of life insurance companies and their benefits over non-state pension funds (Figure 1).

According to the results of 2017, the amount of pension contributions to life insurance companies was 45.4% higher than to non-state pension funds, which confirms the effectiveness of life insurance companies and their benefits over non-state pension funds (Figure 1).

Consequently, modelling of the development of the non-state level of the pension system of Ukraine is of high quality since all models met the limits of the abovementioned criteria.

The analysis showed that the positive dynamics of the growth of pension contributions to life insurance companies and non-state pension funds will be maintained in Ukraine during 2018-2020. Life insurance has a high growth dynamic, which is a good indicator of the efficiency of the non-state pension insurance sector in Ukraine.

6. Conclusions

1. Life insurance is an insurance that provides for the protection of property interests due to the death of the insured since the key feature is the fact that human life has no unambiguous approach to its value (monetary) assessment. Under this type of insurance, it is impossible to accurately determine the amount of damage caused by the onset of the insured event. The main feature of life insurance is a combination of insurance protection and savings. On the one hand, life insurance is a tool that allows the state, both at macro and micro level, to increase the efficiency of financing social risks and removing the corresponding burden from the state budget, and on the other – it creates a powerful national investor.

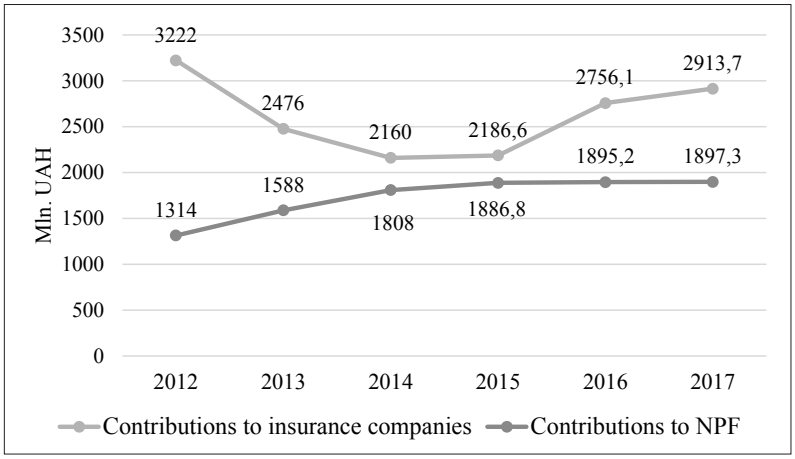

Figure 1. Amount of contributions to life insurance companies and non-state pension funds in Ukraine from 2012 to 2016, mln. UAH

2. International experience of many countries of the world shows that life insurance is a powerful tool for the socio-economic development of society, both for developed countries and for developing countries. Effective development of the insurance industry and life insurance as a sub-sector reveals the highest level of development of the financial sector of the country; therefore, life insurance is one of the central types of the insurance market and of great socio-economic importance in all developed countries.

3. The experience of developed European countries (Spain, Great Britain) in reforming pension systems can be used in determining the directions of the implementation of pension reform in Ukraine and points to the need to involve life insurance companies in the development of the second and third levels of the pension system.

4. The key directions of implementation of international experience in reforming the pension system of Ukraine are:

- increasing the retirement age, which is a prerequisite for the reform of the state component of the pension system for its further effective functioning;
- increasing the pension insurance record for a labour pool of the population, which was done in Ukraine in October 2017 (Swiss Re, 2017), is a sound and well-considered decision inherent in pension reform in most foreign countries;
- the financial motivation of late retirement as a tool for an indirect increase of retirement age;
- involvement of life insurance companies in managing retirement plans as at separate enterprises, as well as in NPFs as a whole;
- changes in tax legislation regarding tax exemptions for consumer savings products offered by life insurance companies, as well as for people with disabilities;
- involvement of life insurance companies in the functioning of the second level of the pension system, which, after a possible introduction in 2019, will become compulsory for employers and workers.

5. The modelling of the development of the non-state level of the pension system of Ukraine allowed determining the dynamics of growth of contributions to life insurance companies and contributions to the NPFs in 2017-2020, and drawing a conclusion on the positive prospects for the development of the life insurance market in Ukraine and its special role in the successful reformation of Ukraine's pension system.

6. The following ways of attracting life insurance to reforming the pension system in Ukraine should be considered as promising for Ukraine, as well as for further research:

- creation of favourable conditions for the development of life insurance as a tool for long-term pension accumulation at the third level of the pension system by improving reliability and establishment of certain guarantee funds;
- involvement of life insurance companies in the implementation of the second level of the pension system, which will give the right to choose an instrument of accumulation for the society and minimize the risk of nationalization of accumulated funds.

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FINANCIAL CONTROL AS A MEANS OF COUNTERING ECONOMIC CORRUPTION IN UKRAINE

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Abstract. *The aim of the article* is to study the theoretical and legal principles of organization and implementation of financial control as a means of countering economic corruption in Ukraine. *The subject of the study* is financial control as a means of countering economic corruption in Ukraine. *Methodology.* The research is based on the use of general scientific and special scientific methods and techniques of scientific knowledge. The historical and legal method enabled to determine the preconditions for the origin of corruption as a negative social phenomenon. The comparative and legal method was used to compare doctrinal approaches to the differentiation of types of financial control. The system-structural method contributed to the perception and identification of the most negative impacts of corruption on the country's economy. The methods of grouping and classification were the basis for the author's original approach to the distinction between the types of the shadow economy, such as the informal economy, hidden economy, and criminal economy. The technical legal method enabled to investigate corruption in Ukraine, to identify its shortcomings, gaps, contradictions, and miscalculations, as well as to develop recommendations aimed at their elimination. *The results of the study* revealed that the ineffectiveness of state financial control in Ukraine contributes to the blossoming of corruption in Ukraine, due to the lack of legal regulation of its implementation and coordination in the activities of various controlling bodies, the weakness of the legal and methodological basis of their activities. They define law-making, law-executing, and law-enforcement activities, coordinate the functioning of financial and legal regulation. *Practical implications.* In the research, first, the key aspects of the genesis of financial control as a means of countering economic corruption in Ukraine are outlined; second, scientific approaches to their classification in the special literature are analysed and compared; third, the author's original differentiation is substantiated. *Relevance/originality.* The author's original approach to the differentiation of financial control as a means of countering economic corruption in Ukraine is the basis for developing the most promising directions for the improvement of domestic legislation in this area.

Key words: corruption, public administration, financing, shadow economy, financial control.

JEL Classification: P44, H83, O16

1. Introduction

Corruption is a phenomenon that affects the national security of any country. It depends on the effectiveness of public administration. Citizens and businesses are the most vulnerable to this phenomenon. The modern business is the flowering of oligarchic clans working in cooperation with state officials of the highest level. Therefore, the current economy of Ukraine is inefficient and corrupt, state enterprises continue to spend the budget to enrich their controlling stakes. Regulatory authorities decide on pricing according to the needs of dominant business interests. The land reform is blocked to provide benefits to agricultural magnates. Even the military budget is under the pressure via corruption procurement methods. Banking reform is accompanied by expropriation of public funds by private owners of banks. Small and medium-sized businesses suffer from internal corruption, which is based on abuse of authority, dishonest actions in exchange for money or personal benefits of company employees. Unfortunately, it is extremely widespread in the Ukrainian business environment causing these companies significant financial and reputational losses. This phenomenon affects the business climate in Ukraine not less than corruption.

2. Literature review

In their works, a number of authors interrogated certain aspects of this problem, such as T. Vasilevska, V. Galunko, O. Yeshchuk, O. Onyshchuk, S. Rivchachenko, O. Tokar-Ostapenko. In general, the anti-corruption was studied by V. Alexandrov, V. Kolpakov, M. Melnyk, R. Melnyk,

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Therefore, the study of the doctrinal approaches to the concept and content of financial control as a means of countering economic corruption in Ukraine, which is the aim of this article, becomes relevant. For its successful achievement, the following tasks should be solved: first, to outline the key problems of the development of corruption in Ukraine; second, to analyse the perspectives in the special literature regarding the types of financial control; third, to propose the author's original approach to the definition of financial control as a means of countering economic corruption in Ukraine.

3. The main material

Academician of the National Academy of Sciences V.M. Heiets argues that the causes of the collapse of the Ukrainian economy are the criminalization of relations between state institutions and business, the most profitable sectors of the Ukrainian economy, distributed between the clans, and the "separation" of Ukraine from the world economy (Heiets, 2009).

Therefore, the diversified Ukrainian corruption in public administration deprives the individual anti-corruption countering of its expediency and leads to an "unfavourable" equilibrium characterized by a constant level of corruption, low total investments, and weak economic growth of the state.

The most negative impacts of corruption on the country's economy include:

1. Expanding the shadow economy. This leads to a reduction in tax revenues to the budget. As a result, the state loses financial levers of economic management; social problems are exacerbated due to budget defaults.

2. Competitive mechanisms of the market are violated because often the winner is not the one who is competitive but the one who has been illegally able to gain advantages. This leads to a decrease in market efficiency and brings discredit on the ideas of market competition.

3. The emergence of effective private owners decelerates, primarily due to violations during privatization, as well as artificial bankruptcies, usually associated with bribery of officials.

4. Budget funds are used inefficiently, in particular, when distributing government orders and benefits. This complicates further budget problems of the country.

5. Prices increase due to "corruption costs". As a result, consumers suffer.

6. Agents show disbelief in the ability of the authorities to establish, control, and adhere to honest rules of the market game.

7. The investment climate degrades leading to unsolved problems of overcoming the decline of production, renovation of fixed assets.

8. Corruption is expanding in non-governmental organizations (firms, enterprises, and public organizations). This leads to a decrease in the efficiency of their work, and accordingly, in the effectiveness of the economy of the country as a whole (Blank, Batrakova, 2016).

Corruption leads to the emergence of a shadow economy, based on the economic activity of subjects seeking to conceal their wealth, avoid paying taxes, and hide the movement of their assets.

The main causes of a shadow economy are the imperfection of Ukrainian legislation contributing to tax pressure, confusion in tax administration, the lack or absence of assistance in obtaining tax benefits, lobbying interests of business groups close to the authorities.

The shadow economy is manifested through the informal economy, hidden economy, and criminal economy.

These types of shadow economy should be considered in detail.

Informal economy is a diverse activity of subjects that is currently not controlled by the state, is not subject to taxes due to its mass scale, growth of information technologies, lack of citizen awareness, aimed at using the services provided at home (tutoring, construction works, sale of products from household plots in the spontaneous markets).

The hidden economy is a legitimate economic activity, which, along with general-authorized actions, uses various manipulations to generate additional profits due to imperfect legislation.

The criminal economy is various illegal economic activities, not allowed by the state. It is characterized by illegal income and non-payment of taxes.

According to the World Bank's Doing Business data, in case of a positive countering corruption and the withdrawal of the Ukrainian economy from the shadow, Ukraine will receive 6 billion hryvnias, which is about 6% of Ukraine's GDP, the deficit of the whole system of finances is about 8-9% by the results of this year (Patrikieieva).

Nowadays, the main corrupt schemes that lead to economic corruption occur:
in public procurement;
in using budget funds (during the distribution of state orders and privileges);
in the implementation of international and state programs;
in providing administrative services.

Therefore, the spread of corruption and its impact on market relations in the country lead to a violation of the competitive market, because often the winner is not the one who is competitive but the one who is illegally able to benefit. This causes a reduction in the market efficiency and discredits the ideas of market competition as a whole; besides in public money, the state suffers significant financial losses because of violations of competitive principles, such as overestimation of

the value of government contracts and poor supply of contracts concluded as a result of corruption. Indirectly, the state loses over the lack of interest from representatives of international business to enter the state procurement market considering the current situation in Ukraine. Therefore, competition is reducing, moreover, market prices are being overestimated, new advanced technologies are not applied, and Ukraine's integration into the European economy is decelerating. Therefore, according to the Anti-Corruption Centre, in one year, Ukraine spends about 300 billion UAH per year on public procurements; more than two billion hryvnias were returned to the state budget by preventing certain corruption schemes in 2016 (IT zadlia reform).

Another corruption manifestation is an inefficient use of budget funds; in particular, in the distribution of state orders and benefits that further complicates budget problems of the country. In addition, when government orders are executed by organizations "recommended" by an official, who has received remuneration from such an organization, poor execution of such orders is of a high probability, which is followed by "reimbursement" at the expense of public funds.

Moreover, if one body is empowered to provide administrative services combined with control and supervisory functions, corruption risks arise because of the uncertainty of the assigned authorities and appointment of the appropriate body, reducing the objectivity of examination and revision of administrative cases. Obviously, the managerial (service) type of activity and the inspection type of activity use different methods and forms. Moreover, in case of a violation of the rules for issuing a certain permit (license), the body that inspects the activities of a private person, first, will not be interested in identifying own shortcomings, and second, it finds itself outside of the external control, which also gives rise to corrupt practices. Nowadays in Ukraine, there are more than 70 supervisory bodies. At the same time, the total funds actually charged to the budget in 2017 were at 9% of the total amount of imposed financial sanctions. It should be noted that one visit of a representative of the controlling body to the company costs the state 11.6 thousand UAH ($350), and the average amount of proceeds from fines per one inspection is 180 UAH ($6).

Shadow revenues lead to an unfair distribution of national profits, as corrupt officials accumulating for themselves a significant part of the financial resources of the state direct them to finance the import of luxury goods, as well as to the currency market increasing the pressure on the country's balance of payments. In addition, for the sake of their security and secrecy, corruption profits are usually offshored depriving the domestic economy of financial resources necessary to socio-economic growth (Bereza).

The analysis of the abovementioned aspects of corrupt practices reveals that their main negative impact on the financial system of the country comes from reducing tax revenues and losses of public funds in the form of losses, or in the form of excessive expenditures for the state.

The state tries to counter economic corruption mainly by the introduction of financial control over persons performing functions of the state and local self-government bodies. Financial control is aimed at identifying the illegal enrichment of the indicated subjects, disclosing the inconsistency of the dynamics of the actual declaration of property (movable and immovable) with official incomes, which should be the basis for bringing a person to criminal liability (according to Transparency International, last year 115 Ukrainian officials declared 375 offshore companies in 41 countries).

The illegal enrichment of officials, associated with their position, the use of official functions for obtaining various preferences and abundance for themselves, relatives or third parties, is especially dangerous. It should be noted that these persons could not act outside an official economy since the latter is a prerequisite for the establishment of corruption relations, because to abuse powers, a person should occupy a certain position in governmental bodies and be empowered. In addition, the official economic subsystem is a cover for the shadow economy, because for enrichment corruptors use their powers and evade legal liability.

Persons, authorized to perform state or local government functions, are obliged to file a declaration by filling in on the official website of the National Agency for Prevention of Corruption. The Law of Ukraine "On Prevention of Corruption" provides for to examine declarations in detail within ninety days from the date of submission of a declaration, including clarifying the validity of the declared information, the accuracy of the assessment of the declared assets, testing for a conflict of interest and signs of illegal enrichment. For example, according to the Ministry of Justice of Ukraine, authorized departments (persons) of territorial subdivisions and organizations, institutions and enterprises (within its supervision) submitted declarations in the number of 45,517, of which: 14668 by public officials (of which 5824 persons discharged or retired in 2017), 20773 by rank and file and command staff of the State criminal-executive service, 4252 by officials of legal entities of public law. Therefore, the requirements to submit electronic declarations were fully implemented by 41798 persons, violated by 463 persons, and not executed by 3256 persons. To be precise, for the failure to submit declarations, 3719 people should be brought to administrative responsibility, in fact, in 2017, 4436 people were brought to administrative responsibility for all corruption-related offenses. Therefore, the inevitability of punishment for corrupt practices is not observed and the principle of punishment for the committed offences is not followed (Zahalni pokaznyky stanu zdiysnennia sudochynstva v Ukraini za 2017 rik).

The legislation provides for that the declarations of officials in responsible positions, subjects occupying positions of high corruption risks, the list of which is approved by the National Agency, are subject to obligatory complete examination. Declarations filed by other entities of the declaration are subject to obligatory complete examination in case of inconsistencies in them detected by logical and arithmetic control.

A novelty of the legislation is monitoring the way of life of the subjects of the declaration. The reporting subjects' lifestyle monitoring is carried out selectively by the National Agency to conform their standard of living to the property and income obtained by them and their family members according to the declaration of the person authorized to perform the functions of the state or local self-government.

Such a monitoring is based on information from individuals and legal entities, as well as from the media and other open sources of information, which contain evidence on the inconsistency of living standards of the reporting subjects with their assets and income in the declaration.

In case of revealing signs of corruption offense or corruption-related offense based on monitoring, the National Agency informs bodies specifically authorized for countering corruption.

The latest legislative innovation on financial control of officials obliges a subject of the declaration to notify the National Agency for the Prevention of Corruption on any significant change in his/her property status, such as receipt of income, acquisition of property exceeding 50 minimum wages established on January 1 of the corresponding year. Within ten days from the date of receipt of income or the acquisition of property, the subject of the declaration must notify the National Agency in writing. The information shall be entered into the Unified State Register of Declarations of persons authorized to perform functions of the state or local self-government and shall be made public on the official website of the National Agency.

Nowadays, to ensure the timeliness and validity of declarations, the legal responsibility is established for the following practices:

1) untimely submission of the declaration without valid reasons;
2) failure to notify or untimely notification of the opening of a currency account in a non-resident bank;
3) failure to notify or untimely notification of substantial changes in the property status;
4) submission of deliberately false information in the declaration, if such information differs from the reliable in total from 100 to 250 living wage for able-bodied persons;
5) submission of deliberately false information in the declaration if such information differs from reliable in total more than 250 living wage for able-bodied persons;
6) deliberate failure to submit a declaration (Article 366-1 of the Criminal Code of Ukraine).

It should be noted that characterization of failure to notify or untimely notification of substantial changes in the property status by persons authorized to perform functions of the state or local self-government has gaps concerning the unclear definition of these concepts. Therefore, failure to submit a declaration differs from the late submission only by the fact that at the time of the proceedings the person has not yet filed such a declaration. Regimes of liability (criminal and administrative) for failure to submit and for late submission of the declaration are socially conditioned because a deliberate failure to submit a declaration means that the person actually refuses to submit such a declaration. In this case, financial control based on a declaration is impossible, which requires additional and significant efforts of the controlling bodies to establish the actual property status of the subject of the declaration. Instead, the late submission of the declaration does not mean the loss of the opportunity to control, however, due to the delay in submitting the declaration, such a control cannot be carried out in a timely manner, which violates its order and enables concealment of assets by an official. The above also demonstrates the difference in the danger of the offences under consideration (Mikhailichenko, 2017).

In addition, Ukrainian legislation imposes an obligation to conduct financial monitoring of financial transactions equal to or exceeding 150 thousand hryvnias in total. However, such a link is not appropriate since declaring expenditures is meant to identify those employees whose expenditures do not correspond to their income. Therefore, the wage-linked principle would be advisable.

4. Conclusion

Therefore, to improve the Ukrainian legislation and make it closer to world practice, appropriate changes should be made; and accordingly, the declaration of false information should be criminalized to tighten crime prevention in official and professional activities related to the public services; moreover, only the introduction of the most repressive influence on the actions of the relevant nature may turn filling and submission of assets declarations by public officials into the real mechanism for combating corruption.

Therefore, the ineffectiveness of state financial control in Ukraine as a whole is caused by the lack of legal regulation of its implementation and coordination in the activities of various controlling bodies, the weakness of the legal and methodological basis of their activities. That is why nowadays, Ukraine as a legal state should create a legal framework for financial control involving society.

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INNOVATION AS A FACTOR OF THE SOCIO-ECONOMIC EFFICIENCY OF TAX CONSULTING

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Abstract. *The aim of the article* is to study the theoretical and methodological principles of the interconnection and interdependence of innovation and the socio-economic efficiency of tax consulting and on this basis to determine the areas and tasks of innovation management in this sphere. *The subject of the study* is innovation and innovative tax consulting services. *Methodology.* The research is based on the use of general scientific and special-scientific methods and techniques of scientific knowledge. The systematic approach enabled to reveal the content of the social and economic efficiency of tax consulting as the integrity of its economic performance as a practical legal activity based on enterprise and a structural unit of the national economy and socio-economic effects of its functioning as an institution of legal economy and the rule of law. The method of functional analysis enabled to substantiate the author's approach to the definition of infrastructural and imputed functions of the tax-consulting institute, to reveal the content of its innovative function, its internal and external components. Based on a categorical analysis of innovations in the legal sphere, the concept of innovations and innovative services of tax consulting is considered to reveal a combination of legal, economic, social, and innovative characteristics in its content. The methodology of facet classification enabled to determine and characterize types of innovations in tax consulting, such as product, process, management-organizational, social innovations, as well as to ground areas and measures of management of innovative activity in this sphere of practical legal activity. *The results of the study* revealed that the social and economic efficiency of tax consulting as a unity of its economic performance and socio-economic effects are closely interconnected with its innovation, because innovations as certain changes in the product, technology, service provision, consulting, and market activity are efficiency factor, while possibilities of their implementation depend on the economic results of entrepreneurial activity in legal assistance on taxation and the quality of management of innovation activity. *Practical implications.* In the research, the classification of tax consulting innovations enabled to reveal the areas and management measures of innovation development in this practical legal activity to ensure its efficiency as a type of entrepreneurial activity and socio-economic institute, consisting of updating the product portfolio by developing and providing bundled, boutique services, development of niche industries; tax consulting on-line and automation of typical professional services; use of legal crowdsourcing and crowdfunding; introduction of the model of open innovation; management of innovative knowledge; formation of external and internal tax consulting networks; pro bono services. *Relevance/originality.* The proposed author's approach to the definition of the socio-economic efficiency and the innovative function of tax consulting, their interconnection and interdependence is the theoretical basis for, first, studies of socio-economic and legal conditions and factors of effective legal assistance on taxation on an innovative foundation, and second, development of activities for the innovative improvement of tax consulting, and effective realization of its functions.

Key words: tax consulting, social and economic efficiency of tax consulting, innovative function of tax consulting, innovations and innovative services of tax consulting, management of innovative activity of tax consulting subjects.

JEL Classification: E62, K34, L80, M21, O31

1. General problem statement

Under the current development of the legal economy, implementation of systemic socio-economic reforms, development of international economic relations, globalization and European integration, the role of tax consulting in providing economic entities with professional knowledge and information on tax planning and reporting, optimizing the tax burden in accordance with the requirements of the current legislation is of particular importance. This requires

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a significant increase in the socio-economic efficiency of tax consulting based on innovation.

2. Literature review

Nowadays, the practice of tax consulting demonstrates many concrete examples of innovations in this sphere, which requires their analysis, generalization and, accordingly, systematization of knowledge on the conditions, factors, and areas of innovative provision of the socio-economic efficiency of professional legal assistance to economic entities on taxation issues. The economy and law experts emphasize the importance of the analysis and practice of legal (Shevchenko, 2017; Khokhuliak, 2016; Miroshnykov; Foremnyi, 2017; Yurydychni startapy na rynku yurposluh; Bot-providnyk), which is a significant stage in the scientific research, but not sufficient to reveal the role of innovation in socio-economic efficiency of tax consulting as entrepreneurship and the institute of legal economy.

3. Unsettled issues of a general problem

The important interconnected components of the problem of innovative factors of the tax consulting effectiveness are: 1) interpretation of the content of social and economic efficiency of tax consulting and its innovative function, substantiation of their interconnection and interdependence; 2) definition of innovation types and innovation areas in professional assistance on taxation, theoretical substantiation of the content of "innovation of tax consulting," "innovative services of tax consulting"; 3) justification of management areas of innovative activity in tax consulting to ensure its socio-economic efficiency.

The aim of the article is to justify the content and types of innovation and innovative services of tax consulting as factors of its socio-economic efficiency and on this basis to determine the areas and measures of management of innovation activity in professional assistance on taxation.

4. The main material

Tax consulting, as a provision of professional assistance to businesses and the population on taxation, is: first, an important component of many business services, such as audit, management consulting, legal and accounting business services, etc.; second, legal practice, that is, a certain type of practical legal activity; third, the entrepreneurial activity of lawyers and their organizations in providing professional tax services to achieve a certain legal result and profit; fourth, the socio-economic institute, a component of the legal economy. Therefore, the content of the socio-economic efficiency of legal consulting is multidimensional with economic, legal, and social characteristics, hence it should be defined systematically to reflect, first, the dual nature of tax consulting as a business aimed at profit, and professional practice of lawyers, aimed at achieving a certain legal result; second, its social role as a formation and development factor of a law-governed state and legal economy. Based on the systematic approach to determining the social and economic efficiency of tax consulting, the following components should be included in the content of this category:

– economic efficiency of tax consulting as a type of business activity and a structural unit of the national economy;

– socio-economic effects of tax consulting, connected with its functions, in other words, the main areas of implementation of its claimed purpose (social role) as a socio-economic institute, which at the microeconomic level is a support in achieving the goals of individuals and legal entities in the legal sphere by providing them with legal assistance; at the macroeconomic level, is in ensuring and protecting law and order in all spheres of human activity. The system of tax-consulting functions includes:

– its functions, which reveal its content as a professional activity of lawyers to provide business entities and the population with the necessary legal knowledge and information, that is, functions of accumulation and retransmission;

– infrastructure function for minimizing customer market transaction costs;

– imputed (assigned) functions: implementation of legal, rationalizing, innovative, regulating functions.

Socio-economic effects of tax consulting characterize its impact on the development of the rule of law and the legal economy due to the development and nature of its functions.

Economic effectiveness and socio-economic effects of tax consulting depend on its innovation. An innovative function is inherent in tax consulting, that is, internal (development and introduction of innovations and innovative services in legal assistance on taxation issues); and external, that is promoting the innovative activity of business entities in the legal space, legal protection of innovations and innovators. It should be emphasized that the internal and external components of the innovative function of tax consulting are interdependent and interrelated and determine its innovation as the ability to innovate and innovation as a certain level of perception of innovations by the subjects of tax consulting. Nowadays, the innovative function of tax consulting becomes the main factor of the socio-economic efficiency of its subjects. Practical implementation of the innovative function contributes to not only legal but also socio-economic outcomes of lawyers and customers of tax-consulting services, as well as society as a whole.

It is important to distinguish between the concept of legal novelty (a novelty in law), legal innovation, tax-

consulting innovation, innovative legal services, and innovative tax-consulting services. In legal science, the term "legal novelty" is defined as: 1) improvement of regulatory documents as the result of legislative activity, such as new laws and articles in the current laws, amendments and changes made to regulations, etc.; 2) certain legal actions. Therefore, legal novelty is a purely legal category. It should be emphasized that novelties in law are implemented in the practice of tax consulting as an entrepreneurial activity in providing legal assistance via the market.

In the content of legal innovations as legal novelties introduced into practical legal activity and the changes caused by them in the legal space and legal practice, the purely legal and market characteristics of legal consulting are combined. According to L.S. Shevchenko's classification, legal innovations include: 1) new legal knowledge as an intellectual product of scientific research, introduced to the market of legal services; 2) new or improved technologies for providing legal services; 3) formation of new legal services and practices (Shevchenko, 2017).

Innovations in tax consulting are the introduction of new ideas, intelligent products, advisory technologies on taxation and the entrepreneurial activities of its subjects. Innovative tax consulting services are new or improved professional actions of lawyers to provide individuals and legal entities with legal assistance on taxation issues to achieve the legal result and ensure the satisfaction of the needs and benefits of consulting process participant. The content of these concepts combines the legal, economic, social, and innovative characteristics of tax consulting.

The development and effectiveness of innovative activities of tax consultants depend on the quality of management, improvement of which is an important condition and a factor in their socio-economic efficiency. Determination of the main areas of innovative activity management in tax consulting is based on the classification and characterization of innovation types, such as: product innovations (new services and practices of tax consulting); process innovations concerning the technologies, methods, and techniques of practical legal activity of tax advisers; organizational and managerial innovations (new organizational forms of tax consultors, managerial and social innovations.

1. *Product innovations in tax consulting.* The task of innovation management in tax consulting is the timely identification of possible changes in the market for legal services and the implementation of activities to preserve and strengthen competitive positions based on product innovations. Nowadays, product innovations in tax consulting are: 1) integrated (bundled) professional services involving knowledge and experience of specialists in various branches of law, economists, financiers, accountants, psychologists, and other professionals; 2) individualized (boutique) professional services that are non-standard and not replicated; 3) transformer services adapted to the requirements and specifics of the various tax consulting industry; 4) niche industry of tax consulting, the introduction of which is caused by a change in the structure of demand for services in taxation in a particular economic activity. For example, the development of start-ups in various economic sectors leads to the demand for their support by tax professionals forming a new segment (niche) of tax consulting.

2. *Process innovations in tax consulting.* An important area of the innovative management of tax consulting is the development of on-line counselling and the automation of typical professional services. In Ukraine, a legal online platform BITLEX, a resource Freelawyer.ua, have already been created to find a lawyer for litigation or for consultation (Bot-providnyk). According to Yaremenko, these online services do not provide advisory or other legal services, but they have contracts of work/partnerships with law firms or are on-line platforms for freelance lawyers. Such services are nothing more than another modern channel for selling legal services (Yaremenko, 2016). It should be emphasized that on-line counselling is carried out by lawyers and law firms that develop this area of tax consulting; therefore, this technology does not lead to the depersonalization of services and the replacement of lawyers with legal bots. Unlike on-line services, the automation of tax-consulting services, based on the programs that replace lawyers, allows solving certain legal issues without the participation of lawyers. For example, for introducing innovative Legal Tech projects, software is created to analyse and prepare legal documents without the assistance of professional lawyers, as well as to almost automate the decision-making process on legal issues, to make contracts, wills and other documents (Miroshnykov). An example of such technologies is the DoNotPay bot-lawyer created by Joshua Broder now launching an updated version of the program to help people with small legal issues. Since 2016, the project has helped to challenge hundreds of thousands of fines for parking for 7 million pounds. After updating, the bot-lawyer will be able to conduct other operations in various fields of law (Krasilnikova, 2017).

The introduction of these technologies facilitates access to justice for the general population that leads to the formation of new segments of tax consulting. In 2015, a joint study by the Hague Institute of Innovation in Law and the Kharkiv Institute of Sociology revealed the problem of access to justice for the population in Ukraine, according to the following data that more than half of Ukrainians have faced this problem over 5 years, 59% of Ukrainians have never even sought advice from lawyers and lawyers, and only 5% of Ukrainians are ready to solve their problems by suing out (Haazkyi instytut innovatsii u pravi provede konkurs sered yurydychnykh startapiv…). According to E. Miroshnykov, these projects help ordinary citizens reduce legal service costs and gain

wider access to justice (Miroshnykov). Consequently, these technologies have signs of not only procedural but also social innovations in legal consulting.

The new area of tax-consulting innovation management is the management of legal crowdsourcing (technology for the search, selection, mobilization, transfer and use of legal knowledge in electronic communities). Legal crowdsourcing covers the following areas: obtaining legal knowledge and information through the Internet; custodianship as an involvement in solving certain legal problems of many participants of the professional electronic communities that do not have territorial, geographical, corporate or other restrictions; provision and promotion of legal services and their creators through the Internet. The management of legal crowdsourcing covers such forms as: 1) internal legal crowdsourcing, that is, the exchange of legal knowledge and information within the firm. This form of crowdsourcing is appropriate, in case of, first, the divisions of the law firm are territorially separated from each other, and second, a remote work on the Internet as an employment pattern of a lawyer; 2) partner legal crowdsourcing, that is, intellectual cooperation of lawyers of different firms for the exchange of legal knowledge and information; 3) external legal crowdsourcing as an involvement of knowledge of the participants of electronic communities in solving a certain legal problem; 4) legal crowdsourcing, used by law firms, government agencies. The application of legal crowdsourcing increases the ability of tax consulting companies to involve knowledge and information resources and increase the effectiveness of consultancy.

3. *Managerial and organizational innovations in tax consulting.* First, an important component of the management of tax-consulting innovations is the choice and implementation of the organizational pattern of the innovation process. In the pattern of closed innovations, the law firm independently, at its own expense and risks, carries out all stages of the innovation process in confidentiality. Characterizing closed innovations H. Chesbrough emphasizes the necessity of an independent discovery of R&D, its improvement to the level of the product and getting results to profit from it (Chesbrough, 2007). The pattern of open innovation involves, first, certain stages of the innovation process carried out beyond the law firm by cooperating with independent researchers, scientists, specialists, innovators; and second, innovative products, created outside the firm, in the innovation process. Intellectual property should make a profit if other use it and intellectual property should be bought from other companies if it meets one's business pattern (Chesbrough, 2007). Implementation of the open innovation pattern increases the economic efficiency of tax consulting as a business significantly.

Second, innovation management is the management of knowledge necessary for innovation. The task of management of innovative knowledge of tax consulting is their involvement, storage, accumulation, protection, and effective use in the consulting process. The main objects of management of innovative knowledge are: 1) holders of new knowledge (lawyers and other professionals, whose intellectual activity is an intellectual product). It is the human capital of tax consulting innovations; 2) intellectual property objects that are a part of the intellectual capital of a law firm. This is a capital knowledge of tax consulting; 3) the knowledge base of tax consulting, can be formal (information accumulated on paper and electronic media, which is a generalization of collective knowledge about different areas of activity of its subjects); informal (corporate culture and corporate memory); 4) the movement (integration) of innovative knowledge covering their creation, involvement, transformation, accumulation, storage, exchange, and use. Knowledge management contributes to their transformation into the intellectual capital of tax consulting, the use of which ensures the growth of value, profit, and other benefits.

The organizational innovations in tax consulting are the application of a virtual law firm by creating its external and internal networks. The network principle is the basis for forming an innovative knowledge management and intellectual professional activity management system. The internal network is based on the group work of lawyers and other professionals, whose result is not the total individual contributions to solving the problem but a positive synergistic effect of integrating intellectual resources of tax consulting. The core of the external network is an intelligent network that includes providers of knowledge and information necessary for effective advisory activity. It consists of various information firms, agencies, clients, partners, state bodies, community organizations, professional associations of lawyers, educational institutions, mass media, etc. Construction of an intellectual network is important in increasing the efficiency of tax consulting.

Novelty in the management of innovative financing of tax consultants is the use of (Howe, 2012) (technology for involving a large number of people, such as Internet users, connected by network communities, to finance a variety of legal projects, start-ups, social innovations). Crowdfunding enables a law firm to not only involve the necessary funds for innovation but also minimize market transaction costs for these purposes.

4. *Social innovation in legal consulting.* The non-standard solution of social problems is the element of the content of social innovation (Boiko-Boichuk, 2009). Nowadays, the social innovation of legal consulting in general and tax consulting in particular are legal pro bono services, directly connected with the decision of problematic access of the population to justice, an effective implementation of social responsibility of legal business. Legal pro bono services are not paid by their consumers, and the expenses of lawyers for their provision are not compensated.

It is legal assistance free of charge for the consumer and non-recompensable for lawyers. It is a wide range of professional lawyers' services that meet all the requirements and criteria of practical legal activity. In addition, although pro bono publico legal is carried out free of charge and without compensation for lawyers, this is not the charity of lawyers, but their systematic professional activity in providing legal assistance, the implementation of which is a criterion of professionalism and social responsibility of legal business entities. A. Nasadiuk emphasizes that the range of "true" pro bono is extremely broad: from legal counselling of individuals and organizations, legal support to workers in culture and sport in the lawmaking process, and analytical reports for international reviews (Nasadyuk, 2016). According to the Code of Professional Ethics of the American Bar Association, a specialist should devote at least 50 hours of pro bono publico legal services a year. Furthermore, a significant number of companies provide much more hours (Pro bono: sekret uspekha yuridicheskoi kompanii). In Ukraine, in 2015, 49% of lawyers render legal pro bono services (Rabota ne pro bono). A socially responsible legal business is a factor for the implementation of this social innovation in legal practice.

5. Conclusions and areas of further research

The social and economic efficiency of tax consulting as a unity of its economic performance and socio-economic effects are interconnected with its innovation, because innovations are efficiency factor, while possibilities of their implementation depend on the economic results of entrepreneurial activity in legal assistance on taxation. The innovation of tax consulting, as certain changes in the product, technology, service provision, management of consulting and market activity of its subjects, is the object of innovation management in practical legal activity determining its content and main areas. Nowadays, the management of the innovative development of tax consulting involves the management of creation and introduction of new legal services, innovative technologies of legal activities, organizational and managerial innovations, social innovations that provide creators and consumers of legal services with a qualified legal assistance in taxation, competitiveness, and efficiency.

Further research is aimed at developing measures for improving the socio-economic efficiency of tax consulting on the basis of the innovative knowledge management and introduction of an innovation pattern to innovative activity to overcome financial, intellectual, and time constraints, optimization of transformation and transaction costs on innovation activities of subjects of tax consultancy by involving knowledge and activities of external independent participants in the innovation process and transferring some of their functions and separating units for certain stages of innovation.

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ETHNO-RELIGIOUS TERRORISM: ESSENCE, DIMENSIONS, CONCEPT

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Abstract. *The objective* of the article is to identify, describe, and explain the essence of terrorism as a general civilizational criminal phenomenon, the characteristics of dimensions of its reproduction and the formation of its concept on this basis. *The results of the study* provided the grounds for several conclusions. First, ethno-religious terrorism is manifested as a cultural phenomenon, a special segment of the inhumane discourse of hostility and aggressive social practices. It appears as a reaction to the systemic planetary crisis of managing economics, culture, consumption of natural resources, and becomes possible in the result of the massive loss of identity, fragmentation of the world-view. Secondly, we have established that the specified type of terrorism is a segment of aggressive and violent crime, in the collective and psychological basis of which there is the religious and ideological and/or ethnic domination in the systems of socio-political practice, which is achieved through intimidation as a result of committed murders, destruction or damage to property, objects of nature and offenses of a preventive nature (financial, human resources, information, and other provision). Thirdly, ethno-religious terrorism exists within three dimensions: individual (the act of sacrifice, catharsis), group (integration, social orientation) and general (administrative practice, political criminal activity, the postmodern phenomenon of the culture). *The applied value* of the study is that the suggested vision of the nature and dimensions of ethno-religious terrorism can be used to improve the systemic principles of counteracting its reproduction. The latter should be reflected in the improvement of the provisions of the United Nations Global Counterterrorism Strategy through the consolidation of a coherent, coordinated system of level differentiation of anti-terrorist activities' directions and measures. We note that without changing the basic approaches within the cultural, political, and economic aspects of the interaction of nations and peoples of the world with regard to their diversity and parity, proper autonomy, without stopping the global tendency towards marginalization, it is impossible to effectively counteract to ethno-religious terrorism. *Value/originality.* The new vision of a complex, multidimensional nature of ethno-religious terrorism has been formed in the work. Its nature is grounded as a civilizational phenomenon reflected on the level of discourse, mass social practices, global managerial strategies. It forms an empirically grounded theoretical basis for increasing the effectiveness of counteracting ethno-religious terrorism in Europe and the world in the whole.

Key words: terrorism, ethnos, religion, phenomenon, dimension, violence, hostility.

JEL Classification: Z12, N4

1. Introduction

Modern terrorism appears as a completely independent phenomenon, which is very complex in epistemological and praxeological aspects. First of all, it is visualized in the field of political life, and therefore, fairly defined by the researchers in the most general scope as a specific form of political violence. However, it is its external side, which does not reveal all possible dimensions, the clarification of which is important for the effective prevention of terrorist acts and the systematic reduction of the terrorist threat in general. Statecraft of legal and politological doctrines does not allow admitting that terrorism, and especially its ethno-religious type, is multidimensional and is not limited to a political aspect, even in cases of frankly politicized terrorist acts with explicit political demands. Therefore, the complexity of the study of ethno-religious terrorism is not only and not so much in its logical correlation with other types of terrorism and the allocation of certain specific features on this basis,

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as its comprehension, first of all, within cultural and communicative, discourse-psychological nature. Taking into account the tendencies of radicalization of ethno-religious confrontations, the growth of social tension in the European countries against the backdrop of the migration crisis, the maintenance of the high activity of such terrorist organizations as the "Islamic State", "Boko-Haram" and similar organizations, the in-depth study of the phenomenon of ethno-religious terrorism becomes extremely relevant.

The objective of the article is to provide a scientific description and explanation of the essence of ethno-religious terrorism, dimensions of its reproduction, as well as the formation of the relevant concept on this basis.

The empirical basis for this study was the statistical data, analytical reports of Interpol, Europol, the United Nations Counterterrorism Department, reports in the mass media, expert assessments of law enforcement officers, scholars in the field of religious studies, and cultural studies experts.

2. Civilizational preconditions of ethno-religious terrorism

Ethno-religious terrorism is a very complex phenomenon both in scientific and in purely praxeological and ontological dimensions. The complexity of its research is not only and not so much in the logical correlation with other types of terrorism (or some kinds, there are different approaches in science to categorical dismemberment, differentiation of terrorism) and the allocation of certain specific features on this basis, as in its comprehension, apprehension, above all, discourse and psychological nature. It is no coincidence that the emergence of ethno-religious terrorism is associated with the second half of the XX century. The period of prosperity of postmodernism as a metasystemic and, at the same time, extremely controversial philosophical world-view coincides with this period. It has spread its flexible, incomplete subject and methodological boundaries to all spheres of knowledge and practice without any exception. While the postmodernism to a large extent is not a product of surrealistic intension, but an explanatory category of social status, a deliberate, balanced, large-scale intellectual reaction to the given, to the same fragmented reality, which is successfully deconstructed by its adherents.

However, without deepening the subtleties of this philosophy, nevertheless, we must emphasize the need to designate at least the most epistemologically significant its provisions, according to rightly observation of S. A. Datsiuk, against the background of dysfunctional humanitarian theories in the conditions of a complex and supra-dynamic universe "it is only philosophy that is capable ... of creating new models and new ideas in the form of meaningful fields, where the civilization plays, that is, new perspective spaces, where civilization directs its social energy" (Datsiuk, 2017). At the same time, we will deliberately confine ourselves only to a concise, criminologically significant description of the recognized postmodernist postulates, principles that are used not only by artists but also by humanists – researchers of the problem of humanity and sociality in and of itself. It is known, in particular, that one of the epistemological pillars of postmodernism is the primacy of discourse over reality; scepticism in relation to the "truth of life", based on the value-oriented domination of personal mythology; the desire to challenge the logic of culture, which stands for direct perception of reality. These provisions, analytical approaches are grounded in the works of R. Bart, J. Baudrillard, G. Vattimo, J. Derrida, J. F. Lyotard, E. Fromm, M. Foucault, and others.

It seems that the borrowing of a non-linear postmodern understanding of the general cultural and psychological context of atomicity, simulation of socio-dynamics is useful from the criminological point of view (at least in the course of our study). The operation of such a vision of sociality, based on the pluralism of the realities*, provides an awareness of the absence of the integrity of the world-view, even in conditionally homogeneous social groups, the parallel coexistence of many normative (in the moral, religious, political, legal sense), which are developed in accordance with different scenarios, *in different time measurements*, and with different meaning (and sometimes without it) of the factor of national statehood, regionalism, individual identity. Under such circumstances, more or less large-scale social consolidation is a rather great problem. The way of returning to the possibilities of the latter lies in the area of updating of the vital interests, the formation of families, communities and, eventually, states began with their unity. This is the way how terrorism appears in its modern interpretation. At the same time, the multicultural and secularized world is quite naturally very sensitive to the issues of preservation and affirmation, the expansion of the capacities (including state-building) ethnic groups, as well as religious messianism both at the local and global levels.

Thus, ethno-religious terrorism can be regarded as an element of postmodern culture. It also concerns the culture itself. With unconditional negative significance,

* A number of factors contributed significantly to its adoption: 1) the intensive development of information technologies, which served to erode the boundaries of social communities; 2) the cessation of the confrontation of global political ideologies that constructed alternative concepts of the universe; 3) the anomie of transitive societies, which are formed in most world countries in the second decade of the XXI century, facing the threat of hostilities, climate change, totalitarian practices, multicultural eclecticism, and aggressive reactions on it against the background of migration processes, terrorism, etc.

extremely dangerous, immoral and unlawful, but nevertheless, it is a component of the culture of mankind in the era of deconstruction of reality. In this case, M. N. Lipovetskyi rightly observes that mythologies do not die, but they reproduce themselves in language, discourse, social rituals (Lipovetskyi, 2004). And if it is necessary – such a discourse is quite possible to construct, actualize, introducing certain social groups into an emotionally resonant activity, and others – into a traumatic, sacrificial state. To achieve such goals, terrorist practices are effective.

Terrorist activities in fact, both on the one hand and on the other hand, contribute to the consolidation, mobilization and, ultimately, the identification, inclusiveness of individuals to social groups: either "fighters for justice", "daily creators of exploits" (in the terminology of P. Sorokin), or real and potential victims of acts of terrorism. But this is the difference in assessments. The psychological nature of these processes – remains unchanged.

In this aspect, in order to illustrate the phenomenon of *contemporary* terrorism, we consider accurate the opinion of I. Hassan, a well-known American social philosophe, who more than forty years ago, convincingly substantiated the grounds and criteria of contrasting postmodernism with modernism. In his more recent works, he demonstrates a certain epistemological reversal within postmodernism and argues about "trusting realism" that replaces postmodern suspicion with respect to reality with aesthetics of trust and concentration on the issues of identity (Hassan, 1987). In the same vein, K. Stierstorfer also points out that the postmodern aesthetics of trust leads to "credible realism" that redefines the relation between subject and object. The aesthetics of trust, in fact, according to the scholar, is a return to reality, and not to individual objects. In its distant line, such a return will require identification with reality itself (Stierstorfer, 2003). It is obvious, talking about terrorism, in no case we do not mean any aesthetics. But considering stated thoughts, it seems important the perception of the idea of such a return or a turn, but not so much the association of the so-called "return to reality" with the aesthetic component of life.

A human being in the process of life contacts only with some clusters of his time; others are projected into its social experience by certain traces of activity (in the categories of contemporary conceptualism – fantasies), which in the optics of personal mythology and collective archetypes, acquire diachronically incorrect qualities that entail socio-psychological disorganization, loss of identity. The latter *a priori* are existentially non-equilibrium states, sources of social activity, including deviant, criminal.

Moreover, the existence, as an individual experience of reality, is increasingly detached from the latter, losing relations with its discursive basis. The ideas of M. Heidegger, formulated in the world-famous work "Being and Time", and which served as the foundation for understanding the relationships between the person and the world of the postmodern era, are no longer fully consistent with the *after*-postmodernist challenges, which are associated, first of all, with the phenomenon of excessive acceleration of time. It is aptly emphasized by L. S. Rubinstein, who admits in the form essential to essay (in the original language): "It is difficult to get used to the fact that your biography, your personal material experience somehow imperceptibly become not even the history, but archaeology" (Rubinstein, 2004). At the same time, the rate of changes is intensively increased not only in the material, technological, but, most important, in the social environment.

It becomes obvious that a conditional modern man does not live by his time. The category of time is in general eroded, loses any stable content, being expansive into an indefinite perspective; ontologization of everyday life has the principled limitation and fragmentation. In the modern sense, the theoretical concept of H. M. Minkovskyi (which grounds can already be seen in the writings of J. Locke) about a single, integral and indivisible substance, "space-time", does not work. The consequences of such processes are still not fully understood by science, at least for the reason that they are permanent, constantly changing, continuous. One can certainly state the only thing: we deal with a peculiar social agnosia*, the coexistence of numerous parallel dimensions of social reality, which necessarily, with an objective necessity, conflict with each other. This happens, first of all, at the individual level of being and extrapolated into the group level.

At the same time, it is important to emphasize that the achievement of equilibrium, the complementarity of the individual and the joint requires the internalization of stable and, at the same time, discursively simple and individually accessible to the synchronized experience of the systems of value-orientated coordinates. In the sociological and philosophical terminology of conceptualism, there is habitus. Moreover, the history proves: nationality and religion are the most powerful (both constructive and destructive) grounds for the formation of the latter. In the projection of the discourse of hostility, these grounds acquire a specific social form and meaning, which are associated in the science with the category of "ethno-religious terrorism".

It is necessary to emphasize the connection between objective disorganization, loss of identity, the existential gap on the one hand and terrorism on the other hand. The first is the cultural and psychological basis for the second. The unity of people around the common goal and the corresponding activity inherent in ethno-

* Agnosia is a term introduced for the scientific treatment by S. Freud to denote neurological deviations, which entail an abnormality of the recognition and holistic perception of external objects (Sachs, 2017).

religious terrorism, it is possible only on the basis of trust (personal authority, the personal ideology of internalisation, ideology) as the compensation for the loss of social landmarks. It can be based on either the factor of ethnic community, or the desire to reconfigure the world, or local (regional, state, local) structure of relations, first of all – political, according to religious and ideological cliché.

Ethnos (as a mental and political substance) and religion are one of the basic categories underlying the system of factors of social consolidation. And if a postmodern society needs such a consolidation, there will always be subjects who use this need for personal, corporate, and even state-owned purposes. No wonder UN Secretary-General Kofi Annan at the press conference on September 19, 2001, after the notorious terrorist attacks in the USA on September 11, 2001, manifested: "We must break through to the root causes of terrorism ... conflicts, poverty, ignorance and racism. In reality, desperate people become easy prey to terrorist organizations" (Annan, 2001). A politician in the most general aspects, but aptly, stressed the social base of terrorism, and its basic, close to the consequences (but remote from the root causes), a set of factors: the loss of identity, exclusivity from the socio-dynamic structure, exclusivity within sociological and criminological values (Z. Bauman, Ya. I. Hillinskii, R. Lenoir, etc.) as a manifestation and product of global inequality, globalization in the whole.

Therefore, ethnicity, internationalist secularism and religious ideologies are the "whales", which are traditionally the basis for the structure of social consolidation. At the same time, the beginning of the XXI century was marked by a significant functional subversion of each of them. Only intensified terrorist threats put the *national* security issue in the agenda of international political and legal discourse, determining the corresponding metamorphosis of the domestic and foreign policy life of the countries of the American, European, and Asian continents. And this is not an accident.

Ethnic mentality, embodied in political ideology and religion, is reincarnated in modern times, by reliable means of social updating and mobilization under conditions of anomie. The success (in the functional sense) of their use is confirmed by extensive historical experience. But here it is important to realize a very subtle psychological peculiarity of the theme of ethnos and religion. Nowadays they are not only the basis of habitus – the organizing matrix of socio-dynamics. At the present time, they perform a full-fledged role of the so-called ligature.

Ligatures are called deep socio-psychological relations (skeleton of social association), the presence of which, according to R. Dahrendorf, gives the meaning to the choice. They, the scholar remarks, as if strengthen the community and keep their members together. They can be also described as the subjective side of the norms that guarantee social structures (Dahrendorf, 2006).

R. Dahrendorf, as a researcher who thoroughly feels and understands the "breath of Postmodern", also emphasizes that modernity itself is "a departure from adulthood by its own fault", that is, from the states of dependence created by people (Dahrendorf, 2006). In this case, religion is a powerful form of social ligature. "However, this is also the problem of religious fundamentalism, Catholic, Orthodox, Jewish or Islamic. In all these cases, the essence lies in the absence – if you want secular – of the independence of the right to believe in God ... In societies threatened with anomie, it is not unexpected that people who do not have certain beliefs are fond of absolute, total ligatures ... They give people arms in order not to feel helpless" (Dahrendorf, 2006).

However, as in the case of ethnic re-identification (and virtually – in updating the basic vital characteristics to the state of empathy), appealing to religious and ideological connotations is only a mean of social mobilization, but not an end in itself. In this context, E. Gellner, to our mind, is right, who relates a similar situation to manipulate as disorganized and anonymous social communities "not with the manifestation of historical rights but with very modern claims to power" (Gellner, 2003). Therefore, one must agree with V. O. Korshunov, who points out that the current state of political terrorism allows us to assert that it transforms the religious and ethnic aspects of social life into a political plane, using ethnic and religious extremism as the basis for the further development of a political struggle in a terrorist form (Korshunov, 2008).

It is also important to emphasize that the essential element of the psychological content of ethno-religious terrorism, which forms a kind of request for habitus, is *fear, permanent anxiety*. And this is not about the fear done by terrorist acts among the population of the states, but about the fear of those individuals, who cling to the ideology of terrorist organizations to those quasi-normative systems that serve as a marginal alternative to deconstructed reality. As R. Dahrendorf observes in this regard, the fear of the threats that bring with them the lack of norms (or their unfair nature, including because of the exclusivity of an increasing number of people from the socio-dynamic structure – author's note), became a part of the feelings in the life, and it is associated with confusion to have the opportunities to escape the difficult situation (Dahrendorf, 2006).

People want to be among equal to themselves because only here they feel confident in the face of an infinite world full of dangers. Evidently, there are many ethnic conflicts that have erupted in Europe and elsewhere. The Irish, the Basques, the Corsicans want to be among them, even if the fee for it should be freedom and well-being. It is not enough to protect the rights of national minorities; there

must be the own state (Dahrendorf, 2006). Thus, accommodation of interests and the severity of the dangers (first of all, the existential ones) in the modern world without the support is quite natural for people by uniting according to the apparent (though nowadays, it is not as much as in the previous stages of human development) features – nationality, beliefs. Relatively massive anxiety in social groups is a psychological foundation, the presence of which enables the formation of a specific habitus through the imposition of terrorist ideologies.

In regard to the terrorist ideologies or, more precisely, the ideological basis of ethno-religious terrorism: such a system of coordinates is played by religious beliefs (dogmas) and/or quasi-scientific secular doctrines justifying, substantiating the pretentiousness of a certain type of religious world-view to a practically expressed dominance (in the political, economic sphere) or ethnic as it is – to various objects of reality, mostly to political power. However, ethno-religious terrorism cannot be crucially described in a dichotomic way as a factor and product of confrontation between Islam and Christian religion or any other global religious ideological systems. The studied type of terrorism is also reproduced on the basis of confrontation between representatives of the same religion, but different schools of thought, patriarchates, etc.: for example, between Catholic Irish and British Protestants, between Sunni and Shiites, etc. Nevertheless, in spite of the substantial variety of different schools of thought, kinds, types, denominations, and other group features of the system of religious norms and values, ethno-religious terrorism in its social and psychological genetics is an integral phenomenon. A clear and understandable view of the world is in its very first principle, where the corresponding complex of religious dogmas is the resources for its construction. It is this view of the world that is the foundation of the same habitus. And the fundamental conflict of origin with the changing, ultra-dynamic modernity lies in it.

Thus, ethno-religious terrorism in a subjective and, at the same time, an intersubjective meaning appears as a result of the heyday of totalitarian thinking, the desire to "fit" the objective variety of the world under a harmonious and non-alternative system of criteria of the general welfare. In this aspect, we believe that V. Havel is right arguing that the most convincing project of "the common benefit" reveals itself to inhumanity at the very moment when provoking the first involuntary death (Havel, 2016).

3. Dimensions of ethno-religious terrorism

There are at least three dimensions of perceiving ethno-religious terrorism: separate (individual – legal, individual and psychological), partial (socio-psychological, group), and general (managerial – political, economic; mass – cultural and psychological).

The reproduction of terrorist practices at the individual level, from the standpoint of their performers, is like a manifestation of a destructive, hostile (in the terminology of E. Fromm) aggression and self-oriented aggression*. From the standpoint of administrators (senior executives) – is like an instrumental one. This circumstance allows us to ascertain the phenomenologically binary nature of the crimes of ethno-religious terrorist orientation as hate crimes, where the intensification of their reproduction is a purposeful and generally guided political process. In this regard, this cannot be considered as the entire correct standpoint of those scholars, who consider exclusively political technology in the terrorism, including in ethno-religious terrorism. Such standpoints suffer from unilateralism. For example, the point of view of S. Ashmovi, a former Egyptian judge, a scholar of Islamic law, who concluded that the militant doctrine of fundamentalists is not faith, but the political ideology, which they use in their own interests (Kozhushko, 2000; Dmytriiev, Zalysin, 2008). In this and similar cases, which are not phenomenological, there is a mix of levels of reproduction and analysis of terrorist practices. For the sake of completeness of the research, such an approach is unacceptable.

Ethno-religious terrorism on the meso-level of its reproduction, that is, on the group, trans-personal level, is very special, sub-constructivist segment of contemporary discourse, critically separated from the human (the idea of anthropocentrism) of the key factor, the direct experience of the perception and recognition of objective reality and, at the same time, emotionally resonant for the grandiosity of religious and/or ethnic domination in the political, economic, and cultural spheres. At the same time, it is important to note that consolidation within terrorist organizations (quasi-organizations) paradoxically occurs on the basis of the establishment of social opposition, disintegration, the instrument of which is the *language* of hostility, opposition and aggression, achieved through a special, perspectively oriented interpretation of religious texts and/or historical (quasi-historical) events, processes.

Such a disintegration tendency of totalitarian discourse is aptly mentioned by S. Shvarts, who notes that "... there is one implicit common side in Wahhabism, Stalinism,

* The first in the newest history ethno-religious terrorist attacks involving suicide bombers occurred in the 1980s. So during the 1981 terrorist attack in Beirut, a Palestinian suicide assassin directed his vehicle to the gateway of the Iraqi Embassy. The result of the action was the death of 64 people. In April 1983, a suicide bomber representing the Islamic Jihad organization crashed his minibus into a wall of the American Embassy in Beirut (180 people died). In October of that year, 241 American soldiers died, when another terrorist from the Islamic Jihad, who was driving a truck, crashed into the wall of barracks, occupied by US marines. On the same day, another suicide bomber blew up his car, crashing into the barracks of the French army in Beirut (Dmytriiev, Zalysin, 2008).

and Nazism. All of them engrain the mentality of "two worlds", in their followers, that is, two totally separate realities within human society. Those were "imperialist camp" and "camp of peace and socialism" in the time of communists. The Wahhabites perceived the world in a similar way. They strived for "Ummah" (that is, the world Muslim community), was self-sufficient, without any external relations ... Thus, they split the planet into a "house of war" and "peace house", or "house of Islam", like communists divided it into two spheres, the capitalist and socialist" (Kozhushko, 2000; Dmytriiev, Zalysin, 2008).

Ethno-religious terrorism in the socio-energy sense, that is, at the highest, universal level of analysis, is an ambivalent phenomenon: on the one hand, its immanent property is entropy character, the desire for the restoration of the social status quo through the establishment of the dominant world-view (it is to the large extent inherent to the radical-religious target instructions in the terrorist organizational system) and, therefore, the maximum balance of unified social structures, procedures, and the course of history in the whole.

4. Sacralisation of social contradictions as an instrument of ethno-religious terrorism

It is important to realize from an instrumental point of view that ethno-religious terrorism is largely the result of a kind of sacralisation of the most varied contradictions, first of all – economic and political. It is the *sacralisation process is one of the basic factors in the radicalization of the confrontation of various social groups:* the conflict between them, whatever it may be, either valid or imaginary, is transferred from the plane of secular interpretations to the plane of existential experiences and thus becomes a complimentary value. Sacralisation in its turn allows to actualize the collective empathy, and on this basis – consolidation with the further internalization of the conflict environment.

5. Ethno-religious terrorism as a special discourse of hostility

Another important aspect of the sacralisation of terrorism as a sphere of contradistinction and opposition is the *discourse*. Its value cannot be underestimated. At the proper time E. Husserl, J. Patočka, M. Heidegger in their well-known works convincingly proved the role of qualitative characteristics of the linguistic environment within the content of sociodynamics. Therefore, there is no need in this work to address the basic, first of all, philosophical and psychological, categories that determine the discursiveness of sociality and socialization, social and anti-social activity. At the same time, it would be appropriate, in our opinion, to emphasize the ambivalence of discourse, its variability, and contextuality. "What, in fact, was the word of Christ? – V. Havel wonders. – Was it the beginning of the history of salvation and one of the strongest cultural impulses in the world history – whether it was the spiritual embryo of the Crusades, the Inquisition, the extermination of American cultures, the expansion of the white race, which caused so many tragedies, including the fact that now most of humanity falls into the sad category of the third world?" (Havel, 2016).

In other words: there is no discourse outside the context. Context is the result of the construction of reality, where not so much personal experience, but its interpretations suggested by the external subject occur in the context of the information society.

Language, as we know, is a transpersonal phenomenon; it does not belong to the subject and is always *historically deterministic*. According to this, it naturally follows that ethno-religious terrorism is, first of all, a discursive phenomenon and, secondly, as already noted, a product of modern civilization, and therefore, its root causes should be sought in its fundamental contradictions. Therefore, one can state that centres of concentration of radical religious and ethnopolitical ideologies and practices are not accidental and totally artificial. They are formed in places, where there are historically grounded reasons for this.

6. The polarization of world perception – the basis of ethno-religious radicalization

From the point of view of the phenomenological approach to criminological analysis, we pay attention to the significance of the polarization of a world-view, which necessarily accompanies the ethno-religious terrorism; it is a valid sign of radicalization of any social movement.

L. S. Rubinshtein, as a thinker who subtly marks the symptoms of social pathologies, has the question on the reason why the rudiment of an archaic tribal consciousness has been actively employed nowadays and the binary opposition "own – alien" has acted on the forefront? Why "ours – not ours" is stronger and more respectable than "truth – false", "good – bad"? (Rubinshtein, 2016). Although the scholar and philosopher contemplates in the context of the cultural and psychological peculiarities of the contemporary Russian society, this problem goes far beyond the latter, which is not unique or something extraordinary in this sense. Resentment (namely, this socio-psychological phenomenon describes the determination of the aggressiveness and narcissism of marginal social groups) is a logical continuation and complement of totalitarian and binary thinking, a companion of a diachronic world-view, which, although not limited to ethno-religious platform, however, is the most radicalized and, which is essential, generally managed ontologization in adverse social environments in numerous countries of the world.

Understanding of the socio-psychological basis of ethno-religious terrorism is also implied in the same analytical scheme. Due to the formation and use of a specific sacralised discourse in a disoriented, anonymous social environment, a social community that may well be non-structured, transborder (for example, in social networks), there are preconditions for a monopoly (as a result of dichotomy and opposition based on ressentiment) of the claims of the carriers of quasi-religious or secular-ethnic (or mixed) world-views on non-alternative domination in the systems of social practices. As a rule, there is no place for a person in such coordinate systems. Universalism and fundamentalism of their principles and objectives reach a grotesque scale, an inhuman essence.

7. Understanding of ethno-religious terrorism

In *the narrow sense*, ethno-religious terrorism is a kind of aggressive and violent crime, the basis for the restoration of which is the religious-ideological and/or ethnic domination in the systems of social and political practice, which is achieved through intimidation as a result of murders, destruction or damage of property, objects of nature, and interlocutory crimes (financial, human resources, information, and other provision).

In *the broad sense*, ethno-religious terrorism – a phenomenon of modern civilization, a specific segment of inhumane discourse, which is reproduced in the system of ideology of confrontation, hostility, hatred to religious-ideological and/or ethnic, embodied into a social (having a political outlet) activity of the other, and also corresponding anti-social, criminal practice that robust expresses the desire for value and normative homogenization of social life, the affirmation of ethnic identity, and the recognition of its political pretentiousness.

8. Conclusions

1. Ethno-religious terrorism is a special kind of terrorism, which is allocated on the basis of ideological and motivational components of criminal activity. Their basic constructive elements, the categories "ethnos" and "religion", carry out a philosophical (explanatory) and socio-consolidating function, integral parts of its implementation in the system of ethno-religious terrorist practices are opposition, ressentiment, dominance, and violence.

2. Socio-psychological grounds for ethno-religious terrorism are individual and collective fear, anxiety in conditions of anomie and social disorganization. A mean of feeding this state of collective anxiety is the hated (inhuman) discourse of hostility. It is an instrument of categorization and empathy (emotional saturation) of hatred in the form of a clear normative and value system that justifies religious or ethnic pretentiousness, thus forming a cascade of targeted guidance. The latter, as a rule, are extremely simple; do not require a deep understanding. And essentially they do not succumb to it, because they certainly demonstrate their scientific insolvency, immorality.

3. Ethno-religious terrorism is a three-dimensional phenomenon, where individual, group and general social aspects are combined. An individual dimension additionally reveals differences in the nature of terrorist practices by the perpetrator of an offense (the act of personal sacrifice) and its organizers, administrators of the highest level (the act of political control).

4. The basis of the controversy of the oppositional, narcissistic in its essence, "unity" of social groups is mainly an irrational, narrative system of impulse, which objectively can be fuelled exclusively by a mythological, planted on an archaic monologue (rigid, not adjusted to the format of dialogue and clarification of semantics, the search for a compromise and conventions) consciousness, by a discursive basis. At the same time, ethno-religious terrorism is a phenomenon of modern culture, civilization in general, which reflects the most fundamental contradictions of its development that threaten the existence of all mankind.

5. A comprehensive strategy to counteract modern, ethno-religious terrorism in Europe and in the world should, in general, cover a coherent, coordinated system of level differentiation of the directions and measures of anti-terrorist activities. Its development is a matter of further research.

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INTERNATIONAL COOPERATION IN FINANCIAL FRAUD INVESTIGATION

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Abstract. *The aim of the article* is to formulate theoretical principles and practical recommendations for the implementation of international cooperation in the investigation of financial fraud. *The subject of the study* is international cooperation in the investigation of financial fraud. *Methodology.* The research is based on the use of general scientific and special-scientific methods and techniques of scientific knowledge. The historical and legal method enabled to determine the preconditions for the origin of financial fraud as a crime of international nature, the establishment of the institute of international cooperation in criminal proceedings. The comparative legal method enabled to compare doctrinal approaches to the differentiation of tasks and forms of international cooperation in the investigation of financial fraud. The system-structural method enabled to determine the tasks of the pre-trial investigation bodies in the investigation of financial fraud considering the functional aspect of the relevant bodies and individuals. The methods of grouping and classification were the basis for the author's approach to the definition of features of financial fraud as a crime of an international nature. *The technical legal method* enabled to examine the state of affairs in the legal regulation of the application of international cooperation measures in the investigation of financial fraud at the international and national levels, to identify its shortcomings, which determine the problems of practical implementation, to develop recommendations aimed at their elimination. *The results of the study* revealed that improvement of the international cooperation in the investigation of financial fraud involves the use of new methods and means of investigation (legal proceedings within the framework of international legal assistance, joint investigation teams, etc.); working out effective interaction with the competent authorities of foreign countries and international organizations. It is important to conclude international cooperation agreements, including interagency agreements; to improve the national legislation to comply with the provisions of international law; to harmonize the legislation of Ukraine and European states. *Practical implications.* In the research, financial fraud is defined as a crime of an international nature; the problematic issues of its investigation are determined; features of international cooperation in the investigation of financial fraud; the areas of its efficiency improvement are suggested. *Relevance/originality.* The original author's approach to the formulation of theoretical principles and practical recommendations for the implementation of international cooperation in the investigation of financial fraud is the foundation for the elaboration of the most promising areas for the development of national legislation and practical activities in this sphere.

Key words: financial fraud, investigation, international cooperation, international agreements.

JEL Classification: G15, F37

1. Problem statement and its relevance

The issues of international cooperation in the investigation of crimes of an international character are now the concern of scientists and experts. Modern economic crime causes enormous losses to the state, because of the possibility to destabilize the foundations of its socio-economic system. Its features are high latency, dynamism, and rapid adaptation to new conditions and business rules, the sustained nature of organized groups' activities in the form of criminal business under the cover of various market-based institutions, interregional and transnational criminal affiliations, and the application of effective means of counteraction to law enforcement bodies.

Nowadays, the problem of counteracting economic fraud in financial relations becomes very acute, because it poses a threat to different states and the entire world community, while its investigation necessitates implementation of measures of international cooperation.

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2. The aim and tasks of the study

The aim of the article is to formulate theoretical principles and practical recommendations for the implementation of international cooperation in the investigation of financial fraud. To achieve this goal, the following tasks should be solved: to characterize financial fraud as a crime of an international nature; to identify the problematic issues of its investigation; to reveal specificities of international cooperation in the investigation of financial fraud; to suggest ways to improve its efficiency.

3. The main material

Financial fraud is a complex of interconnected and common by forensic features means of lucrative offenses against state financial resources, economic entities, and citizens via fraud and abuse of authority.

Financial fraud determines the specifics of modern economic crime and is fundamentally different from the previously known (traditional) ways of acquisition of someone else's property by a number of features, primarily:

1) financial fraud is based on specific techniques for misappropriation, that is, a complex of connected financial and related crimes consisting of the basic crimes (determining the content of technique of criminal activity for misappropriation); auxiliary (subordinate) crimes aimed at arranging, committing, and concealing crimes; supplementary (side) offenses committed at the same time taking into account factors relevant for the criminal-legal qualification, such as crimes related to the corruption of officials of public and private law;

2) financial fraud is committed in regulated by the rules of financial law relations concerning formation, distribution, redistribution, and use of financial resources of the state, economic entities and citizens;

3) financial fraud is committed by persons included in the system of connections and relations concerning the implementation of the financial and economic activity, which enables to use market institutions and financial instruments (fiscal relations, bank transactions, lending, investment, insurance, etc.);

4) financial fraud involves a clear algorithm of structured and skilfully managed acts of criminal behaviour (criminal schemes) concerning preparing, committing, and concealing crimes, characterized by the dynamics, rapid adaptation of criminals to changes in economic conditions and legislation;

5) technical coincidence of fraud preparation with legitimate financial and economic activities, as well as masking the signs of a crime under the civil-legal (economic) relationship at the stage of realization of criminal intent, complicates the detection of signs of crime by law enforcement bodies (Cherniavskyi, 2010).

Modern civilization, characterized by the acceleration of globalization and integration of the economies of individual countries into a single space, inevitably leads to the internationalization of crime. The latter becomes a factor that threatens the security of national economic systems. Financial fraud is a specific phenomenon in modern crime, as it manifests itself within individual states and, at the same time, covers the territories of many countries, becomes international in nature, is committed by transnational organized criminal groups. Therefore, the study of the specificities of combating fraud in individual countries, examination of the positive and negative aspects of legislative and enforcement practice, as well as countermeasures, are extremely important in international cooperation, because Ukraine is on the path of European integration and involved in European and global financial processes.

The international wrongfulness of financial fraud is defined by the provisions of international treaties (the UN Convention against Transnational Organized Crime of 2000 and the Protocols thereto (Konventsiia OON proty transnatsionalnoi orhanizovanoi zlochynnosti pryiniata rezoliutsiieiu 55/25 HA vid 15 lyst. 2000 roku), the Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime of 1990 (Konventsiia pro vidmyvannia, poshuk, aresht ta konfiskatsiyu dokhodiv, oderzhanykh zlochynnym shliakhom), the 1999 Criminal Law Convention on Corruption with the 2003 Additional Protocol (Konventsiia OON proty koruptsii), the UN Convention against Corruption of 2003 (Kryminalna konventsiia pro borotbu z koruptsiieiu), etc.). States undertook to make joint efforts to counteract various manifestations of financial fraud and related offenses.

Violations of financial legislation in most European states are criminalized by international regulations. In particular, the Convention on the Protection of Financial Intelligence of the European Union (1995) proposed to include in national laws a number of fraudulent delinquencies as unfavourable for the interests of the European Union. For example, the EU Council Framework Decision on combating fraud and counterfeiting of non-cash means of payment (2001) states that each state is obliged to criminalize intentional acts against bank payment facilities (Kachka, 2004).

Due to the recommendations of the European Union, the composition of criminal acts against the financial system in the legislation of European countries, as a rule, is carefully structured. However, there are some divergences in the legislation of the countries of the European Union regarding the definition of the concept and qualification of fraud.

Therefore, the criminal law of the majority of European Union countries provides for the following types of financial fraud: insurance, that is, a fraud committed to obtain the sum insured; banking, that is, a fraud aimed at the illegal obtaining of bank loans, other loans or property preferences; criminal bankruptcy, that is, a deception aimed at creating features of insolvency or

unlawful actions in case of liquidation of an enterprise; tax, that is, a deception of the state and its bodies, such as illegal reduction of the total taxes to be paid, or refund of value added tax under export schemes; stock, that is, fraudulent actions on the securities market and in stock trading.

The analysis of law and its application in the United States of America is of particular interest as well. This country has faced financial fraud long before others and has gained some experience in counteracting this phenomenon. In the United States of America, criminal liability for property and economic crime is established both at the federal level and in individual states. However, economic crimes are criminalized mostly by federal legislation, which is related to the need of effective implementation of the United States obligations regarding the security of trade, financial system, etc. (Cherniavskyi, 2010).

Fraud in the US Federal Criminal Law is an extensive system of the most sophisticated and complex by form acts presented by schemes, techniques, methods, means, transactions, and performances that are of deceptive (fictional, imaginary, fictitious) nature encroaching on various objects (property, credit, banking and tax matters, relations in entrepreneurship and healthcare, etc.). Illegal operations via electronic computing form the so-called "computer" crimes, in which the computer is a means or tools for fraudulent misappropriation (Dementeva, 1992).

Therefore, financial fraud as an international crime is characterized by the following features: social danger, manifested in causing damage to economic relations; international wrongfulness, defined by international agreements and national laws of the states; investigation as a priority task of law enforcement bodies of states.

Financial fraud is a specific phenomenon in modern crime, because of manifestations both within individual states and in many countries if committed by transnational organized criminal groups. To counteract various forms of financial fraud effectively, international agreements have been concluded and implemented in accordance with the national legislation of the states. In the absence of an appropriate international agreement, the principle of reciprocity should be used.

Subjects of international cooperation can be divided into two groups, such as the authorized (central) and competent bodies of the states; international institutions and organizations.

During the investigation of financial fraud, law enforcement (competent) bodies cooperate in collecting evidence, exchanging evidence, guidance, background information, and other issues to fulfil the tasks of criminal proceedings.

Authorized (central) and competent state bodies are defined in international agreements and specified in the national legislation of the states. It is important that regardless of the definition in the legislation of a particular state of the bodies responsible for the implementation of measures of international cooperation ("law enforcement", "judicial authorities", etc.), in the international legal relations, they are defined as "authorized (central)" and "competent". This enables to use generic terms, which are specified in individual cases.

Considering the specificities of international cooperation in the investigation of financial fraud, the appropriate levels of its implementation can be defined. At the first level, there are joint activities of state bodies; bodies with the status of authorized (central) and competent; separate officials. These activities are aimed at forming the basis of cooperation.

At the second level of cooperation, specific practical tasks are implemented in the investigation of financial fraud. These are the coordinated activities of specific law enforcement bodies, their individual units and employees, such as investigators, operational workers, experts, prosecutors performing the tasks.

Under these conditions, cooperation is realized to exchange information of mutual interest; to search for persons hiding from criminal prosecution, as well as those who have disappeared untraceable; to search for items that are of interest to the investigation (forged documents and money, valuables, property, etc.); to plan and coordinate actions within the investigation; to exchange legal regulations, methodological recommendations, statistical information, work experience; to carry out scientific research and practical measures on counteraction to financial fraud and other forms of international crime.

International cooperation in the investigation of financial fraud involves the constant exchange of information. Mostly it concerns features of crime (committed or planned); physical persons and legal entities involved in the crime, as well as victims; structure, sphere of activity and links of an organized criminal group; items that are the subject of a criminal offense, are of interest to the investigation; traces of a crime, material evidence that may help to clarify the circumstances of the criminal proceedings, etc.

The procedural information exchange takes place within the framework of international legal assistance; in addition, the data obtained in this way (documents in accordance with the procedural form) are used for proving during the criminal proceedings by the competent authorities of the requesting state.

Non-procedural information exchange takes place between individual representatives of the competent authorities of the states. For example, it is employee consulting, background information provision. This information is briefing material predominantly that facilitates the adoption of procedural and tactical decisions.

Implementation of international cooperation in the investigation of financial fraud is characterized by specificities. The main of them include:

– considering differences in the laws of the states and functioning of socio-economic institutions;
– regulation by international law and compliance with the principles of reciprocity and sovereignty of states;
– the possibility of a refusal to execute the request in case of potential damage to the sovereignty, security of the state or other important interests; if the information requested relates to information constituting state secrets and for other reasons specified in international agreements and by national legislation;
– the geographical distance of subjects of interaction language and cultural differences, unusual features of procedural legislation of a foreign state (Nurbekov, 2012);
– special subjects of realization of the set tasks and used communication channels;
– long deadlines for fulfilling the tasks that should be considered when planning a financial fraud investigation;
– independence of subjects of cooperation from each other, imperfect direct interaction;
– dependence of interaction outcomes on the completeness and reliability of briefing materials, preliminary preparation (Chornous, 2012).

A progressive form of international cooperation in the investigation of crimes is the creation and operation of international (joint) investigative teams.

In particular, according to Article 19 of the United Nations Convention against Transnational Organized Crime of 2000, in cases that are the subject of an investigation, prosecution or trial in one or more member states, the competent authorities involved may establish joint investigation bodies (in case of appropriate treaties or arrangements) (Konventsiia OON proty transnatsionalnoi orhanizovanoi zlochynnosti pryiniata rezoliutsiieiu 55/25 HA vid 15 lyst. 2000 roku).

According to Chapters 1-2 of Article 20 of the Second Additional Protocol of 2001 to the European Convention on Mutual Assistance in Criminal Matters of 1959, a joint investigation team may be set up where: a Party's investigations into criminal offences require difficult and demanding investigations having links with other Parties; several Parties conduct investigations into criminal offences, which circumstances require coordinated, concerted action in the Parties involved. A request may be made by any of the Parties concerned. The team is set up in one of the Parties, in which the investigations are expected to be carried out (Yevropeiska konventsiia pro vzaiemnu pravovu dopomohu u kryminalnykh spravakh 1959 roku…).

The legislation of Ukraine provides for that in Ukraine, the General Prosecutor's Office of Ukraine is the body to make decisions on setting up a joint investigation team. The relevant provisions are in Part 2 of Article 571 of the Criminal Procedural Code of Ukraine (Kryminalnyi protsesualnyi kodeks Ukrainy…).

The Convention on Mutual Assistance in Criminal Matters between the Member States of the European Union of 2000 provides for the possibility of the creation of joint investigation teams by the competent authorities of the member countries of the European Union for the implementation of specific measures for a specified period. In addition to representatives of the law enforcement agencies of the organization member states, which are a part of joint investigative teams, the possibility of involving employees of Europol and Eurojust is provided (Shostko, Ovcharenko, 2008).

In this respect, the signing and ratification of the Agreement on Operational and Strategic Cooperation between Ukraine and the European Police Office in 2016 (Uhoda mizh Ukrainoiu ta Yevropeyskym politseiskym ofisom pro operatyvne ta stratehichne spivrobitnytstvo vid 14 hrud. 2016 r.) is an important step, because Article 5 stipulates that Ukraine and Europol offer each other support in the setting up and operation of joint investigation teams.

Procedural, organizational, forensic principles of the setting up and functioning of joint investigative groups require the elaboration, development of an algorithm of action of law enforcement officers, conclusion of international interagency agreements between law enforcement agencies (Chornous, 2017), because this form of international cooperation is appropriate in the investigation of financial fraud.

A number of important tasks in the investigation of financial fraud can be solved with the help of international organizations.

A system of UN bodies has a number of institutions that contribute to the countering economic crime at the international level. In particular, the Centre for International Crime Prevention, the Financial Action Task Force on Money Laundering (FATF), the G8 Senior Experts Group on Transnational Organized Crime (the Lyon Group), the International Criminal Court, and others. At the regional level, the activity is coordinated by agencies set up within the Council of Europe.

The International Criminal Police Organization (Interpol) is of special importance among the global international organizations in countering international crime.

Interpol provides for countering such manifestations of international criminal activity as financial fraud, money laundering, transnational organized crime, tax evasion, non-return of foreign exchange earnings, legalization of vehicles, counterfeiting of credit cards, means of payment, securities and money, contraband, theft of state funds, banking crimes, corruption, crimes of officials, raiding, illegal interference in computer networks, malware (viruses) distribution, etc.

In the investigation of crimes, cooperation with Interpol is carried out mainly to exchange information; identification and verification of persons, items by accounting of Interpol and foreign police; to conduct international search through Interpol channels,

to provide extradition; to assist in procedural actions within international cooperation.

Interpol requests enable to get information about the investigated financial fraud, such as illegal activities of entities; persons suspected of committing a crime and their links; seat or residence of suspects who have left abroad; the way of committing a crime, the circumstances of his commission; illegal activities of organized criminal groups; commercial structures, other legal entities located abroad involved in unlawful activities; the main areas of legal entities activity, their total authorized capital, information on their managers, founders; stolen vehicles and their owners; narcotic drugs, psychotropic substances, antiques, counterfeit documents, money and other objects related to the crime; analytical, scientific, statistical, and reference information on law enforcement activities, etc.

Interpol uses a number of tools to achieve its objectives. One of them is the use of the information retrieval system 1-24/7, which is the global telecommunication system, based on the latest information technologies, provides high-quality and confidential round-the-clock direct access to the information resources of the General Secretariat of Interpol, and also allows the exchange of information between the NCB of Interpol of different states.

Interpol is equipped with a computerized Criminal Information System (ICIS), which enables to search for various information: identification of offenders, bank accounts used by them, names and addresses of legal entities involved in a crime. The automated search system (ASF) allows NCB of Interpol and the practical bodies to conduct an electronic search of certain information in data banks. This system enables to transfer images between the Interpol NCBs of different countries. Information and analytical support for Interpol are being carried out; in particular, the Analytical Criminal Intelligence (ACIU), staffed by qualified analysts, carries out its professional analysis (Chornous, 2012).

It is important to interact with Interpol in conducting procedural actions within the framework of international cooperation in criminal proceedings. However, these procedural actions are carried out via international legal assistance. Similarly, information on the persons, including citizens of Ukraine and legal entities, that open financial accounts with foreign banks, as well as the movement of funds, the conclusion of agreements between Ukrainian and foreign legal entities, constitute banking or commercial secrets and may be communicated to foreign the competent authorities only after considering the official appeal as international legal assistance.

In explicit cases, Interpol capabilities can be used to transfer requests for international cooperation. For example, Article 24 of the Convention on Laundering, Search, Seizure, and Confiscation of the Proceeds from Crime, 1990 (Konventsiia pro vidmyvannia, poshuk, aresht ta konfiskatsiyu dokhodiv, oderzhanykh zlochynnym shliakhom) states that any request or notification under paragraph 1 and paragraph 2 of this article (concerning a direct link between the central and judicial authorities) may be made through the International Criminal Police Organization (Interpol).

Another strategy of international cooperation in the investigation of financial fraud is connected with the European Police Office or Europol.

Europol is a specialized body of the European Union that coordinates the actions of the police and other competent authorities of the European Union, collects, analyses, and exchanges information on crimes and persons involved in their commission, performs other tasks. Europol is authorized to counter organized crime, terrorism, and other forms of serious crime, including the various forms of financial fraud affecting two or more Member States in a way that requires a common approach by the Member States, because of significance and consequences of such crimes (Uhoda mizh Ukrainoiu ta Yevropeyskym politseiskym ofisom pro operatyvne ta stratehichne spivrobitnytstvo vid 14 hrud. 2016 r.).

The basis of Europol's activities is the provision of information support for the cooperation of the competent authorities of the European Union countries in countering international crime. The information exchange system provides an opportunity for the Europol Member States to exchange information, necessary for conducting investigative and operational activities, with each other, Europol and third States in a secure mode. Europol cooperates with Interpol, as well as with other international organizations.

Europol operates in the member states of the European Union. Europol also cooperates with states that are not members. Therefore, on December 14, 2016, the Agreement on Operational and Strategic Cooperation (Uhoda mizh Ukrainoiu ta Yevropeyskym politseiskym ofisom pro operatyvne ta stratehichne spivrobitnytstvo vid 14 hrud. 2016 r.) was signed between Ukraine and the European Police Office, ratified by the Law of Ukraine on July 12, 2017.

Article 1 of the Agreement provides for that its objective is to establish cooperation between Ukraine and Europol to support Ukraine and the member states of the European Union in the prevention and countering organized crime, terrorism, and other forms of international crime. In accordance with the Europol Council Decision on the tasks of Europol, cooperation may include the exchange of information and expertise, general summaries, results of strategic analysis, information on criminal investigation procedures, information on methods of crime prevention, participation in trainings, as well as providing advice and support in selected criminal investigations (Uhoda mizh Ukrainoiu ta Yevropeyskym politseiskym ofisom pro operatyvne ta stratehichne spivrobitnytstvo vid

14 hrud. 2016 r.). The Agreement will significantly strengthen the cooperation of the competent authorities of Ukraine with the European Police Office in countering financial fraud.

4. Conclusions and perspectives of further research

An international nature of financial fraud necessitates the improvement of the methodology of its investigation, including means of international cooperation for the accomplishment of the tasks.

The urgent tasks of improving international cooperation in the investigation of financial fraud are the use of new methods and means of the investigation (procedural actions within international legal assistance, creating joint investigation teams, etc.); effective interaction with the competent authorities of foreign countries and international organizations.

It is important to conclude international cooperation agreements, including interagency agreements; to improve national legislation compliant with the provisions of international law; to harmonize the legislation of Ukraine and European states.

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MACROECONOMIC RISKS: CLASSIFIED FEATURES, METHODS OF MEASUREMENT, MITIGATION PATTERNS

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Abstract. The article deals with the essence, factors, and patterns of macroeconomic risks mitigation. The *purpose* of the paper is to summarize and present a classification of systemic risks, to analyse principles and methods of macroeconomic risks evaluation. The *methodological basis* of the study is general scientific and special methods of cognition. The most extended analysis of systemic risks not only from the perspective of geographical and historical aspects but also in the context of modern economic processes is carried out. *Results* of the research prove that in the context of formation of *a new economy* of Ukraine and approval of the practice of timely prevention and mitigation of macroeconomic risks in accordance with imperative of modern time, it is necessary to: 1) give real state priority to the most advanced educational technologies. While providing maximum broad and equal access of youth to education, we should have the program for search and practical support of *national intelligence phenomena* in place; 2) create conditions for rehabilitation and advanced development of innovative directions of applied and, first and utmost, polytechnic sciences. It is the task of the state to ensure their financial support and direct employment at enterprises. All-round support of introduction of high-yield venture developments into the production; 3) secure efficient state protection of intellectual property, create legislatively the conditions for commercial usage of innovative achievements within the country; 4) encourage with maximum efficiency return of high-level engineers and blue-collar workers to the technological area; breathe new life into the system of professional and technical schools where information and programming professions prevail and which graduators would be engaged with priority into operations in unique productions; 5) create modern information market, all-round support of introduction of a unified information field. Learning and striving to satisfy human needs without placing systemic risks on future generation being on the Earth should become the core principle of a civilizational development. *Value/originality.* We may lay down an essential principle of civilizational regulation of systemic risks when each state, specifically the international community, should set up (subject to all complexities of practical implementation) regulating constants, rules, and bans of such contents and in such direction to have business or entrepreneurial activities carried out ultimately in the risk-related mode, which would cause no detrimental effect on the economy as whole.

Key words: systemic risks, macroeconomic risks, risk monitoring, VAR-model.

JEL Classification: A1, E00, E2, E37

1. Introduction

Rising increment, ambiguity, and uncertainty around phenomena and totality of non-linear, unbalanced processes in economic, entrepreneurial, and business activities are more and more inherent for fundamental economic transformations when risky situations become their intrinsic feature. Frequency and gravity of macro-risks effects on the global economic stability have ramped up dramatically whereas capabilities of existing systems for their mitigation and management, which would adequately and efficiently counteract potential adverse effects and threats, have shrunk markedly.

Though physical time flows as many thousand years ago, economic timing differs in its entirety; macroeconomic time runs faster increasingly than one hundred or ten years ago. Therefore, content correctness

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requires the most extended analysis of systemic risks not only from the perspective of geographical and historical aspects but also in the context of modern economic processes. It is clear that risks of natural anomalies could cause (and have already caused) thumping damages to the economy. The above evidence explains why it is important to respond timely to potential and existing risks inherent for economic development of every country and especially Ukraine.

The purpose of the article is to summarize and present a classification of systemic risks, to analyse principles and methods of macroeconomic risks evaluation.

2. The essence of macroeconomic risks

Macroeconomic risk is rather a complex and multi-dimensional phenomenon that in turn determines the expediency of its analysis from various perspectives and hence the possibility of the existence of many definitions in sense of categories. Double aspect of macroeconomic phenomena, i.e. competition and monopoly, innovation and conservatism, entrepreneurship and routine, professionalism and incompetence, greed for financial (and not only) gain with ignoring moral and ethical principles, leaves its stamp on the essence and occurrence of macroeconomic risks.

Special researches demonstrated that macro-risks themselves ranked fifth in the list of ten visualized uncertainties accompanying social being (Bazilevich & Ilin, 2010). Herewith macroeconomic risks (their nature, essential features, factors of origin, volatility and permanency of demonstrations) remain the less explored. This obviousness also necessitates substantial intensification of scientific impact on the processes of exploration and analysis of macroeconomic risks.

Therefore, the subject-matter of our analysis is not segment-specific (currency, price, banking, deposit, credit, exchange, portfolio, index, tax etc.) risks but rather macroeconomic risks realizing in the economic policy and derivatively appearing in various segments.

For this reason, the integrated approach makes it possible to understand the nature, content, and potential effects of macroeconomic risks. It is fair to say that each macroeconomic risk is systemic in terms of its essence and scope of influence, however not in every instance systemic risk is purely economic in its nature. Several macro-risks come under the influence of endogenous factors (instability of legal and regularity support, volatile shifts in existing levels of competitiveness, permanent demand fluctuations etc.).

Conceptually inconsistent and erroneous economic theories contributing to mistakes of the institutional policy nationwide are one of core reasons for macroeconomic risks of systemic nature. For example, neoliberalism as a cult pillar of the economic policy and market orthodox ideology of past decades generated on permanent basis macroeconomic risks not only in the most important areas and segments of national economies, but in global terms as well. Underestimation of importance of unbiased and systemic interpretation of macroeconomic risks in researches (in such context, it is not about journalism and newspaper publications) triggers situations when actual dependencies and relations are out of sight. Thus, it is current practice to use by inertia "quotations-nomads", true meaning of which is long forgotten or distorted. At the same time, the picture of pressing developments and processes is beclouded giving rise to threats of actual but not fancied risks. Within the framework of fuzzy definition of risks and their potential types, the possibility of their mitigation, much less before-the-fact prevention, becomes increasingly conditional.

If evolutionary transformations in the economy could be assessed in whole as positive, then rather endangering changes occur in ecosphere and natural environment. Aggressive rich soil erosion, deforestation, large-scale depopulation of territories, pollution of rivers and lakes with freshwater becoming of absolute scarcity etc. appeared as undesirable effect of human management and being on the Earth. Nowadays such human activities predominate when ecological and technology-related risks correspond directly with economic ones making frequently their valuable details. Therefore, state regulation of ecological and economic development is of high relevance today (Biloskurskyi, 2017).

We determine macroeconomic risk as a complex category reflecting such essential features as increment, volatility, conflict, multi-criticality, fuzziness, and uncertainty in economic relations. At the same time, existing macroeconomic relations often exclude adequate response of authorized administrative bodies and business entities concerned in order to make optimum choice from the number of alternative risk-related options to obtain the most probabilistically desired ultimate result. Intended probabilistic economic result is achieved (as it should be), on the one part, through the timely prevention or mitigation of possible detrimental effects on macroeconomic situation but, on the other part, provides for implementation in the national economy, first of all, effective management, i.e. flexible organizational and management activities.

3. Principles and methods of macroeconomic risks

Transformation of scientific views and theoretical generalization on macroeconomic risks demonstrates bipolar views and positions. On the one part, we have scientific approach, which theoretical founders represent that the whole system of economic being is the result of intelligent design (Reinert, 2011; Calomiris & Haber, 2017; Sargent, 2008). Such a position is observed in theoretical principles and trends of creationism asserting that extended tail of events and phenomena

may be explained and should be perceived as the result of existing intelligent preconditions. Meanwhile authors of the given theory acknowledge that economic future and, first, processes of macroeconomic development should be generated and regulated proactively (Sargent, 2008). It is worth mentioning that one of the authors of the given theory Thomas J. Sargent obtained Nobel Prize in Economics in 2011.

It is quite enough to know and understand that macroeconomic systems are filled to the brim with systemic risks. At the same time, it is of high relevance to be equipped with top-quality theory, i.e. to know why one or another pain points (risks) appear and which methods may be used to mitigate their adverse effects (Kovalchuk & Kovalchuk, 2012). It is the analysis, assessment of outcomes and challenges of macroeconomic development and related risks, which are in special focus of highly respected public actors (Gaidutskyi, 2017).

For many decades, scientific analysis of macroeconomic risks, especially mechanisms and methods of their prevention and mitigation has drawn upon extremely formalized fundamentals. Mathematical formalization of macroeconomic developments and processes provoking ultimately perceptible (negative in their nature) external effects became one of such movements. However as time passed, it became more apparent that mathematical econometric theory does not result in detection of universal macroeconomic behaviour. To the contrary, suggested economic and mathematical schemes frequently and successfully draw a veil over their essential amorphous state and predictable dysfunctionality. Regular occurrence of crisis phenomena is not provided for in any mathematical models of "general equilibrium" and this challenges necessity of their further specification.

Macroeconomic world is in turbulent condition and attempts to set up mathematical doctrines of its equilibrium are doomed to fail. Dynamism of social structure, financial markets, technology-related transformations prove that macroeconomic development is of non-linear nature, i.e. has much of uncertainty and expressed unbalance. At the same time, the main driving component of macroeconomy – "capital of spirit and will", i.e. human activities, more and more requires intergovernmental (global) influence.

It turned out that liberalism, as a foreign benchmark for institutional policy does not correlate to the Ukrainian economic reality by any means. Neoliberal economic theory did not withstand the test of time and practice since the implementation of its recommendations does not make conditions for sustainable economic development on global terms. If theory turns into doctrine, doctrine – into dogma, and dogma – into inadequate economic policy then it is macroeconomic practice, which pays the price. It appeared that market fundamentalism definitely provokes systemic risks demonstrating two phenomena in parallel, i.e. unregulated and, therefore, sizeable inflation of administrative and regulatory decisions and persistent slowdown of macroeconomic indicators.

However, large-scale crisis evidences did not become actual warning for the Ukrainian authorities. Not least because of this fact, Ukraine enjoys "the image" of the state locating in the centre of Europe only territorially but not in terms of criteria of economic development, purity of financial and credit relations, legal culture etc. This macroeconomic situation is just an explicit demonstration of consequences of direct disregard of systemic risks (not least because of being brought from outside) interlaced into the Ukrainian state policy. A causal contradiction between "grand theory" and practice of economic being is one of the factors of existing macroeconomic risks. Therefore, we may say about two-in-one reason for existing macroeconomic risks, on the one part, wrong theoretical basis and orthodoxy of institutional policy pressed from outside, on the other part.

In order to obtain desired funding from foreign organizations, canonical macroeconomists representing interests of IMF and the World Bank justify theoretically abstract models not associated with nuts-and-bolts realities overfilled with systemic risks. According to the Nobel Memorial Prize winner Mr. Joseph Stiglitz who used to hold the position of the First Vice-President of the International Bank for Reconstruction and Development (1997-2000), "our attention is drawn away from real-life problems and we move towards wrong decisions" (Stiglitz, 2002). The scientist pointed out to disregarding in recommendations of representatives of the Washington Consensus of "systemic risks that to the great extent determined the transformation of young states to the *Wild World* with non-controlled markets, dramatic GDP downturn and impoverishment of population" (Stiglitz, 2014). The danger is also that wrong theoretical postulates underlying for current economic policy and taken for steadfast implementation in the form of laws and regulations carry the potential systemic risks.

It is essential to realize that the key principle of civilizational regulation of systemic risks (prevention or mitigation of potential adverse effects) provides for that each economic system would strive to establish regulating constants, rules and prohibitions of such nature and in such direction to have business or entrepreneurial activities performed in the long run in the way that would give rise to and cause no detrimental impacts both locally and nationwide and internationally. However, unfortunately, the given important postulate is not always considered (Calomiris & Haber, 2017).

While mitigating macroeconomic risks, collateral systems become more and more meaningful that represent themselves rules and procedure for selection, evaluation and monitoring, movement, and usage of all-

kind assets in order to mitigate macroeconomic risks. Implementation of the collateral system corresponds to the international standards and the world best practices because its formulae are adopted to the great extent from foreign legal systems; by this very process of increasing efficiency of the infrastructure of the corresponding segment at the financial market is inspired.

The complexity of analysis of potential gains or threats associated with the timely and qualitative level of measuring and evaluating macroeconomic risks is explained largely by the fact that the risks cover the number of principal structural elements in key areas and segments of the national economy, as well as the banking system, securities market, stock market etc. These are exactly stock markets, which demonstrate the most visible volatility, i.e. the broad magnitude of variations of asset value, and hence the existence of so-called *portfolio* risks.

4. Macroeconomic models of mitigating economic risks

Nobel Memorial Prize winner Mr. William F. Sharpe made a stand for the model of portfolio risks based on an evaluation of capital assets, which was criticized by practicing men. "Some practicing men argue that CAPM (Capital Asset Pricing Model) disannulled efficient-market hypothesis. CAPM is not the curiosity of theoretical studies with doubtful empirical confirmation. It became the component of complex strategies for institutional portfolio management" (UAFR, 2011).

Mitigation of macroeconomic risks is provided to a great extent through the implementation of macroeconomic models. *Value-at-Risk* (VaR) model has been the most widely accepted methodology for market risks evaluation. VAR may be perceived literally as "risk value" or "risk measure". VAR estimation model is used as the basis for reserve capital calculation. For this model, requirements to the volume and size of the reserve capital (V) were calculated as the maximum of two values: a) present value VAR (VARt); b) average VAR for previous two months (60 days) multiplied by coefficient with the value from 3 to 4. A base formula for such calculations is as follows:

$$V = \lambda * \max \left\{ VAR_t, 1/60 \sum_{i=1}^{60} VAR_{t-i} \right\}, \quad 3 \le \lambda \le 4$$

Herewith the value of λ factor depends on the accuracy of daily forecasting of the model for the previous periods.

With the help of VaR-based modelling, it becomes possible to forecast and evaluate risks at least in 4 directions: *first*, "internal monitoring of market risks" may be carried out in several measurements: in terms of issuer's reliability, class of financial assets, adequacy of aggregate portfolio and financial capacities of a contracting party etc.; *secondly*, VaR system enables "external monitoring" when a general investor may receive a forecast on quality of portfolio assets of external investors and thus estimate investment risk measure; *thirdly*, VaR may be used for the measurement of hedging efficiency, i.e. determine how activity of a particular hedge-fund achieves strategic goal – actually insures against financial risks; *fourthly*, with the help of VaR-modelling monitoring of expediency of respective agreements on potential transactions is carried out.

Duly modelled macroeconomic risk should be implemented in a corresponding economic strategy, which incorporated smoothly into the state economic policy that in such a manner creates objective necessity to identify, analyse, measure, and manage risk in activities of business entities (in particular, determination of required and sufficient conditions for care and restraint in relation to economic risk) and hence create favourable environment for mitigation of adverse effects both of local and macroeconomic nature.

Collateral systems act as a critical tool of mitigation of macroeconomic risks. Collateral systems represent themselves rules and procedure for selection, evaluation and monitoring, movement and usage of all-kind assets in order to mitigate macroeconomic risks. Understanding of collateral system correlates to the international standards and the world best practices because its formulae are adopted to the great extent from foreign anti-risk practice. Experience has proven that various options of designing collateral systems are initiated and implemented most of all by Central Banks (Chailloux, Gray & McCaughrin, 2008).

It is worth mentioning about those financial risks arisen while generation and placement of exchange reserves of our state. The huge risk is that the National Bank of Ukraine doesn't hold exchange reserves in Ukraine but place them in paper format within the USA. This model is the most efficient for financial beneficiaries, which put borrowed reserves into circulation for their own benefit. Assuming Randy factor (taken as the basis for calculation of the volume of accepted exchange reserves) half as large exchange reserves than we have today would be sufficient for Ukraine. All attempts to criticize soundly and scientifically explicitly risky and misguided NBU policies on placement and usage of exchange reserves meet with their persistent neglect (Economika Ukrainy, 2014). Macroeconomic risk of losing by dollar its exclusive role of global equivalent (world currency) in the international arena becomes absolute. Proactive development of cryptocurrency market turns to be its precursor.

At the same time, the idea of innovative modernization embedded into specific strategy could serve an alternative to seemingly desperate Ukraine's lagging behind in the world races for civilizational priorities. The state of Ukraine and the national economy possess all prerequisites for the successful launch of

the *forward-thinking* model, i.e. concentration of public potential, available economic and social resources in priority directions of high-technology development. Just embodying in practical terms the idea of the random creation of innovative segments (*islands-technopolises*) of advanced development; we can build up the strategy of the national economy's development, which would gain fundamental and qualitative differences as compared to the existing one.

Such financial tool as oversight may be sizeable in mitigating economic risks since it expresses the entirety of relations arising in relation to macroeconomic operational capabilities of payment and settlement systems serving the national economy and the block of international economic relations specified by the state. Exercise of oversight is of paramount importance for the national economy because three interrelated macroeconomic sectors have already been formulated and developed nationwide: a) budget area which subjects and at the same time objects of payments and settlements are state authorities and institutions; b) corporate and so-called *municipal area* where subjects of payment and settlement relations and authorities of local self-government, municipal enterprises etc. play the role of subjects and participants of payments and settlements; c) households and all solvent population of the country which in some way or another are involved by the system of payments and settlements.

While mitigating macroeconomic risks, collateral systems become more and more meaningful. These systems represent themselves rules and procedure for selection, evaluation and monitoring, movement and usage of all-kind assets in order to mitigate macroeconomic risks. Since the implementation of the collateral system corresponds to the international standards and the world best practices because its formulae are adopted to the great extent from foreign legal systems, by this the level of credibility to corresponding financial and crediting tools is increased and the very process of efficiency upturn of the infrastructure of the national market is inspired.

5. Strategic development of the national economy

Our scientific analysis confirmed the opinion of individual political leaders, who stand the ground of fundamental changes in the basic paradigm of the strategic development of the national economy. To start with, it relates to so-called *catching-up modernization*, which in fact has nothing to do with civilizational prospects. For this model out-of-date, over costly and environmentally unfriendly technologies prevail. Under such circumstances, there exists a chronic and steady trend to lagging behind general civilizational standards. The policy of so-called *catching-up modernization* should be replaced with the strategy of *advanced development*. The risk of implementing this very strategy is that state regulatory agencies do not provide for and single out first and utmost in the economic strategy the directions of an innovative development containing *blast effects*. This concerns those industries and productions, which may generate innovative blasts for the national economy. For this purpose, it is necessary to introduce the practice of concentration of financial resources and organizational and management efforts exactly on innovative growth zones.

Major economic risks are produced in the area of shadowing and money laundering (Kovalchuk, 2017). The most representative factors, which give rise to macroeconomic risks in the area of illegally-yearned income laundering are as follows: *first*, over-shadowing of economic relations in business and entrepreneurship sectors; *secondly*, spread of corruption and bribe-taking in the system of state, executive, law-enforcement, and judicial authorities; *thirdly*, inadequate activities of subjects of primary and state financial monitoring according to international standards for financial activity regulation; *fourthly*, low transparency of activities of regulatory and supervisory authorities. In addition to this, the accumulation of macroeconomic risks boosting the processes of illegally-yearned income laundering is more and more explained by usage of the latest information and communications technologies and Internet-networks (Gates, 2000).

It is high time to start prompt implementation of *NBIC-convergence* model, i.e. co-evolution of nano-, bio-, info-, and cognitive theories. However, the complexity is that a new generation of innovative technologies conveys a huge charge of various and practically unexplored risks, which prevention and mitigation require monumental financial expenditures. The first decades of XXI increasingly generate understanding that it is unpromising to stay in the routine inertia mode, i.e. while enjoying industrial epic of XX-century technological development undertake languid attempts to catch those who move away rapidly from the era passed and for the sake of advanced development make efforts focused on the latest and innovative achievements. Today the common standard of *reforms* should be replaced with the concept of *systemic rehabilitation and innovative development* with bringing in parallels under it the essence and contents of the state economic policy. It is not a coincidence that systemic modernization is nowadays the most acceptable strategic aspect, which actually disowns discredited notion of *reforms*. Innovative modernization should not be limited to technological borrowings but should be oriented on revolutionary institutional changes.

Radically new phenomenon emerging globally and called *the knowledge-based economy* is a strategical factor of declining detrimental effects of macroeconomic risks. Origin and formation of a *new economy*, in addition to other advantages, ramp up possibilities of positive impacts of systemic risks on appropriate segments

and areas of production relations. The notion of *a new economy* or *economy of knowledge* shall encompass key trends of changes in production, information and communications supplements to organizational and management systems, intensive generation of multiservice networks and the spread of Internet-networks. The sensible increase of knowledge-intensive, high-technological companies producing risk projects, as well as methods of mitigating adverse effects are features of a new economy. A new economy encapsulates three mutually intersecting areas – particularly education, science, and innovative technologies. Transformation of knowledge, information, ideas, and symbolic images into dominant property item does not simply adjust but change radically the state of affairs, i.e. these property components may be reproduced endlessly; they may be used in the most remote areas simultaneously. These factors, instead of materialized property (as today), become determining feature of a new status of the real economy. Moreover, owing the possibility to mitigate adverse signs of macroeconomic risks is intensified.

In conclusion, we may lay down an essential principle of civilizational regulation of systemic risks when each state, specifically the international community, should set up (subject to all complexities of practical implementation) regulating constants, rules and bans of such contents and in such direction to have business or entrepreneurial activities carried out ultimately in the risk-related mode, which would cause no detrimental effect on the economy as a whole.

6. Conclusions

In the context of the formation of *a new economy* of Ukraine and approval of the practice of timely prevention and mitigation of macroeconomic risks in accordance with the imperative of modern time, it is necessary to: 1) give real state priority to the most advanced educational technologies. While providing maximum broad and equal access of youth to education, we should have the program for search and practical support of *national intelligence phenomena* in place; 2) create conditions for rehabilitation and advanced development of innovative directions of applied and, first and utmost, polytechnic sciences. It is the task of the state to ensure their financial support and direct employment at enterprises. All-round support of introduction of high-yield venture developments into the production; 3) secure efficient state protection of intellectual property, create legislatively the conditions for commercial usage of innovative achievements within the country; 4) encourage with maximum efficiency return of high-level engineers and blue-collar workers to the technological area; breathe new life into the system of professional and technical schools where information and programming professions prevail and which graduators would be engaged with priority into operations in unique productions; 5) create a modern information market, all-round support of introduction of a unified information field. Learning and striving to satisfy human needs without placing systemic risks on future generation being on the Earth should become the core principle of a civilizational development.

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DETERMINANTS OF STATE REGULATION OF THE COMPETITIVENESS OF MODERN NATIONAL ECONOMIES

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Abstract. *The purpose of the article* is to develop and systematize the theoretical foundations of state regulation of economic competition in Ukraine and to identify the priority vectors for the implementation of the national competition policy. *Methodology.* In the given work, the questions of the state regulation of economic competition in the national economy of Ukraine are considered through the prism of the indication of the purpose and role of state regulation in this area; through the definition of the system of participants in the competitive environment; through the factors that focused the competitive struggle between domestic producers are noted. *Results.* Our analysis allows us to assert that the leading role in the functioning of a healthy competitive environment belongs to a state that is able to create all the necessary preconditions for its proper development of competition in a rational economy and to ensure stable positions of economic entities by its economic and legal instruments. The development and improvement of the institutional and legal framework for the regulation of competition increase the competitiveness of the national economy. *Practical implications. I*n the case, when the competition, regulated by law, achieves a balance between supply and demand, and ultimately between social needs and production. Its role is to provide an optimal balance of interests, prevent the acquisition of super-profits by business entities and ensure the standard level of goods' quality and the necessary volumes of commodity content of the market. Under such conditions, the competitive activity of state bodies is aimed to create and develop a competitive environment, protecting competition, antimonopoly regulation in order to increase the competitiveness of economic entities, stimulating the efficiency of production, better meeting the needs of the consumer. *Value/originality.* The obtained theoretical and practical results illustrate the state of state regulation of economic competition in Ukraine, which allows predicting the main directions of improvement of mechanisms of influence on the competitive environment of the national economy.

Key words: economic competition, state regulation, economy, competitive environment.

JEL Classification: D19, D41

1. Introduction

The competitive environment is a prerequisite for the existence of the economy, and the creation of a competitive mechanism for the functioning of the economic system is a priority task of reforms that will facilitate the creation of conditions for the implementation of progressive market transformations. Therefore, without a doubt, competition research is relevant. Economic and political realities, as well as a weak movement with reform in Ukraine, reinforce the urgency of the study. For example, according to the State Statistics Service of Ukraine, the consumer inflation rate in 2017 increased and amounted to 13.7%.

The current state of the national economy requires continuous improvement of the forms and means of the state regulatory influence on the relations of competition, the search for criteria to establish the boundaries of state-legal interference in the sphere of competition. Although the economic situation in the country remains complicated, and post-crisis stabilization is occurring too slowly, however, in 2015-2017, the first signs of restoration of economic activity in the domestic markets of Ukraine appeared.

Thus, it is necessary to understand the role of the state in the processes of ensuring the formation of a competitive environment, the content of state regulation of competition relations and, most importantly, to solve the key issue of the development of domestic competition law, which is related to the definition of competition as a whole or as a means of

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building a highly efficient economy. The need to resolve the issue is compounded by the fact that the necessary investments, but a pathetic situation has been created. On the one hand, low labour costs in Ukraine, and therefore, the possibility of obtaining a cheaper product to generate more profits in the future, but the realities of today are unsafe business, since the rules of the game for business are not very transparent, given the high level of corruption and weak protection of private property, reduce the volume of investment activity.

It is obligatory to take into account the state of regulation of economic competition: the labour crisis in Ukraine that is due to certain factors, which include labour migration abroad for skilled workers; emigration of Ukrainians who go abroad for study, etc. For example, according to a study by Expat Insider, at the end of 2017, about 1.2 million Ukrainians already work in Poland, but according to domestic demographers, this figure is at least half a million; the share of the export sector remains insignificant. For example, in 2017, exports from Ukraine to the EU grew by 27%, while import volumes from the EU to Ukraine increased by 22%, with total trade increased by 24%. In 2018, the volume of trade between the EU and Ukraine continues to grow; national households provide up to 68% of GDP (gross domestic product) of a country; insufficiency of investment resources. For example, in 2016, Ukraine's rating for the "Innovation" group improved to 52nd place versus 54th in 2015, and in 2017 – it fell in the ranking of 61st place (Report MICU).

Also, the necessity of rethinking the influence of state regulation on economic competition was influenced by the Law of Ukraine "On Government Aid to Business Entities" dated July 1, 2014, № 1555-VII, which entered into force in full as of August 2, 2017. The Law of Ukraine № 1555-VII introduced new mechanisms that have a significant impact on competition, a new type of relationship between the state and business entities.

2. Analysis of recent research and publications

Various issues of economic competition as a socio-economic phenomenon are investigated in the works of G. Azoyev (1996). A. Smith and D. Ricardo noted that competition is a contest for profit (Smith, 2001).

In the scientific works of I. Ansoff and M. Porter (1993), the theoretical basis for understanding the concepts of "competition", "competitiveness", "competitive advantages", their interconnection and influence on the processes of planning and strategic management of the enterprise are laid. M. Porter's works detail the international competition as an economic category, its forms and ways of improvement (Porter, 1993). J. Schumpeter (1982), having determined that perfect competition for society is an incentive for minimizing costs and maximum approximation of wages to its marginal productivity, carried out judicial contribution to the development of the theory of competition. Effective competition, according to Schumpeter, is possible only under conditions of economic dynamics. This condition is ensured by a qualitatively new level of production, based on the continuous introduction of innovations, innovation at all levels of technology, management and organization of production, product quality, development of new markets, raw materials. That is, effective competition is a new type of competition, built on innovation (Schumpeter, 1982).

A remarkable event on this issue was the publication of N. Korchak's monograph that describes the economic and legal aspects of state regulation of competition in Ukraine and states that the laws of the market mechanism create an objective boundary for the state's intervention in the economy as a whole (Korchak, 2014).

Yu. Rosetska investigated the state of the competitive environment in Ukraine. The author outlines the main institutional barriers hindering the free movement of capital in the interbranch and intersectors. The ways of overcoming the institutional constraints of competition in the Ukrainian economy, taking into account the trajectory of the previous development, existing multi-generation, the realization of the interests of the groups of institutional innovators, the reform of the system of branch, regional and horizontal state aid to the branches of industry (Rosetska, 2008), are outlined.

O. Maslak (2014) investigated the essence and competitions' forms and formulated an author's view of its role in the modern economic system. The author highlighted the most characteristic features of modern globalization processes and grounded the need for the development of methodological provisions and practical recommendations for the formation of a mechanism for increasing the competitive opportunities and advantages of industry in the domestic and foreign markets (Maslak, Kvyatkovskaya & Kulinichev, 2014).

But, despite a large number of scientific studies in this area, the issue of state regulation of competition in the national economy does not lose its relevance and, therefore, needs further research taking into account the present realities.

The purpose of the study is to develop and systematize the theoretical foundations of state regulation of economic competition in Ukraine and to determine the priority vectors of the implementation of competition policy in Ukraine.

3. Analysis of the general theoretical principles of state regulation in the field of economic competition in Ukraine

In modern conditions, the value of competition is increasing, due to its role in the economy as the main "engine" of the functioning of the market mechanism. Competition is one of the economic means of struggle for the consumer and the emergence of an effective

owner is the subject of management. Competitive struggle between domestic producers is intensified under the influence of such factors as: reduction of domestic solvent demand due to lower real incomes; difficult business conditions, due to the rupture of trade relations with partners, the increase in production costs through devaluation processes etc., remain constraining factors for increasing competitive advantages. Thus, sometimes contributes to the use of unfair methods of competitive struggle. Moreover, in such periods of crisis economic recovery, the role of the Antimonopoly Committee of Ukraine as a guarantor of the protection of fair competition increases.

Therefore, the implementation of state regulation in the field of economic competition is due to the need to balance the interests of business entities and consumers. From the point of view of harmonization of the opposing interests of commodity producers during the competitive struggle, the internal forces of the progressive vector of development accumulate among the participants of the competitive environment. A dynamic character characterizes competitive relations. They are transformed under the influence of changes associated with globalization, uneven development, and the intensification of competition between countries, regions, and market participants. Therefore, the state in the process of competition should ensure the efficiency of business entities by creating conditions for such activities and protect the interests of consumers from violations of rules and other unlawful actions of business entities aimed at unlawful redistribution of material goods from consumers and conscientious subjects to unscrupulous.

Given the need for the state to coordinate the interests of all participants in economic relations, there is a need to clearly determine their composition. Participants in relations in the field of economic competition may include: a) producers of products, goods, works, services; b) consumers of products, goods, works, services; c) persons regulating the relations in the field of competition. When the question of the right regulation of economic competition is investigated, it is impossible to ignore the attention of those who regulate relations in the field of competition. These individuals, depending on what interests they are meeting, can be divided into two large groups:

a) Persons acting in order to maintain a competitive environment prevent and non-admittance of negative manifestations of competition and monopoly. As a rule, these are authorized state bodies, which have the appropriate competence in the field of economic competition. Such persons, in most cases, act in the interests of the state and society.

b) Persons who, by virtue of certain circumstances, have the opportunity to influence other market participants and consumers by establishing their conditions of access to the market of products, goods, services, works or their implementation. This group of individual acts in their own interests, harming other participants, therefore, they are subject to certain restrictions to reduce the level of harm.

The need to focus on individual who regulate relations in the field of competition has not only scientific interest but also a practical one. Thus, the group of persons acting in order to maintain a competitive environment, the prevention and non-admittance of negative manifestations of competition and monopoly are regulators, controlling the authorities and acting in the manner prescribed by law and within its competence, that is, as a rule, authorized bodies or authorities to which powers are delegated. The bright representatives of this group are the Antimonopoly Committee (hereinafter – AMCU), the Ministry of Energy and Coal Industry of Ukraine, and others.

The second group is individuals who, due to certain circumstances, have the opportunity to influence other market participants and consumers by establishing their access conditions to the market of products, goods, services, works or their implementation. Representatives of this group are potential (or real) violators of competition law. This group may include natural monopolies, "major players" in a particular market. For example, the largest importers of liquefied petroleum gas in 2017 were, in particular, LLC GLUSCO Ukraine, LLC AVANTAZH 7, OPC "OKKO Naftoprodukt", LLC "Import Trans Service". LLC "Factoring Group", LLC "AZ Supply", LLC "NADEZHDA", TOV "GAZTRON TRADE", LLC "PROPAN TRADE", LLC "SVG PLUS", Eurostandart-Avtohaz TOV (Annual report of the Antimonopoly Committee for 2017, 2018).

State represented by authorized bodies ensures the creation of a competitive environment and the maintenance of a certain economic order, protects of economic competition through the performance of control functions in the field of regulatory and legal support and the economy when the perpetrators to violate the rules of economic competition to responsibility are made responsible.

State regulation of economic competition is provided through a system of measures carried out by the competent authorities aimed at preventing unfair competition and monopolistic abuses, their elimination and application of measures of liability to violators established by the state rules in the field of economic competition.

The legal basis of competition as an object of state regulation is characterized not only by legal instruments but also by analysis of regulatory policies and organizational and economic means. Legal means include the adoption of regulatory acts on the rules of conduct of management bodies and economic entities in the economic sphere. One of the main tasks of state regulation is the development of competition, but not its inhibition.

The reason for state regulation of competition is the presence of state failures, monopolies, and other signs that require the state to intervene in supporting a significant level of competitiveness and protect the legitimate interests of all sectors. That is, the general goal of state regulation is the creation of effective competitive relations through the implementation in practice of the desired behaviour's model of the participants in these relations through the means of state influence.

The definition of a behavioural pattern is primarily due to the state regulation of economic competition, which is to ensure the functioning of the economy through the development of competitive relations and the introduction of integrity in competition.

This goal is realized through the tasks that determine the vectors of state influence on the economic environment. In addition, thus, the main directions of the implementation of state regulation in the field of economic competition are:

- protection of consumers' rights, which in most cases are more economically weak in comparison with other participants in market relations;
- stimulation of the competition development between commodity producers for consumers and, as a result, improvement of production and sale of goods, services, works; expansion of their assortment; improvement of quality; price optimization, etc. In other words, ensuring freedom of competition.

State regulation of economic processes is an important sphere for the domestic economy, and raising its competitiveness is one of the ways of Ukraine's exit on the trajectory of sustainable development (Shishka, & Dzhumageldiev, 2015).

Therefore, due to legal instruments of influence on economic competition, as well as the structure, functions of legal principles of state regulation of economic competition, their interaction, and interconnectivity lead not only to protect economic competition but also contribute to the functioning of a modern market economy.

4. Analysis of the problems of understanding and using the category of "economic competition" as an object of state regulation

The objectivity of competitive relations is caused by:

- firstly, the plurality of various forms and types of property, presented at a certain period of time in a given society;
- secondly, objectively existing competitive environment, which ideally creates a situation on the market of a certain product, when none of the participants can influence the decision of others;
- thirdly, the diverse interests of the entities of existing forms and types of property.

Considering that competition is an indispensable component of the market system and the main driving force for its effective development. The scientific understanding of these categories is extremely important in the context of the need to find new effective measures, tools, and methods that can be used by the state to regulate competitive relations.

Indeed, competition can stimulate the manufacturer and direct its economic interest in optimizing costs; a search of new markets for goods, services, works; the application of the latest technologies; improving the quality of goods, services, works, etc., in order to profit.

Economic competition reflects the relationship between business entities that manifest themselves in the struggle for the most favourable conditions for capital investment, resulting in the formation of different market models, and meet the needs of both society and individual consumers.

In modern conditions, experts perform different approaches to the definition of competition. Analysing the scientific literature and legislation of Ukraine, it is possible to state that there is no single point of view regarding the understanding of the concept of "economic competition". This polemic has not only theoretical but also practical value. The research of scientific views on the concept and essence of competition testifies to their multidimensionality and scope. In each case, many factors contribute to the content of this category and the formation of the concept, in particular, the historical use of the term tasks affected by the state of the economy and the determined vector of its development, etc.

However, all researchers point out unanimously, although there are no coordinated approaches to understanding the essence of economic competition, which is a necessary factor in the dynamic development of society since it forms economic freedom. The scientific certainty of the category "economic competition" will contribute to the reappraisal and improvement of approaches to performing business, to intensify and revitalize the private initiative, to stimulate the development of production and the efficient use of scarce resources, to promote the competitiveness of the national economy and achieve high rates of economic growth.

Consequently, competition dictates technological discipline, requires high-quality products, modern design, the ability to anticipate prospective needs, and not just trade that is produced and is still in demand. Economic competition as an object of state regulation is a complex phenomenon, which is constantly changing under the influence of many factors, including globalization processes. Today's requirements are taken into account when forming the concept of "economic competition" there is the need for a harmonious combination of social, natural, and the economic priorities' development of subjects of the globalized space.

Through the combination of social and market objectives, the situation is ensured when social

indicators are achieved at the expense of the economy and vice versa, revealing the essence of socially oriented competitive relationships (Osinskaya, 2009). The issue of social responsibility is closely linked to the concept of sustainable economic development, which depends on the level of innovation in economic activity, creates the prerequisites for environmental protection and the effective use of natural resource potential, that is, contributes to solving socio-economic problems of society. An important factor that influences the definition of the essence of the category "economic competition" is the understanding that this economic phenomenon has a dualistic character.

A clear understanding of the concept of "economic competition" allows more efficiently carrying out state regulation of competitive relations, taking into account the peculiarities of the participants in these relations, defining the factors of competition while developing new methods and strategies for its conduct. It is necessary to emphasize the fact that in recent times, the urgent need to change the conceptual approach to understanding the state influence on competitive relations; this is due to the transformation of the competitive environment in the context of the development of globalization processes.

5. Analysis of state regulation of economic competition in Ukraine

State regulation is ensured through a system of measures that are used by a person authorized by the state to create an effective competitive environment.

The system of state regulation of economic competition in Ukraine includes four main components. Among them, there are legal regulation; granting of permits for economic competition and concerted actions; control over the state of the competitive environment; application to violators of sanctions.

The first part of the state regulatory system of the competitive environment is an arrangement of legal regulation; it creates the basis for the implementation of other state regulations' components and defines the "rules of the game" in a competitive environment. For example, the current legislation amended the order of control over concentrations and settlement actions. The purpose of these changes is to prevent the granting of permits for the concentration of economic entities with the participation of persons subject to sanctions at different stages of consideration of applications and concentration cases in order to prevent the actual legitimization of acquisitions and mergers. Mentioned actions are performed with the participation of sub-owners in the Law of Ukraine "On Amendments to some laws of Ukraine on protection of economic competition and improvement of control procedures for concentration of economic entities" dated on 21.09.2017, № 2195-VIII, amendments to the Law of Ukraine "On Protection of Economic Competition" and the Law of Ukraine "On Sanctions".

According to the Law of Ukraine No. 2195-VIII as of 09.11.2017, the concentration permit is not granted if the actions for which such an authorization is required by the bodies of the Antimonopoly Committee of Ukraine are subject to special economic and other restrictive measures (sanctions) provided in Part 1 of Article 4 of the Law of Ukraine "On the Number of Applications for Granting Authorization for the Concentration of Entities Considered by the Antimonopoly Committee of Ukraine".

The second important element of the system of economic competition's state regulation is the granting of permits for economic competition and concerted actions, approval of documents and agreements that mediate these relations.

For example, the most popular market among the AMCUs is the market for agricultural products, which is 25.7% (155 permits) of the total share of granted permits, as well as machinery and instrumentation markets, which is 14.6% (88 permits) and construction, real estate and construction materials markets, which is 13.3% (52 permits) (Annual report, 2017).

A special place among the system of permits is occupied by permits for the concentration of economic entities, such as the purchase of shares (parts) – 81.4% of the total; permits to acquire control in other forms – 14%, and permits to jointly create a business entity – 3.3%.

Control over the state of the market and compliance of its members with the established rules for ensuring economic competition in order to prevent offenses – the third important element of the system of economic competition's state regulation. For example, in 2017, the AMCU suspended 256 violations of the Law of Ukraine "On Protection against Unfair Competition". Of these, there are 81 violations in the form of unfair competition, in respect of which the Committee made a decision on imposition of penalties, and 175 are actions containing signs of such violations, which were terminated in accordance with the recommendations provided by the bodies of the Committee to the subjects of management.

The fourth element of the system of state regulation of economic competition is the application to violators of sanctions.

The system of such sanctions are penalties; asset blocking; prohibition of participation in privatization, lease of state property by residents of a foreign state and persons who are directly or indirectly controlled by the residents of a foreign state or act in their interests; a total or partial prohibition on the implementation of transactions in securities issued by persons who are subject to sanctions under the Law of Ukraine "On Sanctions" dated August 14, 2014, No. 1644-VII.

The imposition of certain sanctions, in accordance with the legislation on the protection of economic

competition, is fixed on the website of the Antimonopoly Committee in the section "Monitoring of concentrations and concerted actions" and increases control over the concentration of economic entities with the participation of persons subject to sanctions and others.

The application of a sanction involves obtaining a certain result. Thus, the size of the economic effect as a result of taking measures to terminate violations of the legislation on the protection of economic competition, in particular, the prevention of unlawful losses and expenses of legal entities and individuals, in 2017 amounted to 2 561.0 million UAH, which is almost 1.8 times (by 79.1%) more than in 2016 (1 425.1 million UAH). In addition, the total amount of penalties imposed in 2017 amounted to 1 803.2 million UAH (Annual report, 2017).

The composition of the basic offenses in the competitive environment has the following form: violation in the form of abuse of a monopoly position; violation in the form of anticompetitive concerted actions of business entities; violation in the form of unfair competition; violation of other species (Table 1). The largest share in the imposed sanctions is taken by violations in the form of anticompetitive concerted actions of business entities – more than 1 684.6 million UAH.

Table 1
The structure of offenses and the size of sanctions imposed on them in 2017 in Ukraine

Type of offense	The size of the sanctions
violation in the form of abuse of a monopoly position	almost 41.0 million UAH
violation in the form of anticompetitive concerted actions of business entities	1 684.6 million UAH
violation of unfair competition	almost 50.5 million UAH
violation of other types	almost 27.2 million UAH

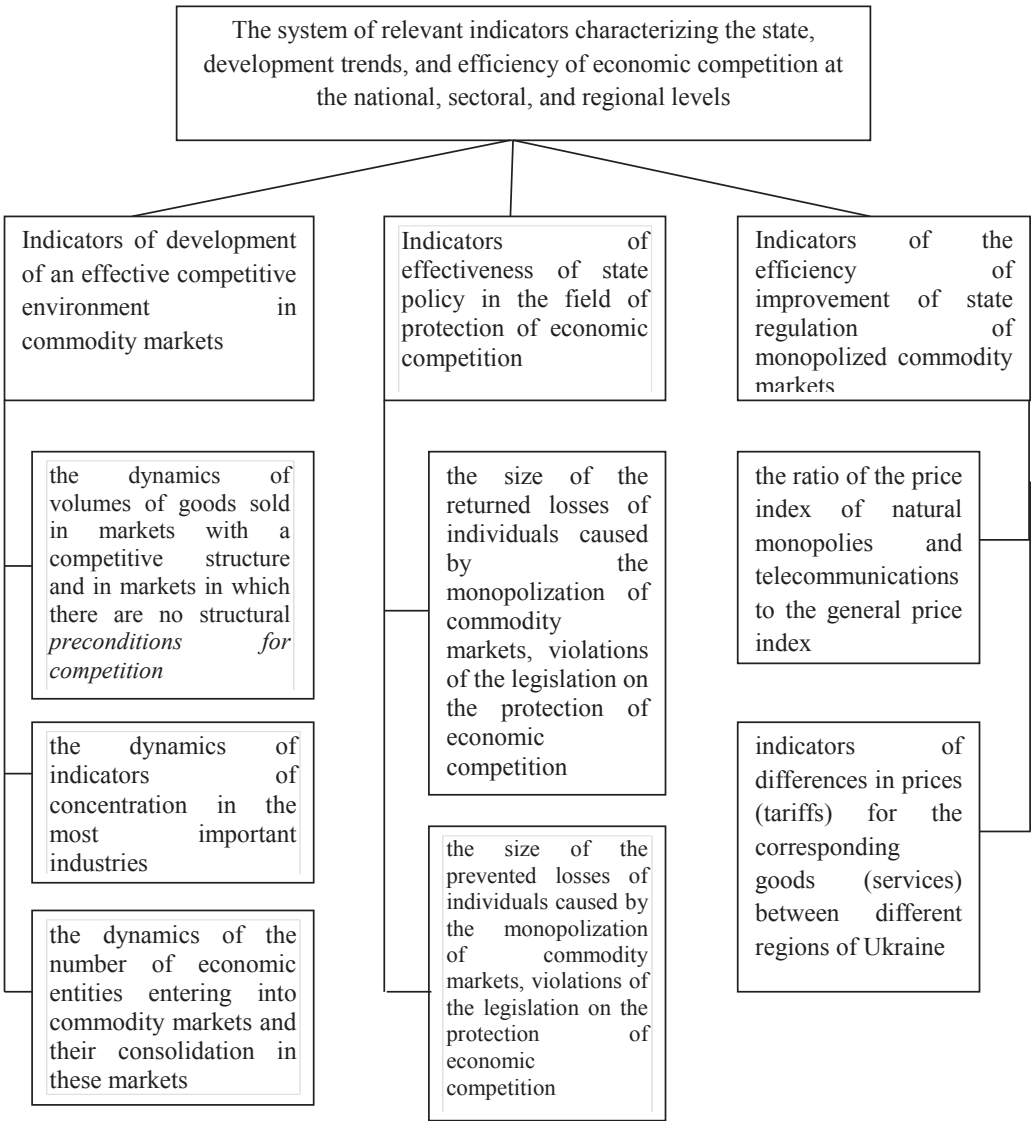

Figure 1. The system of indicators characterizing the state, development trends, and efficiency of economic competition at different levels

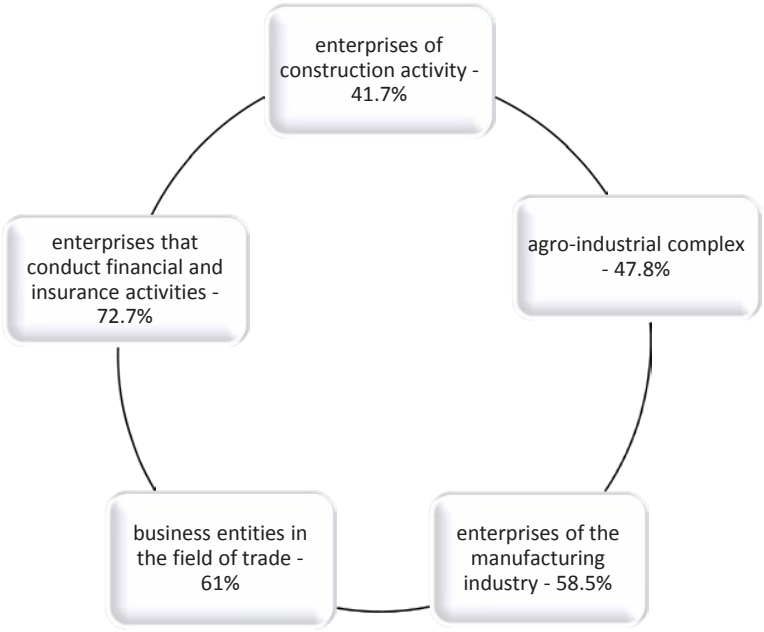

Figure 2. Areas of the national economy with high levels of internal competition

The AMCU has formed a clear position, which is steadily adhering that the fine for anticompetitive violations must exceed the illegally obtained profit and have a deterrent effect, while not removing the business entity from the market or depriving it of the ability to compete. Characterized by economic competition, certain indicators are shown in Figure 1.

In the context of various industries in 2017, the high level of internal competition have enterprises financial and insurance activities – 72.7%; business entities in the field of trade – 61%; enterprises of the manufacturing industry – 58.5%; agro-industrial complex – 47.8%; enterprises of construction activity – 41.7% (Annual report, 2018).

Figure 2 illustrates the distribution of highly competitive markets in the national economy in 2017. Thus, highly competitive national markets are markets for financial and insurance services, trade, enterprises producing goods, agricultural products, construction works. By the enterprises of foreign countries in 2017, the highest level of competition is inherent in enterprises: mechanical engineering – 85.7%; financial and insurance activities – 42.9%; Mining and Metallurgical Complex (MMC) and transport – 33.3%.

Figure 3 illustrates the level of competition from overseas companies. So, highly competitive are machine building, financial and insurance markets, MMC and transport (Bublyk, Koval, & Redkva, 2017).

The analysis of the main results of the influence of state regulation in the field of economic competition in 2017 will make it possible to distinguish the main tendencies in the development of the competitive environment and to take into account them when forming the Strategy of Economic Development of Ukraine.

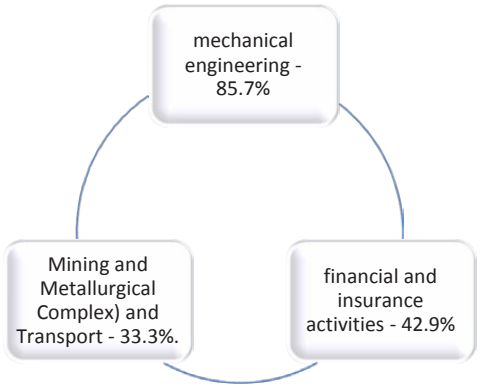

Figure 3. The level of competition in the national economy from foreign companies

The following features are characteristic of Ukraine's competitive relations at this stage of economic development: decrease in the total number of respondents in Ukraine experiencing competition from domestic enterprises; tangible structural changes in the distribution of the competitive environment; slowing down the development of inflationary processes; gradual restoration of economic activity; aggravation of the struggle for the consumer; revival of internal competition (Koval, 2017).

Therefore, nowadays in Ukraine, the tasks connected with the increase of efficiency of activity of state authorities in the sphere of protection and competition development in the domestic commodity markets are becoming more and more important, which resulted in the approval by the Cabinet of Ministers of Ukraine of the Concept of the National Competition Program for 2014-2024. There are three possible options for solving

the problem of improving the efficiency of public authorities in the field of protection and development of competition.

The first option involves structural demonopolization, in particular, associated with changing ownership relations. For Ukraine, such an option is unlikely because 90 per cent of enterprises in the state have private ownership and grinding enterprises can lead to a decrease in their competitiveness in the foreign market.

The second option involves further liberalization of access of foreign business entities to the domestic market. However, with limited resources from domestic commodity producers, the emergence of an even greater number of foreign business entities will lead to negative consequences for the domestic economy, the social sphere, and national security.

The third option involves the state, represented by the authorized bodies of a complex of measures aimed at the development of competition, its protection, and restriction of monopoly. This option is the most suitable for Ukraine.

Considering that 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, as of 27.06.2014, has launched the alignment of the Ukrainian legislation with the EU legal acts. This agreement allows Ukrainian enterprises to receive stable and predictable privileged access to the largest single market in the world with more than 500 million consumers, while EU companies can benefit from easy access to the Ukrainian market and establish new relationships with suppliers and partners. There are certain economic assessments on the formation of a competitive environment reform in Ukraine (on a scale from zero to 100, where 100 is the optimal situation). Thus, the assessment of the goods market in Ukraine, according to The Global Competitiveness Report 2018, is 55.3 points, the best is 73 (Singapore); the assessment of the labour market in Ukraine is 59.5, the best is 66 (USA); Estimation of the dynamics of business activity in Ukraine is 55.3 and the best is 86 (USA); the assessment of Ukraine's innovative capacity is 39.0, and the best is 58 (Germany) (Global Competitiveness Report, 2018).

Therefore, the priority directions of the implementation of competition policy in Ukraine are: harmonization of industrial, structural, innovation, investment, consumer protection policy with competitive state policy, promotion of effective competition on the basis of innovation model of economic development; increasing the competitiveness of the national economy in the domestic and foreign markets; reduction of administrative barriers to entering and leaving the commodity market; equal access of all business entities to all types of resources and information; formation of an atmosphere of mutual trust between state institutions and economic entities; development of the infrastructure of commodity markets and the application of modern instruments for regulating the activities of natural monopolies; taking into account the praxis factor in optimizing the activities of executive bodies and local self-government bodies; strengthening the role of monitoring on the state of economic competition at the national, sectoral and regional levels; harmonization of legislation on the protection of economic competition with European legislation in the relevant field.

6. Conclusion

The analysis of the general theoretical and real state of government regulation of economic competition in Ukraine shows that the national economy needs continuous improvement of the forms and means of state regulatory influence on the competition relations. Also, it needs the search for criteria for establishing the boundaries of state-legal interference in the sphere of competition and solving the key issue of development of the domestic competition law, which is associated with the definition of competition as a means of building a highly efficient economy.

State regulation of the competitive environment is a necessary tool for achieving a balance between public and private interests.

The main components of the state regulation of economic competition are legal regulation; granting of permits for economic competition and concerted actions; control over the state of the competitive environment; application to violators of sanctions. These components make it possible to create a certain mechanism for regulating economic competition in Ukraine.

The state mechanism of regulation of economic competition is a combination of legal and economic, organizational, within the limits of the law, the state's influence on the structure of the market and the economic behaviour of its entities, which enable an efficient allocation of resources (both public and private) and, as a consequence, the maximization of national well-being.

Prospects for further research are related to the definition of factors that influence the transformation of mechanisms of state influence on the competitive environment. In addition, they are based on the analysis of the main results of the influence of state regulation in the field of economic competition in 2017 and to consider them when forming the Strategy of Economic Development of Ukraine.

The diversity and ambiguity of approaches to economic competition in modern conditions create the need to deepen theoretical research of competition as a necessary and important element of the modern economy.

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THE POLICY OF ECONOMIC NATIONALISM: FROM ORIGINS TO NEW VARIATIONS OF ECONOMIC PATRIOTISM

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Abstract. The purpose of the paper is to analyse the fundamental principles of the policy of economic nationalism and economic patriotism, its origins, intentions and mechanisms of implementation. The analysis of selected theories allowed for outlining the most essential characteristics, along with identifying the ones laying the fundament for economic nationalism. The main purposes of the policy of economic nationalism and economic patriotism have a similarity: in spite of the common adjective "economic", they have always gone beyond the boundaries of economic regulation, being a response on "political order" of the time. 21 century offers a lot of evidence to confirm the above thesis. Elements of the economic nationalism in the economic patriotism policy have been demanded by state power officials as a kind of response on the awareness of market failure in striking a new balance in the conditions of the imbalanced global economy, with the growing competition and the shrinking global trade. *Methodology.* There is a need to reconsider the origins of economic nationalism by making an analysis of the concepts of nationalism, represented by four paradigms: modernism, primordialism, constructivism and perennialism. *Results.* Use of the term "economic patriotism", contrary to "economic nationalism" or "neo-mercantilism", gives vivid evidence of different sources for patriotic intervention in the economy. While the instruments of conservative economic patriotism include classical protectionist measures (in full conformity with the ideology of economic nationalism) aimed at domestic protection for further expansion, and the capacities of protective regionalism are used (when it is pursued by regional associations that have a supranational regulatory body), liberal economic patriotism is implemented by the use of neo-protectionism instruments that are not confined to regulation of foreign trade, but focused on stimulation of economic activities by the use of capacities of internal demand and stimuli to supranational industry (which should not be confused with the industrial sector). *Practical implications.* The analysis of the essential meaning of the concepts of "economic nationalism" and "economic patriotism" by many classification criteria enables to argue that these categories have a high potential of solidarity. The analysis gives grounds for practical conclusion that economic nationalism meant to form a powerful state that sets up economic priorities and pursues the respective economic policy. According to economic nationalism, the market cannot be self-regulated; moreover, because powerful economies "regulate" the global market for their own advantage, a national state needs to correct market relations. *Value/originality.* Therefore, economic nationalism can be understood not only in its essential meaning but in its political context as well. Independence as a political goal needs to be distinguished from self-sufficiency as a by-product of policy focused on other objectives. Thus, tariff protection for some industries, introduced to hide political intentions to cut high competitive imports from a country of their origin, will enhance the country' independence in a direct way. But autarchy is not a direct goal of the tariff protection policy. We determined that liberal economic patriotism is a response to deformation of the classical credo of liberalism "laissez-faire".

Key words: economic nationalism, economic patriotism, protectionism, neo-protectionism, economic policy.

JEL Classification: F5, F52

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1. Introduction

In fact, economic patriotism is not a recent invention; it is rooted in the antiquity, the medieval times, and the modernity. Its feature is "realism" or "common sense", which can also be its other denotation. The principles of this paradigm were already elaborated by mercantilism when there were no economic theories, but the only practical effort of the state and business leaders focused on the development of domestic economies.

However, quite many scientists question the ability of nationalism to encourage democracy and modernism. The functions of nationalism in the process of social modernization, highlighted in scientific literature are as follows: the leading role in consolidating citizens, to implement national development objectives; modernization in its broader sense; compensation of losses suffered by a nation from the past experiences, and from inevitable problems faced by a nation in course of modernization. These conclusions are relevant mainly for post-colonial countries where nationalism has to face external influences and domestic patriarchal tribalism at the same time. It follows that nationalism is a leading social idea, by use of which the state has to adopt novel civilization principles.

It should be noted that we firmly believe that a nation state is no longer valid in the globalization era, being a hostage of transnational capital. Methodologically the capitalism fails to assess the global situation from real perspective, because it has to be replaced by methodological cosmopolitism, which subject is the global community, but not its selected clusters located within the boundaries of "nation states" that are no longer national, being transformed into temporary "gateways" for transnational corporations.

We are going to make an analysis of the concepts of nationalism, represented by four paradigms: modernism, primordialism, constructivism, and perennialism. The theory of modernization offers the extensive and comprehensive review of nationalism and democracy as political trends in the global socio-political process, and of the controversies in their interactions. It is argued that nationalism as an ideology encourages the creation of a nation-state that would subsequently undergo modernization. Advocates of this opinion believe that nationalism will appear as an anti-modernistic and pro-modernistic phenomenon at the same time if addressed in the indissoluble unity with its social carriers acting in specific historical processes.

At early phases, primordialism developed as a part of the anthropological school. Primordialists believe that nations existed throughout the whole historic period. In their arguments, they rely upon a lot of evidence to the existence of "pre-modern" nations. Yet, it is not quite capable to explain the historic phases when national feelings were compromised to religious regional factors. According to primordialism, nationalism is conditional on certain mystic stances that are not always rational, rather than on the functional needs of a society. According to constructivist beliefs, nationalism is objectively determined by economic realities and by the system of ideas born in 19 century. Modernism exists in two forms: chronological and sociological. According to the first one, nationalism as an ideology, a movement, and a symbol is a relatively new phenomenon; according to the second one, nationalism is also a radically new phenomenon. According to the second form, nationalism is a novelty, but not a modernized species of something old. Nothing like this had ever existed. Because it is not a routine issue of the continual movement of history, it is a phenomenon born by an ultimately new era and new conditions.

Nationalism is a product of modernity. This argument per se means the real modernism. Yet, not only nationalism per se is modern, but also nations, national states, national identity, and the whole "international" society. They all, according to a modernist, are new not only chronologically, but brand new. From 19 century till the 1940s, many scientists were adherers of one or another version of perennialism. It was partly due to the popular equalization of "race" and "nation", with the term "race" denoting a cultural group of autonomous origin rather than inherited and invariable biological features and genes (i.e. what can be replaced today by the term "ethnical belonging"). Perennialism was also inspired by the idea of society's development, with its emphasis on gradualism, staging of progress, social and cultural accumulation. The vision of nations as collective examples revealing genuine signs of gradualism, development, and accumulation was a simple and even natural matter, especially for ones fond of organic analogy.

However, it should not be overlooked that, first, the above functions cannot be realized without essential deviations from already established perceptions of democratic norms and procedures; second, when nationalism relies on nation-specific traditions, they will come contrary to objectives of modernization. Some researchers add "democracy". We are convinced that at the early phase of the post-colonial country's development the problem of modernization and democracy cannot be dealt with, especially when a country, such as Ukraine, has internal and external military conflict (Panchenko & Reznikova, 2017). The situation in Ukraine is a vivid case of the gap between fundamental principles of freedom of speech, mass media standards, freedom of political opinion, on the one hand, and real social practices established in the conditions of confrontation.

2. Analysis of recent research and publications

Practices of nationalism are considered in scientific literature in the latter half of 20 century as an attempt to explain nationalism by its impact on the development of

society and its institutes. Earlier, the prevailing opinion was that nationalism had spread in 19 and 20 century as a result of the coming industrial era triggering dissemination of ideologies and knowledge meant to substantiate theoretically the new social system (Cohen & Zysman, 1987). The concept of economic nationalism, formulated at the intersection of several intellectual schools, became rather a tool for interpretation than a full-fledged theory. As some theories of nationalism overlook economic grounds for state building, and others are not confined to the economy, it is too difficult to distinguish ones that could be classified as theories of economic nationalism.

Yet, analysis of their essential characteristics shows that the paradigms of perennialism and constructivism attempted to define the vector of the economy's impact on societies and vice versa. While advocates of perennialism were defending the idea that economic development was conditional on the social development, and insisted that only a developed society could give impulse to economic development, adepts of constructivism, on the contrary, argued that economic ideas (development, fighting inequality, expansion) laid the fundament for renaissance of the national idea.

However, once the objective is set to define the outstanding features of these theories, the most representative arguments should be analysed, articulated by T. Nairn (Nairn, 1997) and E. Gellner (Gellner, 2006), because in their works the economic dominant of nationalism is irrefutable. For T. Nairn, the mainstream factor behind economic nationalism is uneven development. When referring to it, the author approaches the structuralist interpretation of "dependence" as a lack of "true" independence from the impact of other countries, caused by a number of internal and external factors. These factors are often referred to as "structural deformations", in view of the impact of the international capitalist system on local economies and, through them, on the distribution of commodities, services, and wealth. Therefore, the principal objective of economic nationalism, according to T. Nairn, is to discover and stimulate internal drivers for economic development, not conditional on the impact of external factors and capable of causing gradual convergence of incomes with rich countries.

E. Gellner (who was a political economist) builds up his theoretical construct on the assumption that industrialism can have the determinant role in the economic development. It is true that industrialism per se is important for him in view of the enhanced conditions for development and homogenization of culture, because the industrial society, being mobile by origin, forms the demand and robust functional requirements for culture. So, economic nationalism, according to E. Gellner, is dictated by the need to secure the required conditions for building the state into the global coexistence so that the state can acquire the attributes of an actor in international relations. In E. Gellner's interpretation, nationalism acts as a political principle that calls for the coincidence of the national unity and the state. E. Gellner considered nationalism as an ideology caused by the society's transition from agricultural mode to an industrial one. At the same time, nationalism is a movement towards unification of education systems, to introduce industrial standardization (workforce included) and build up the integrated area of education and science. It should be noted that his work "Nations and Nationalism" was severely criticized by modernists (Heilperin, 1980).

In the article "Homogenisation, nationalism and war: should we still read Ernest Gellner?" D. Conversi (Conversi, 2007) criticizes the author for overlooking nationalism as a militarist ideology. He highlights the link between nationalism and the growing aggressiveness of a state. Other researchers argue that nationalism permeates all the walk of public life, strengthening it in a way in policy, economic and security terms, and associate it with the instrument for achieving the goal, formulated by the state's elite (Crane, 1998). The goal can be individual and group interest (attaining the power by social groups or redistribution of resources) or social interest (development, strengthening of the state). It should also be remembered that nationalism, like any other ideology, provokes a society for narrow discourses, limiting the broader social discourse. It can be born in mind that for nationalism, a society can exist only in form of the nation state; nationalism forms the methodology for social studies and stimulates competition between nation states as comparable formations.

L. Greenfield (Greenfield, 2001) argues that nationalism has laid the background for economic growth, forced governments to compete in order to assure welfare growth of their nations. In the work "The Spirit of Capitalism: Nationalism and Economic Growth", she outlines two issues concerned with the immediate reason for the rise of the modern economy with orientation on growth, and factors that put the economy in focus of the modern ideology. L. Greenfield distinguishes between the types of nationalism with various economic performances. As the principles are radically different, forms of socio-political organization of the state are different, too. As a nation is interpreted as a consolidated or unitary community, criteria of nationality can be civil or ethnic. These variables (theoretically, they can exist in four combinations) create three types of nationalism with the respective forms of nations and national identities: individualistic civil, collectivist civil, and collectivist ethnic. These types had different impacts on the development of nations-states.

3. The purpose and methodology of research

As can be seen from the above analysis, according to the methodology of economic nationalism, the state is the central agent of a nation, the carrier of its interests, and the source of means for their implementation. This conclusion enables for setting the ambitious task, to rediscover the features of economic nationalism in economic theories (mercantilism, Keynesianism, classical school) and economic policies, which, once implemented in practice by outstanding policy men, will enrich the terminology by new concepts synonymic to the concept "economic nationalism". Yet, our objective is to find out, if "nationalism" in the policy of economic nationalism has the same essential features as "nationalism" in the paradigm of nationalism. What kind of actions taken by politicians or government officials can be interpreted as ones that are ideologically close to economic nationalism? Has the concept of "nationalism" in our days the same colouring as it had hundreds of years ago? The analysis of selected theories will allow for outlining the most essential characteristics, along with identifying the ones laying the fundament for economic nationalism.

4. Economic nationalism VS Economic patriotism

New economic nationalism of the middle of 20 century has several sources: one of them is obviously mercantilism; another one is the teaching about "national isolation", which, if the ideas of Aristotle are put aside, originated from Johann Gottlieb Fichte. The mercantilist tradition includes elements that can hardly be rediscovered in the primary form in the contemporary world (such as colonialism), but regulation of payment balances and seeking for total employment is the reality of our days. Economic nationalism was a product of its era, as it provided the states implementing it with an effective tool for achieving economic growth and, most importantly, for strengthening the global position. Built on ideological grounds, economic nationalism featured the expansion dominant determining the means to achieve the objectives (Reich, 1991). Although it was erroneously considered by some researchers as the supreme form of protectionism mainly due to the prevalence of tariff instruments for the regulation of foreign trade, it was not confined by the impact on foreign trade and became the backbone for development strategies aimed at achieving economic security (Bhagwati, 1988). The liberal background of globalization did not so much deform the existing capacities of economic nationalism and the specifics of its implementation, as it determined the gradual transformation of its essential forms.

The movement towards integrative interactions at the global and regional level, accompanied by the liberalization of flows of goods, capital and workforce, the increasing demand for coordinating policy of governments and pressures from regulatory carcasses of supranational institutions are factors that raise the importance of finding versions of national self-affirmation, an alternative to economic nationalism. Innumerable numbers of interpretations and definitions of priority sectors and their conscious development by way of dichotomies "stimulation – expansion" or "protectionism – free market" appear with time. Economic patriotism has become a new version of economic nationalism, as it replaced protectionism as a principal instrument of foreign economic policy by a broader instrument of influence, neo-protectionism.

Economic nationalism and economic patriotism have a similarity: in spite of the common adjective "economic", they have always gone beyond the boundaries of economic regulation, being a response on "political order" of the time. 21 century offers a lot of evidence to confirm the above thesis. Elements of the economic nationalism policy have been demanded by state power officials as a kind of response on the awareness of market failure in striking a new balance in the conditions of the imbalanced global economy, with the growing competition and the shrinking global trade. Economic patriotism is considered not a French-specific phenomenon, but a broader tendency of modern developed economies. Economic patriotism goes far beyond the boundaries of "industrial patriotism" (which at the time was widely used in U.S. and France), and it has a broader political and economic significance in the current economic policy of developed countries due to persistent contradictions occurring in capitalism of 21 century.

The brightest example of a carrier of ideology alternative to the universalist "free trade" is Donald Trump, whose protectionist rhetoric in course of the election campaign, although being his personal "trump card", was nevertheless perceived by the global economic elite as a troublesome attempt to get attention. However, this frank position calling for support to domestic market capacities given the shrinking total demand does lay a powerful trend in international economic relations in the forthcoming decade. The Trump's hoodoo does not matter here, because waves of protectionism and liberalism have alternated for centuries, signalling the cyclic recurrence in the economy.

Economic patriotism is based on the opinion that interests of the home country have a higher weight than individual interests of corporate and political elites or mythic objective of the global economy's development, which makes it more similar to economic nationalism. Although economic patriotism in its original French use is labelled as "loud political initiatives designed to shake public opinion", it can also be accompanied by political debate, which demonstrates its veiled and semi-opened nature, because it falls under classical manifestations of protectionism, fixed in WTO documents and coloured in

negative tones. European investment in R&D associated with strategic industries was considered as a driver for R&D performance and strengthening, in order to build new "European champions" in the industry (artificial priority setting with the respective stimuli, to cultivate potential "champions", is, perhaps, the greatest heresy in the free market world). In response, the European Commission blamed French policy men for their failure to promote the European Neo-Colbertism in spite of blowing up neo-mercantilist themes in mass media.

5. Alternative forms of economic patriotism

To eliminate the risks of terminological confusion, in Table 1, we are going to give the essential meaning of alternative concepts *"authoritarian patriotism"* and *"democratic patriotism"*, which are not a background for economic patriotism. Economic interventionism has never disappeared, even in countries stubbornly supporting market liberalization. In 2005, Dominique de Villepin, the then French Prime Minister, called the right of national governments to defend own interests in integrated markets "economic patriotism". Economic patriotism, originating from F. List's economic nationalism (List, 1909), argues that economic choice should be based on the interests of each country. The renewed attention to this concept in the lexicon of political elites before "great recession" of 2008 shows in-depth and obvious contradictions between the objectives occurring in course of increasingly stronger integration of international markets, on the one hand, and of local governments' capacities to propose their solutions, on the other (Henderson, 1983). In the world with a wide range of economic management regimes, politicians encounter what is aptly called by Colin Crouch "paradox of neo-liberal democracy". The objective of politicians as national leaders is to secure political and economic interests of their citizens in the conditions of complex relationships between economy, law, and regulation when the lion share of economic management is no longer a subject to their exclusive control. This raises the importance of finding alternative strategies of economic policy.

B. Clift and C. Woll (Clift and Woll, 2012) examine economic patriotism through the prism of searching for compromise approaches to finding consensus between abstract global economic objectives and political commitments of governments on each territory. It allows for interpreting economic patriotism as the one with positive effects for social groups, companies, and sectors which, in the opinion of local politicians, can be referred to as so-called "insiders" due to their location (in the U.S. this approach is articulated by the slogan "buy American", in U.K. – "British jobs to the British", in Germany – "Priority to German investors"). Economic patriotism takes forms of economic partiality: the desired market is the one built in a way to secure a privileged position for certain actors. Contrary to economic nationalism, economic patriotism does not confine economic entities to ones with domestic residence (domestic business), because privileges cover both supranational and sub-national levels of economic agents.

B. Clift and C. Woll outline two features of economic patriotism. First, economic patriotism, like economic nationalism, is based on connection to a territory in building up political and economic area, and not to a specific political context. Although

Table 1
The essential meaning of alternative forms of patriotism

	Authoritarian patriotism	Democratic patriotism
Ideology	– The belief that one country is better than the rest of the countries; – Blind loyalty to the land and citizenship by the fact of birth; – Blind acceptance of the government's actions; – Reflex adherence to leaders and their blind support; – Conscious ignoring of drawbacks in the social system and social confrontation in a country; – Conformism: – Dissidence is considered as a threat with destabilizing effects.	– The belief that the ideals of one country are worth to be taken with enthusiasm and respect; – Blind commitment to principles underlying democracy; – Questioning of decisions, critical view of things, and relative loyalty; – Respect and care of people in the society based on certain principles (such as freedom or justice); – Sincere condemnation of drawbacks existing in the national economic system; – Respect for alternative opinions and encouragement of dissidence.
Slogan	This is my country, good or bad. America: love it or leave it.	Defiance is unpatriotic. You have the right to speak out.
Historic cases	The era of senator McCartney voting in Chamber of Representative. Sessions of the House Un-American Activities Committee, which strengthened opinion that to have anti-American stance means to be unpatriotic.	Powerful arguments of Paul Robinson, Pete Seeger and others at sessions of the House Un-American Activities Committee, who scorned the Committee members for the outward propagation of American stance.
Contemporary cases	Equalization of opposing views of the war in Iraq and hatred to America or support of terrorism.	Strengthening of American principles of equality, justice, tolerance or civil freedoms.

Source: Clift, B. and Woll, C. (2012). Economic patriotism: reinventing control over open markets. Journal of European Public Policy, 19(3), pp. 307-323

liberals have long associated economic patriotism with "irritant" and "violator" of economic rights and competition, considering economic patriotism as a concept synonymic to protectionism, this approach is not adequate, because it overlooks importance and multifaceted meaning of this phenomenon, which features are largely conditional on country or region. Moreover, it does not allow for adequate analysis of cases when officials use liberal economic policies to pursue selective strategies, in order to support interests of the so-called market insiders.

Second, although economic nationalism exists so long as the national state, we can observe the occurrence of its new features along with the transformation of national sovereignty, which is accompanied by erosion of the state and its institutes. Economic patriotism contributes to reconfigurations of global management and interdependence of markets, required as a result of the crisis caused by 30 years long massive economic liberalization after the fall of Bretton Wood system in 1978, deepening of European integration in the 1980s and the collapse of communism in 1989.

The use of the term "economic patriotism, contrary to "economic nationalism" or "neo-mercantilism", gives vivid evidence of different sources for patriotic intervention in the economy. Economic patriotism had the implicitly protectionist character in the era of its initial heyday, seeking to protect "young" (as F. List puts it) sectors of the economy by tariff policy and shield them from the pressures of foreign competition (Levi-Faur, 1997). Economic patriotism takes on to care about the economic sectors which, if stimulated and supported, would be capable of generating impulses for economic growth across the national economy, but it uses hybrid regulatory instruments adaptable to the liberal conditions dominating in the global economy.

However, instruments of any approach when used in their pure form (mercantilist, or Listian, or Keynesian) will be incompatible with the conditions of countries' coexistence, generated by the contemporary phase of international economic relations. The increasing shares of manufacturing industries (by Keynesian and mercantilist approaches), protection of new industries and enterprises, their support in enhancing export capacities and encouragement of industrialization process (Listianists), implementation of policies focused on stimulating total demand with consideration to its ecological effects (Keynesians) can well be fitted into the realities of our days and reflects ideological principles of economic policies in OECD countries (see Table 2). The analysis of selected theories allows for outlining the most essential characteristics, along with identifying the ones laying the fundament for economic nationalism (see Table 3).

A classification attempt to synthesize various approaches and reflect volatile tendencies more often will be subject to critique. However, types, forms of manifestation, and levels of implementation of economic patriotism underline dynamic rather than the static character of this concept (see Table 4).

6. Conclusions

While the instruments of conservative economic patriotism include classical protectionist measures (in full conformity with the ideology of economic nationalism) aimed at domestic protection for further expansion, and the capacities of protective regionalism are used (when it is pursued by regional associations

Table 2

Theoretical background of economic patriotism as economic nationalism of 21 century

Mercantilists:	Listianists:	Keynesians:
– growth in the shares of manufacturing industries	– protection of new industries and enterprises **that are weak in the competitive environment;** **– stimuli to the industrialization process;** – the reasonable intervention of the state, capable of coordinating the required processes and set up the required rules of the game, etc.	**– setting up redistribution policies, policies for support of demand, consideration for ecological aspect.**

Source: compiled by the authors

Table 3

Essential characteristics of economic nationalism from economic theories perspective

Mercantilists	Listianists, the teaching of F. List	Keynesians
– Strong and independent industry; – Development of factories; – Increase in the share of manufacturing industries; – Financing of enterprises from the public budget; – Production regulation (creating public enterprises)	– Protection of new industries and enterprises that are weak in the conditions of competition; – Importance of collective ownership; – The functional role of the state as "energy catalyst" (government intervention is required in course of industrialization, to coordinate the involved process, set up the rules of domestic game etc.)	– Autonomy of national economic policy; – Priority of national finance; – The coherence of social justice and economic efficiency; – Setting up of redistribution policy, demand support policy, consideration for ecological aspect).

Source: compiled by the authors

Table 4
Types and economic patriotism and its implementation methods at supranational and national level

		Types of economic patriotism		
		Liberal economic patriotism	**Conservative economic patriotism**	
Levels of implementing economic patriotism	Supranational economic patriotism	Strategic regional integration	Protective regionalism	**Forms of manifestation**
	Local economic patriotism	Implementation of liberal policies promoting the formation of supranational companies	Protection of national producer	

Source: compiled by Volodymyr Panchenko on the basis of: Clift, B. and Woll, C. (2012). Economic patriotism: reinventing control over open markets. Journal of European Public Policy, 19(3), pp. 307-323

that have a supranational regulatory body), liberal economic patriotism is implemented by the use of neo-protectionism instruments that are not confined to regulation of foreign trade but focused on stimulation of economic activities by the use of capacities of internal demand and stimuli to supranational industry (which should not be confused with the industrial sector).

Liberal economic patriotism is a response on deformation of the classical credo of liberalism "laissez-faire". It should be emphasized that the principle of government's non-intervention used to apply to economic relations only, to set up the internal and external balance. In times of classical liberalism (17 to 19 centuries), the social sphere was out of the regulatory focus or was essentially limited. In the contemporary, "etatism", a form of liberalism, the idea of regulation of the social sphere becomes dominant, and its "laissez-faire" form of 21 century (the end of 19 till the beginning of 21 century) helps rethink the role of the state, with regulation becoming socially oriented. However, it should be born in mind that the contemporary liberalism has spread "liberal credo" far beyond the boundaries of economic freedom.

Furthermore, while conservative economic patriotism had a protective character by origin, liberal economic patriotism has acquired expansionist features through the ramified instruments of neo-protectionism, which modify the ideology of economic nationalism by enlarging its scales. It allows regional associations to move toward extensive forms of integration and encourage the creation of national TNC for conquering markets. It is a supranational level where the reference can be made to distinctions between protection of existing advantages from domestic production and creation of local advantages when integrating into various markets, by creating TNC in particular. Can stimuli to create domestic TNC be a manifestation of economic patriotism? It is a contentious issue. We are, however, convinced that in this context stimuli to create national giants with transnational power, controlling the lion share of global markets, should better be diagnosed through the prism of economic nationalism as an ideology acceptable for leading countries of the world.

The unbiased analysis of Table 4 shows that the classification is based on the character of the so-called government interventions, varying by adopted policy and by the instrument for its implementation (support for domestic economy or expansion). In other words, while in conservative economic patriotism the state acts as an entity that has to face the challenges originated from outside, in liberal economic patriotism the state, apart from being positioned as an entity reflecting the existing realities of interstate dialogs in its policy or responding on the conditions of supranational regulation, is an active actor in priority setting. The policy of liberal economic patriotism can well be fitted into the landscape of market fundamentalism because it does not go contrary to its founding principles in seeking to eliminate market imperfections (failures). It needs to be admitted that liberalism in foreign trade policy is a result of, but neither a reason for the effective internal economic policy of the state nor the main alternative of protectionism.

These conclusions are fully confirmed by EU practices: although national forms of protectionism are not welcome by the single European market, government intervention can be considered as an ancillary instrument of liberal economic patriotism and liberalism in the economy (especially in the context of the proclaimed policy of re-industrialization or "new industrial policy of EU").

The legacy of mercantilism, which was naturally "blended" into ideological principles of economic nationalism, encompasses:

(1) Cautious planning of payment balance instead of allowing it to be balanced by its own.
(2) The increase in domestic employment by limiting imports and stimulating exports.
(3) Cautious regulation of structure and scopes of exports and imports (and financial operations that had a minor role just before 19 century).
(4) Various practices of protectionism and visible scraps of the idea that it is better for a country to export than to import.
(5) The opinion that it is better to buy from one who consumes his goods had rather small significance in the mercantilism doctrine, but today it has broadened and turned into "principle of bilateral relations."
(6) The thesis that foreign economic relations need to rely upon political necessity rather than individual decision.

The analysis gives grounds for the conclusion that economic nationalism meant to form a powerful state that sets up economic priorities and pursues the respective economic policy. According to economic nationalism, the market cannot be self-regulated; moreover, because powerful economies "regulate" the global market for their own advantage, a national state needs to correct market relations. Therefore, economic nationalism can be understood not only in its essential meaning but in its political context as well. Independence as a political goal needs to be distinguished from self-sufficiency as a by-product of policy focused on other objectives. Thus, tariff protection for some industries, introduced to hide political intentions to cut high competitive imports from a country of their origin, will enhance the country's independence in a direct way. But autarchy is not a direct goal of the tariff protection policy.

The retrospective analysis allows stating that the implementation of economic nationalism policy was backed by the following arguments:
(i) Seeking for as much independence as possible, from the resources that are out of the country's control, in order to be strong in a potential war. For a major part of governments considering the feasibility of aggressive military actions, autarchy was a prelude for the conquest.
(ii) Seeking for higher product diversification and a more balanced national economy. The diversification was considered as a means to enhance the national well-off and the national power. Yet, although such policy was often seen by its advocates as a temporary one, it might be lasting.
(iii) Seeking to plan domestic economy as independently as possible in the global economic conditions. Here autarchy turns to policy, either of economic isolation or, at least, of economic isolationism.

Yet, the three outlined intentions in implementing economic nationalism have obviously been obsolete and they cannot be relevant for today. For a better understanding of the modern interpretation of "economic nationalism", it should be born in mind that in the world divided into a number of independent countries, policy per se is always national. It is national not only because it is pursued independently from policies of other countries but also because the national policy of various countries (some countries or all countries) is coordinated and harmonized with each other. It may seem obvious but it must be realized because the policy is national policy if even it is a product of international agreement.

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BUSINESS ACCOUNTING MANAGEMENT IN UKRAINE UNDER THE CONDITIONS OF EUROPEAN INTEGRATION

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Abstract. The *purpose* of the paper is the aggregation of theoretical, organizational, and methodological concepts of the information economy from the position of its impact on accounting system at processing plants to prove the directions of improvement of its components according to the requirements of modern management. *Methodology.* The research of the concept of "information" gave the possibility to define the absence of scientific view on this issue. We suggest that talking about information we should understand the processed data including the system of accounting, which reduce the uncertainty of users. Information for management has not yet been evaluated and not investigated the impact of information costs on the efficiency of making decisions. However, the calculation of costs for information services, which are also provided by the accounting system, is an important factor given the ability to optimize the preparation of information. To characterize the current stage of the development of the economy, the next concepts as "information economy", "economy of knowledge", "Internet-economy", "post-industrial economy" and "innovation economy" have been compared. The investigation gave the possibility to define that information and post-industrial economy are synonyms – the concept "post-industrial economy" characterizes the same stage of the development but from the retrospective point of view. Such concepts as "knowledge economy", "Internet economy", and "innovation economy" are components of the information economy, which form its characteristic features. Nowadays, information plays an important role for a manager and influences the activity of an enterprise. The experience of successful companies shows that their achievements depend on the well-organized information system. *Practical implications.* Thus, the considerable part of information (78.5%) provided for managers belongs to business accounting that intensifies its role at an enterprise in the information economy. *Value/originality.* It could not be overestimated the meaning of full and true information about the financial state and the results of the activity of an enterprise to solve current and prospective financial and economic problems.

Key words: information, information economy, information society, accounting system, business accounting system, processing plant, management, concept.

JEL Classification: M42, M49

1. Introduction

Transition to information output expansion and realization of information products and services change the location and prospects of the country in the world economy, supports its technological independence, increases compatibility that causes the actuality of forming and developing the information market, and exacerbates the problem of information support of the modern stage of economic development. At the modern stage, information product and services become strategic resources for economic development. A considerable role of information is in the financial business, where the decision making is based on punctual and reliable information what defines a high efficiency of such a decision and sometimes it can cause considerable losses.

The main principle of a new paradigm of the information society is an orientation on intellectual, artistic, and creative potential. The global information society is a society of mental work, which is based on the use of knowledge in all spheres of human activity – production, science, and education.

From the second half of the 20th century, one can observe features and tendencies of forming an information society that causes forming new objects of business accounting. This stage differs from "traditional" industrial economy by its essential displacement of the used human resources from tangible to intangible,

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increasing transactional sector and blurring of borders between branch markets.

2. The genesis of development of the information economy in the modern world of business

Modern highly developed countries enter a new historical stage of the development of civilization – post-industrial, information type of the development of society. Different types of knowledge and information become the main factors in the development of such a society. They support the increase of impact on all spheres of human activity – production, education, culture, leisure and, first of all, management system.

P. Drucker suggests that the main goal in business management is creating wealth but not control costs, what should be implemented in modern management concepts (Drucker, 2004). To manage effectively, one should predict the future. The true prediction can be supported by a deep retrospective analysis of rules of course of past processes.

The information economy is a term used during the 1970s-1980s when a big part of GDP was supported by production, processing, storage, and dissemination of information and knowledge. The majority of people occupied in this activity, where electronic and information means of connection are used in the development of all main economic means. Besides, the information itself is identified as products and investigated using statistic methods.

Characteristic peculiarities of information society are depicted in Figure 1.

Therefore, we can affirm that in the last quarter of the 20th century, the humankind entered a new stage of its development – information society. Economic information should be emphasized because it is very useful for people who deal with accounting information, which is called by A. Barkhatov as "economic chronicle" (Barkhatov, 2001)

Information in management is interpreted as the aggregate of data necessary for an active influence on the managed system to optimize it. The usefulness and efficiency of information in such a case is assessed according to its level of influence on the change of stage that presents the state of a managed social object.

The Nobel laureate J. Stiglitz states that the information economy is a fundamental change of the paradigm, which occupied the ruling positions in economic science. It essentially influenced the modern approach to economic problems, explained phenomena, changed views on the functioning of economic mechanism and caused the reinterpretation of an adequate role of a state in society. The information economy is also called the economy of knowledge (Stiglitz, 2005)

It defines the necessity to determine and differentiate "information" and "knowledge". Undoubtedly, information and knowledge are connected concepts but the difference is fundamental. H. Demsetz built such a logical chain: information creates a productive field for innovations stimulating the production of new knowledge that supports optimization of the location of

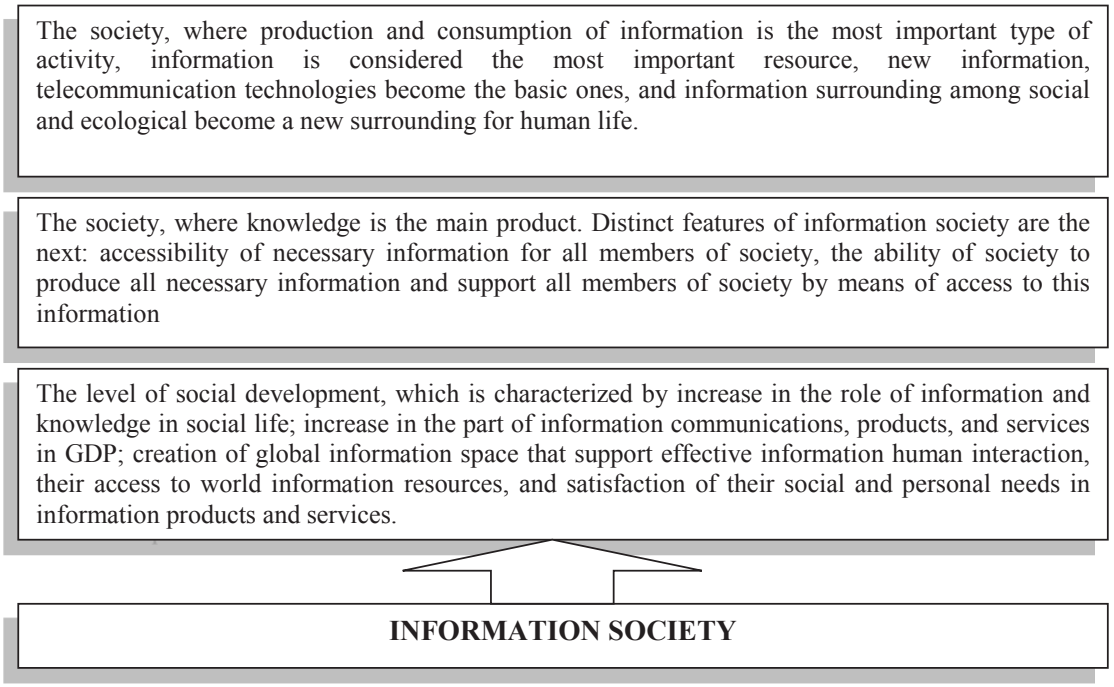

Figure 1. Definition of the concept "information society"

Source: developed by the authors

physical resources and formation of other innovations (Demsetz, 1997). Investigating the stated above differences, M. Sheresheva suggested that "information economy" considers the current stage of social and economic development and "economy of knowledge" as the next stage (Sheresheva, 2008). It should be taken into consideration during forming the public economic policy of Ukraine that defines the long-term competitiveness of a country. Such an opinion can be true but we suggest that information economy, at the same time, characteristics of innovative and Internet-economy includes elements of the economy of knowledge (Figure 2). Therefore, the modern stage of the development of the economy should be called information, which includes the stated above aspects. To define it, we should investigate the use of the concept of a post-industrial economy, which is often found in scholars' works. O. Volkova and M. Denysenko wrote, "Information explosion, which has happened recently and transformed the industrial economy into information, has essentially changed all social processes" (Volkova, Denysenko 2004).

On the contrary, the production of tangible goods prevails in industrial society; in the information (post-industrial) society we can observe the production of intangible goods. Information makes essential changes in the world outlook of a human being and society.

Some scholars suggest that information is a function of time. L. Khoruzhii considered, "accounting of the reason of time is one of the obstacles to define information necessary for the future" (Khoruzhii, 2004). In H. Zakharchyshyn's opinion (Zakharchyshyn, 2012), information society widens space but restricts time stimulating the choice of priorities of activity. Taking into account this fact, we should talk not only about usual components of resource potential but should emphasize a new resource – time at the micro level to evaluate the efficiency of an enterprise.

3. Information as a product of accounting system in the information society

Current economic processes are characterized by swift information transfer about changes in branch markets so the decision about transactions can be taken in real time and transactions are made very quickly and practically twenty-four hours a day.

Usually, the advantages of information society are evident but the question is whether all its consequences were positive? F. Fukuyama is the first who put this question (Fukuyama, 2008). We should emphasize that there are many disadvantages to the information economy (Figure 3).

Information and knowledge as more powerful productive forces caused the gap in profit between the richest and poorest countries of the world up to 72:1 at the beginning of the 21st century. During the last 25 years, it increased in 10 times. According to UNESCO data, 80% population on the Earth has only the basic education or does not have it at all, 85% have never used a telephone, and 93% have never used a computer (Chukhno, 2007).

Joseph E. Stiglitz stated that information economy much influenced our imagination about economic policy and it can have a bigger influence in future (Stiglitz, 2005). S. Kuznyetsova ascertained (Kuznyetsova, 2007), the strategic goal of the development of the information-based society is information-based economy in Ukraine. Besides, the issue of information-based economy should be suggested in the context of economic entities, which use information.

Information economy changes not only characteristic of production and economic relations but also information technology, which has a direct influence on

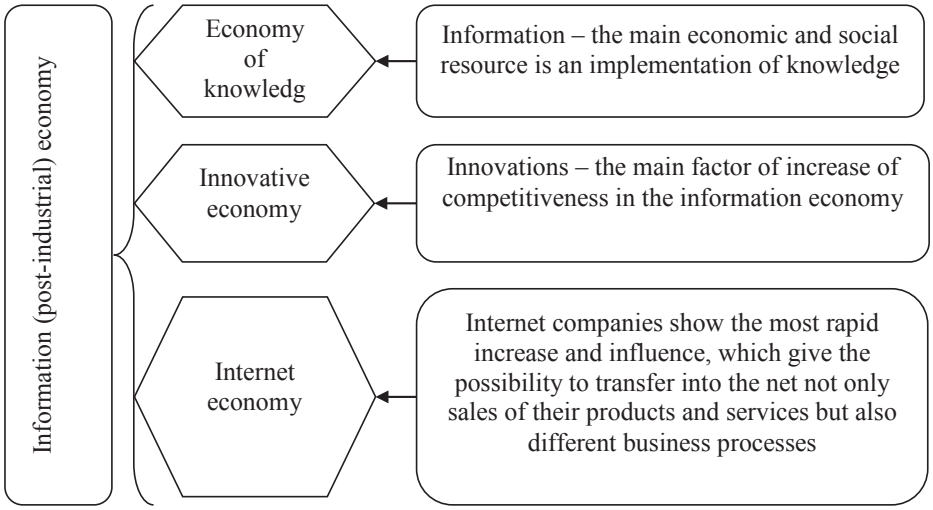

Figure 2. The main features of the information economy

Source: Rozhelyuk, 2013

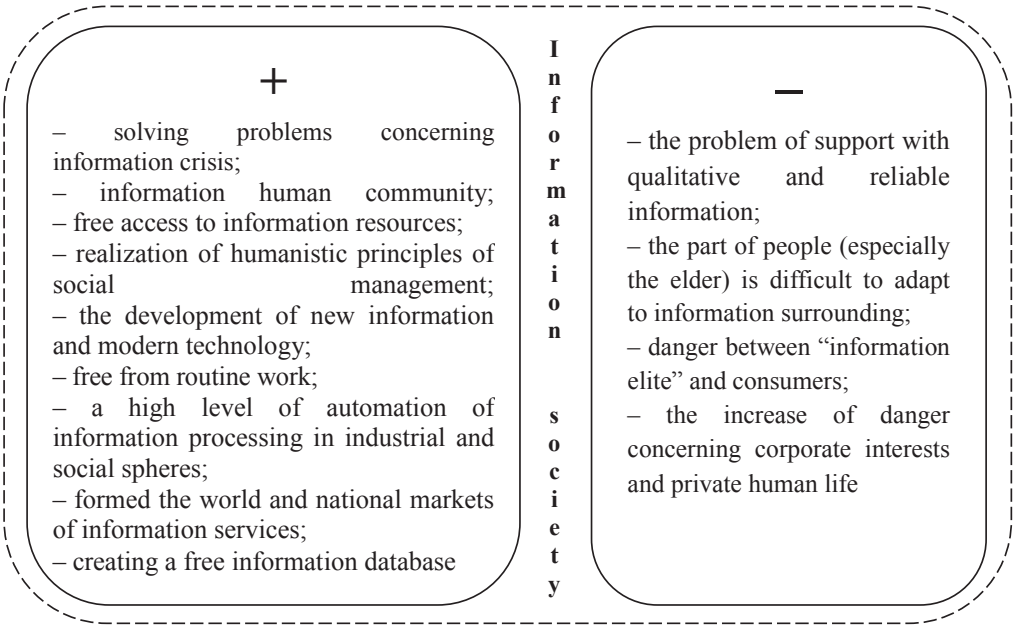

Figure 3. Positive and negative features of the information society

business accounting and that is the concept taken as the base of its theory (Figure 4).

Information should be differentiated from data and knowledge. Although, in some approaches, information is a generic concept for data and knowledge, which differ by a different stage of structural nature and understanding of information. For further investigation, we suggest defining the essence of the concept "information". Information is one of the actual, fundamental, and debate concept in modern science and practice. Because of the absence of a common definition, in different branches there are different interpretations of information. The following definitions, which are oftener used:

- information about persons, subjects, facts, events, phenomena, and processes, which are presented in any objective form that supports the possibility of its filing and dissemination;
- data, which was transformed from an italicized part of the text;
- knowledge (information) about such objects as facts, events, phenomena, subjects, processes, imagination, which include concepts having a concrete content in some context;
- block of knowledge, facts, information that is interested in and should be processed and recorded;
- results of reflection caused by any interaction between objects, information about anybody or anything able for support of active actions.

By general meaning of this word, ***information*** is not only what decreases the measure of the indifference of its user concerning any object. Talking about the *object*, we should understand something existing independently from our consciousness. Information is a reflection of an object in recipient's (subject) consciousness. It gives the possibility to define the quality of information (Petrenko, 2008).

W. Ashby considered information as diversity, at the same time C. Shannon understood it as not any data

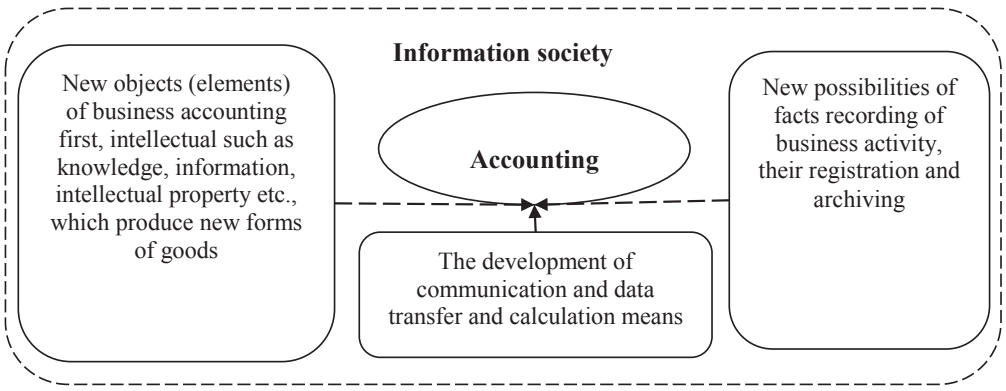

Figure 4. Information economy's influence on business accounting (Rozhelyuk, 2013)

exchanged between people but only that decreasing the level of consumer's indifference (Ashby, 1962). The concept of indifference became the key in the investigation of information by C. Shannon, who stated that indifference could be only making the choice among two or some opportunities. Nowadays, the majority of scholars defining the concept of "information" use the concept "indifference" (Shannon 1963). Therefore, V. Petrovych (Petrovych, 2010) suggested that information can be defined as the "block of data decreasing the indifference of the perception of surrounding world". By a narrower meaning, information is data, which are an object of recording, dissemination, and processing" (Hnilitskyi, Orekhov, 2009).

Italian professor J. Galassi (Galassi, 2011) stated that the modern concept of information economy was developed from models of rational choice in the state of indifference. Besides, the scholar added that study of information and information systems, which is business accounting, is "beneficial base for interesting reveals, rich suggestion and prospect for the further development."

There is a view (Stiglitz, 2005) that information is a type of transactional costs. Many economists from Chicago school considered that information economy was suggested as a branch of applied economics. In S. Haluzina's opinion (Haluzina, 2006), accounting data are "raw materials" for creating information. We do not agree with this opinion because the system of business accounting includes data, indices, and information. Data are information, facts, values and their correlation, transformation and processing that give the possibility to receive information that is knowledge about a subject, process or phenomenon. The information contains only those data, which reduce the indifference of events interesting for the addressee, a user that is again received data and the quantity of information depends on the impossibility to predict them.

Therefore, the concept "information" is the concept that has a broad meaning. By information, we understand data, message, events or situations. It is disseminated and perceived as signals, that is why it is considered as any physical influence of material things or reflection of its influence, which has a concrete meaning. According to V. Sukhina (Sukhina, 1992), information can be defined as the measure of the arrangement of the material system. It is an information resource, that is, received knowledge and data about the state of the external and internal surrounding of the system are used in production and management as a factor to increase efficiency.

4. Accounting information in management system at processing plants

Requirements of information society make managers of enterprises to increase the quality of the system of business accounting that supports the quality of information support of internal control. However, it should be noted that the level of the quality of business accounting does not meet modern requirements of management.

It is necessary to define the terms and show the difference between "information" and "knowledge" that allows proving our understanding of essential differences between "information economy" as a modern stage of social and economic development and "economy of knowledge" as the next possible stage.

The origin of knowledge management can be observed in Plato's works. However, only recently, essential changes have been made in economy and business, which stimulated the interest to the given problem. Knowledge management is an aggregation of different subjects, different approaches, and concepts. Their main goal is to create new and more powerful competitive advantages for enterprises. Knowledge management predicts the creation of new knowledge and stimulation of its increase.

Theoretical base of knowledge management is: philosophy, psychology, pedagogy, sociology, logic, economics, management, marketing, management theory, informatics, and the whole range of applied economic, technical, and cross disciplines. *Knowledge* is the result of cognitive human activity, which is in the form of adopted concepts, laws, principles, and fixed samples of phenomena and subjects. It can be empiric, insufficient generalized, and theoretical that reflects natural connections and relations.

Knowledge should be differentiated from the data and information. It is more than simply information: **know-how** – tested proved procedures; **know-who** – people having experience or resources; **know-what** – ability to differentiate and chose the key models and actual actions; **know-why** – understanding of the context of a big experience (view); **know-when** – combination of feelings of rhythms, time, and realism. The given concept is characterized by internal interpretation, structural and bound features, and mutual activity (Kandybovych, 2010).

Economy, like any activity of society, is based on information and at the modern stage of its development possession of knowledge and their usage are the main reason of economic development and the base of transformation processes. That is why, economic information is a special type of information, which is defined by L. Khoruzhii (Khoruzhii, 2004) as the aggregate available differences in the economic entity. These data should be fixed, transferred, processed, recorded, and used for management by an economic entity or its separate elements. Facts are the base for such data that is all data about used resources. It is impossible to manage an enterprise effectively without information processes. The law of information means that the level of management can be higher when there is new information and when this information is used. Therefore, in the accounting system, the law of information is active.

Table 1
Different types of knowledge described in the literature

Type of knowledge	Essence
Implicit	Personal knowledge connected with individual experience; skills, patterns of thinking, behaviour, intuition. Implicit knowledge is in human minds, personal archives, on the contrary to explicit knowledge, it is personal, with contextual meaning and that is why it is difficult to formalize it and transfer.
Explicit	Accumulated experience, which can be emphasized and presented in the form of reports, analyses, management, instructions and recommendations for activity. This knowledge is easy to define, fix, record, and transfer using information technology.
Innovative	Unique knowledge, which supports a competitive advantage in the activity. They allow changing "rules of the game".

Source: developed by the author based on (Kandybovych, 2010; Kovalyov, 2004)

With a particular focus on differences between "information" and "knowledge", the author made a conclusion that the term "information economy" corresponds to the logic of the beginning stage of the social and economic development, which can be characterized as "information industrialism". The given stage differs from "traditional" industrial economy by essential improvement of used resources from material to immaterial ones by an increase of transnational sector and disappearance of borders between branch markets.

Forming information in business accounting, factors, which limit appropriate and reliable information, should be taken into consideration. Timeliness of information is one of such factors. Excessive delay of data submission to interested users can cause the loss of its relevance. Continuous waiting can support a high reliability of information but make it for small use. The use, which is received form formed in business information accounting, should be compared with expenses used for its preparation.

Any incorrect presentation of data in business accounting breaking the set of rules of its organization and conducting decreases sharply the value of accounting information. There are intentional and unintentional misrepresentations of reporting. Intentional misrepresentation is a result of deliberate actions (or inactivity) of staff of an enterprise. They are made with lucrative impulses to mislead the users of reporting. Unintentional misrepresentation of reporting is a result of unpremeditated actions (or passivity) of the staff of an enterprise. It can be the result of arithmetic or logical records, mistakes in calculations, oversight in accounting confidence, incorrect representation in the accounting of the fact of economic activity, property, and its condition.

Factors, which reflect the peculiarities of a state of a concrete branch of the activity of an enterprise in general that will support the appearance of misrepresentation, are the next:

- the state of the economy itself and economy of a country in general – crisis, depression or rise;
- age-specific possibilities of the rise of impossibility (bankruptcy) of economic entity because of the crisis of a branch;
- peculiarities of industrial activity of economic entity and technological peculiarities of production.

The reason for accounting unreliability can become unsuccessfully chosen accounting policy, a method of its use or inadequacy of information disclosure in accounting reporting.

Despite available disadvantages, the majority of the information needs of the business are systematized into management information systems under current conditions of social development. Management information system consists of interconnected subsystems, which provide information necessary to perform business. Accounting information system is the most important subsystem that is why it plays the main role in the management of economic information in all departments of an enterprise and for all users.

We suggest that under the conditions of constant complications of economic relations in society, as a rule, there are not one but some paths of achievement of the necessary result. Following each path, there will be a result that is the activity will be productive. However, not all paths to achieve the result will be optimal from the point of view of corresponding criteria, the movement to the result using not optimal path cannot be defined as effective. Therefore, we can make an important conclusion: any effective activity is successful but not any successful activity can be effective. Resulting character is a necessary but insufficient condition for effectiveness.

We should provide H. Emerson's expression about the role of business accounting (principle 6): "Such as there may be detailed and accurate bookkeeping, on its own it cannot create productivity. Its ideal components are: debit, credit and balance and availability of documents about each record. No norms, besides the norms, which were achieved in past, bookkeeping cannot show; the only unproductivity, which it can reveal is an achievement, not those results, which were achieved in past. Bookkeeping cannot either create productive norm or try to get them. However, no modern enterprise can work without bookkeeping" (Emerson, 1992). It is the best answer for those who consider that bookkeeping lost its meaning and even without making accounting procedures effective performance can be achieved. We can make the following conclusion: only that accounting system can be defined as effective, which owns synergy in full sense that is the maximal efficiency of common functioning of its elements.

Thus, Pareto's law can be used as a basic set for the analysis of reasons of efficiency of any activity and optimization of its results. An adequate choice of minimal quantity of the most important actions gives the possibility to receive the considerable part of the full planned result, besides further improvements are not effective and unjustified (according to Pareto curve). The category of efficiency is very important and it is investigated by different scientific schools.

Management sets the valuable approach for business management, "Everybody should bring value. He who does not bring value then he sells it." Therefore, indications of KPI (Key Performance Indicators) should measure the efficiency of the work in each department or employee. It belongs to the accounting system.

Accumulated data in the information system are not necessary by themselves, they are valuable only then when they can be used for the managerial base of necessary decisions. Such decisions fall under some systematization, which allows arrangement of requirement presented for the volume and structure of data circulating in the information system (Figure 5).

Information from business accounting system is provided for users, which are divided into internal and external users. External users are considered to have a limited volume of information and internal ones – full. However, in modern conditions, when information is a subject for discussions, it is necessary to specify who users are, what are they, and what information requests they form.

Information, which is correspondent to ethical norms and is transparent and it is not created by managers, which try to present it better than it is in reality, is objective and reliable.

Users of all levels need information that is why there is an information base as the block of data, which is specific information raw materials, on the base of which information is formed. There are different definitions of information: as data, which decrease the indifference in some part to which they belong. Thus, information is new knowledge, which does not exist in new type by itself but a consumer of information raw materials, which is data, which potentially carry information, generate it.

5. The business accounting system in information support at processing plants

Business accounting is the base of information company support. Its main task is to support users with information about the business state.

The final accounting product is information necessary for taking management decisions and their monitoring. Accounting provides current information about the performed operation and final information about facts. The final product of accounting is information about facts about economic life during a month and quarter. Accounting objects are defined for these goals; methods for forming information are defined; specialists are appointed.

Therefore, accounting management supports creating necessary conditions for a management system in providing information for making management decisions and their monitoring.

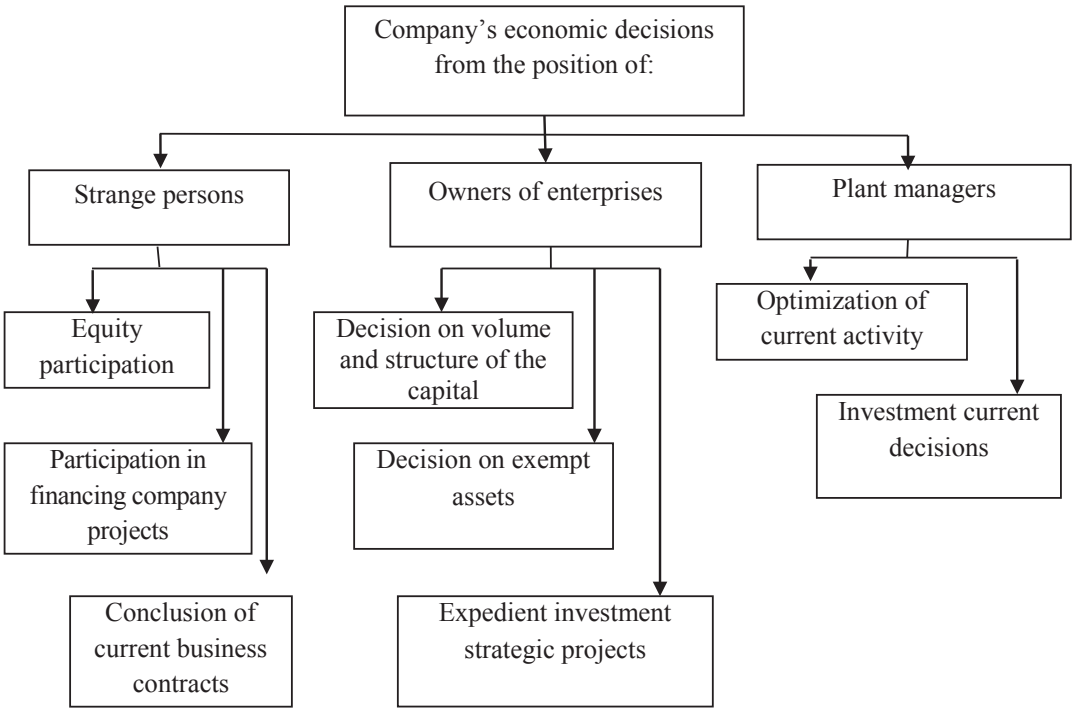

Figure 5. Company's economic decisions taken from different positions (interests)

A financial report under market conditions is interested for two groups of users. Therefore, under the conditions of market economy, the set of users of report is wider than under the conditions of planned and administrative system, where the only internal and external user was a state or authority (ministries, fiscal bodies, statistic services) or manager of an enterprise, which was oriented on the fulfilment of state plans and tasks.

Paying attention to that fact that users' interests are different, business accounting cannot satisfy all information needs. Formed information in business accounting for external users satisfies general needs.

Business accounting does not reflect only facts but information about them. Data about separate facts are transformed in the accounting system into information economic characteristic. Correct and effective accounting gives the possibility to consider that on all stages of the accounting process, only that information is fixed and integrated, which is necessary for business management (Nakonechna, 2009). External users are provided with not full information and they cannot see a broad picture of the business.

Taking into consideration the main task of business accounting, we can suggest that business accounting management is data collection management, their processing, and delivery of information. Quantity, quality, and direction of the generated information are specified by life that is by business activity. During the whole period of existence of accounting, information was divided into good and bad (is not correspondent to requirements).

Information economy's influence on business accounting system – a rapid development of computer technology and software development should be emphasized.

It was proved that since the beginning of the second half of the 20th century, as many famous scholars predicted that information stage of social and economic development has come. This type of the economy is retrospectively called post-industrial and it involves aspects of Internet economy, knowledge economy, and innovation economy. Besides, information is processed data (including business accounting system), which decrease users' indifference. Moreover, it should be taken into consideration that in accounting management, modern economic processes require processing of more volume of information for different types of users.

Therefore, information for management is provided by not only the accounting system but also management control and analysis, which use accounting data. According to different assessments, accounting provides 70-80% of the information and the rest of it is provided by other functional services of an enterprise. Company accounting section creates a product – information, which is always in great demand that requires the development and implementation of accounting management in the information economy.

6. Conclusions

The research of the role of business accounting as information system under the conditions of the settling of information economy gives the reasons to affirm that under the conditions of the information society, time element plays a very important role. In fact, nowadays, information loses its actuality; its value can be varied depending on the time that is why time element is determinant in business in providing a business accounting as an information producer. The business accounting system should be organized to provide necessary time-effective information with minimum expenses of efforts.

A systematic approach in investigations, new technology, and information orientation of society created a base for the development of a new business accounting management. We agree with the opinion of many scholars, which consider business accounting as an information system because in business accounting, all its components systematically interact and each of them has qualities. Their exclusion decreases general potential and efficiency of the information system. Only in totality, they form information system, on which financial and economic activity of an enterprise depends.

Proceeding from modern social and economic conditions, scientific and technical progress, and an increase of the volume of information, which should be processed at enterprises, institutions, and organizations of Ukraine, a computer-based form of business accounting is widely used. In spite of its disadvantages, the system simplifies accountant work and increases the speed and time of inquiry execution.

General criteria of quality can be the correspondence of accounting information to requirements of national and international standards. However, each business entity should develop its own criteria of qualitative accounting information, the features of which are the following: sufficient content, reliability, structural, true, analytical, stable, comparative, accurate, fresh, legal, appropriate, done in time, understandable and confident character.

Therefore, experimental results gave the possibility to investigate a significant problem in the discontent of accounting information management needs. Besides, incorrect accounting system management is the reason for dissatisfaction. On the one hand, managers do not know what information can be provided by the accounting system and on the other hand, their information request enquires a lot of time and efforts. Altogether, if done right, such problems could be avoided if the information in accounting is formed to receive it easily without many efforts for the processing of unnecessary information. Organizing business accounting system, it should be taken into consideration that it is not preferred to increase processed information content but it is necessary to optimize technology of processing of necessary and important information and be able to separate irrelevant information.

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LOCAL TAXES AND CHARGES IN LOCAL BUDGETS' INCOME GENERATION

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Abstract. *The aim of the article* is to determine the role of local taxes and charges in local budgets' income generation, as well as to conduct a comparative legal study of regulatory legal acts that determine the legal basis for local budgets' income generation by local taxes and charges. *The subject of the study* is local taxes and charges in local budgets' income generation. *Methodology.* The study is based on the dialectical method of scientific knowledge and corresponding general scientific methods, such as analysis, comparative, analogy, induction, and others. *The results of the study* revealed that to implement positive foreign experience in generating incomes of local budgets, a number of negative aspects should be restricted. Unfortunately, the ratio of subventions and subsidies in the incomes of local budgets of Ukraine demonstrate no positive trend. In Ukraine, local bodies have very little and weak powers even for the use of funds distributed via the budgetary system. Therefore, most of the funds transferred from the State Budget of Ukraine to local budgets, in reality, are only their imaginary income. *Practical implications.* Local taxes and fees in the context of their participation in local budgets' income generation are under the study. Negative tendencies of a significant proportion of inter-budgetary transfers in the financial provision of regions and territorial communities are identified. The author argues that the increase in revenues from local taxes and charges, accretion of local bodies' tax powers is aimed at ensuring the independence of local budgets, reducing the burden on the State Budget of Ukraine. *Relevance/originality.* A legal analysis of local taxes and charges in local budgets' income generation and definition of problems in the budgetary sphere are the foundation for the development of the most promising spheres for domestic legislation improvement in respect of the aspect.

Key words: taxes and charges, local taxes and charges, budget, local budget, local budget incomes, inter-budget transfers.

JEL Classification: H21, H24, H72

1. The relevance of the topic

Nowadays, the globalization of society contributes to the positive cross-cultural interaction, strengthening of the country's potential through the accession to the best world intellectual achievements and study of historical experience in solving socially important issues (Sevruk, Pavlenko, 2015). Therefore, over the past decade, the radical socio-economic transformations have resulted in both positive and negative changes in contemporary Ukrainian society (Pavlenko, Sevruk, Kobko, 2017).

To a certain extent, it is expected that due to fixing at the local level important for the society functions, such as health care, education, social security, etc., the income generation of local budgets is ensured mostly by legislative consolidation and establishment of deductions from state tax payments. Nationally important, both in the context of taxation objects and in terms of their fiscal capacity, the latter can provide with a stable financial support for local infrastructure, ensuring a state-guaranteed level of social security of the population, the performance of other local functions and tasks without any complicated reform of the fiscal system.

However, it should be considered that total tax revenues to the local budgets from national taxes and charges push back to the second plan incomes from tax payments. Objectively this poses serious threats of both the reduction of the importance of local taxes and charges in the financial security and economic development of the regions and the loss of interest of local representative bodies in their regulation and implementation within the limits of the granted powers.

2. Literature review

A significant contribution to the study of this problem was made by foreign and domestic scientists, such as P. M. Borovyk, V. V. Zubenko, M. P. Kucheriavenko, T. B. Lishchyna, O. Marchuk, O. A. Musyka,

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3. The main material

Russian scientist V. Nikolaev argues that under these conditions, the interest of local bodies in an active economic policy, aimed at stimulating business activity, developing competition, and supporting local private entrepreneurship, is excluded (Nikolaev, 2013). Furthermore, objectively the tendency to minimize the scope of tax powers of local bodies leads to shifting responsibility for the economic development of state territorial units to the central government. Thus, the preconditions for destabilization are rooted not only in the economic development of the state and its territories but also in the interests of all state administration.

Moreover, the shortcomings of excessive centralization of tax powers and insufficient consideration of economic interests of the regions may be less noticeable in short terms, under the veil of supposedly stable financial receipts from the centre, but amplified especially in the medium and long terms when macroeconomic indicators of the entire state are much weaker than in many developed countries of the world. These threats become even more urgent for our state under consideration of the formality of the majority of the tax powers of local self-government bodies in Ukraine, as discussed above.

In addition, according to the requirements of the provisions of Articles 69 and 71 of the Budget Code of Ukraine (Biudzhetnyi kodeks Ukrainy), both local taxes of the domestic tax system (unified tax and tax on immovable property other than the land plot) are assigned imperatively to a special fund of local budgets. Moreover, a narrow target area of such fund expenditures leads to a limitation in the ability of local bodies to operate freely with local finances, determine independently their uses, and rely on local tax revenues in local issues.

Moreover, it is generally accepted that, in comparison with tax collections, more than two-thirds of incomes to the revenue side of the budget are provided by taxes (Kucheriavenko, 2012). Therefore, since domestic legislation provides for that the general revenue fund of local budgets comprises only the charge for certain types of entrepreneurial activity, the tax for vehicle parking places and tourist tax, even more prerequisites for minimizing the importance of tax payments in local finances and the formation of public monetary funds occur.

In addition, the widespread use of inter-budgetary transfers (funds transferred free of charge and irrevocably from one budget to another) diminishes significantly the role of revenues from tax payments (Kucheriavenko, 2012). The main types of inter-budgetary transfers in Ukraine are the subsidy of equalization and subvention (Muzyka, 2004), which by their legal nature organize a downward flow of secondary revenues of the state budget system filling the system of local budgets with the revenues of the state budget.

In the mechanism of various incomes, inter-budgetary transfers become a powerful means of achieving the necessary level of financial security for regions and territorial communities. Article 97 of the Budget Code of Ukraine (Biudzhetnyi kodeks Ukrainy) details such inter-budgetary transfers additionally. According to its content, the state budget of Ukraine can provide such transfers to local budgets: 1) equalization subsidy for the budget of the Autonomous Republic of Crimea, regional budgets, district budgets, and budgets of the cities of the Republic of the Autonomous Republic of Crimea and regional significance, budgets of cities of Kyiv and Sevastopol, other budgets of local self-government for which governmental inter-budgetary transfers are defined in the state budget; 2) additional equalization subsidy for the financial security of local budgets; 3) subventions for the implementation of state social protection programs; 4) additional subsidy for compensation of losses of local budget incomes due to the provision of benefits established by the state; 5) subvention for the construction, reconstruction, repair, and maintenance of streets and communal property roads in locality; 6) subvention for the implementation of investment programs; 7) other additional grants and other subventions.

Total subsidies and subventions are approved in the Law on the State Budget of Ukraine for the corresponding year separately for each of the local budgets. Thus, the legal regulation of inter-budgetary transfers is attributed to the powers of the highest state authorities. Such centralization causes the loss of interest of local bodies in strengthening local finance by increasing primary incomes of local budgets. Thus, the tax policy of local representative bodies is reduced to the unenterprising expectation of subsidies and subventions from the state budget. In these conditions, the independence of local budgets is significantly weakened, the burden on the state budget of the country is increasing, and the deficit of the latter is growing.

This problem is rooted in at least the first half of the last century and the times of the collapse of the Russian Empire and creation of the former USSR. For example, in May 1918, V.I. Lenin proclaimed theories of the uselessness of local self-government, need of the rigid centralization of financial management in general and taxation in particular, and abandonment of independent local budgets (Pysmennyi, 2010). Despite the intensive

development of the institute of local finance over NEP years, since 1929, the local budgets of the USSR were completely dependent on the state budget (Pysmennyi, 2010); their management was generally controlled by the central authorities almost until the last years of the USSR. Nevertheless, even after the collapse of the latter, with the beginning of Ukraine's independence, the issue of the independence of local finances was not solved finally.

Another factor is that incomes from local taxes and charges are obviously insufficient. The following statistical data are the evidence (Zubenko, Samchynska, Rudyk et al., 2013). Thus, during 1998-2008, the share of local taxes among local budget incomes decreased from barely noticeable 2.6 percent in 1998 to miserable 0.6 percent in 2008. In the structure of all tax incomes of local budgets, including incomes from fixed and regulating nationwide tax payments, the outcome of local taxes and charges in this period ranged from 1.1 to 3.4 percent. Even the adoption of the Tax Code of Ukraine did not change significantly the suppressed position of local finances: according to available data (Cabinet of Ministers of Ukraine), the participation of local taxes and charges in financing local government expenditures from a catastrophic 0.5 percent in 2010 changed only to 2.5 percent in 2012.

Undoubtedly, this situation requires changes. According to O.A. Musyka (Muzyka, 2004), the independence of budgets is possible only in the presence of own sources of revenue. This is evidenced by the experience of many economically developed countries, where own income are about half (from 40-60 percent) of local budgets' income. Above all, these revenues should be incomes from local taxes and charges.

At the same time, an increase in the financial potential of tax payments would be an important step to overcome the high subsidy percentage of local budgets. The latter, according to the Concept of Reforming Local Budgets, approved by the Decree of the Cabinet of Ministers of Ukraine No. 308-r of May 23, 2007 (Nepochatenko, Borovyk, Pavliychuk, 2012), is determined as one of the main problems that make it necessitate the reform of local budgets. Nevertheless, the concept has not solved this problem, but on the contrary, it becomes even more acute.

According to statistics (Slobozhan, November 22, 2013), since 2007, the share of inter-budgetary transfers in the total incomes of local budgets has been growing constantly in Ukraine. For example, in 2007, inter-budgetary transfers of all kinds were up to 43.3 percent of incomes of local budgets, in 2008, up to 44.5 percent, in 2009, up to 46.7 percent, in 2010, up to 49.1 percent. The entry into force of the new Budget Code of Ukraine and the Tax Code of Ukraine did not change this trend. Moreover, in 2011, more than half of local budget revenues (up to 52.3 percent) was received out of inter-budgetary transfers, in 2012, up to 53.6 percent). According to the results of 2013 and current estimates, in Ukraine, a nation-wide share of inter-budgetary transfers is expected up to 55-56 percent of local budgets' incomes.

In fact, by the level of transfers from the state budget to local budgets' incomes, Ukraine has almost caught up with the Russian Federation. For the same indicator, the latter is at 61.8 percent in 2012 (Rudenko, Lishchyna). While developed European states are half that level of subsidy of local budgets (Rudenko, Lishchyna). For example, local budgets of the Kingdom of Sweden receive only 34 percent of revenues from the central budget of the state. The Federal Republic of Germany has achieved such a level of independence of local budgets that only 22 percent of their total incomes come from the state budget.

This situation on the accumulation of funds in the local budgets of Ukraine becomes very threatening for the entire public financial system of the state. In other words, in these circumstances, not only financial self-sufficiency and independence of local self-government decrease but also the situation with compiling and implementing the state budget of the country become more complicated. Frequently, warnings (Marchuk) are increased in connection of negative consequences of such a situation, since a significant part of state budget revenues is directed to the implementation of the budgetary regulation.

Therefore, in the context of the functional classification of expenditures and extending credit of the State Budget of Ukraine, the annual increase in the share of inter-budgetary transfers becomes clear (Cabinet of Ministers of Ukraine). For example, while in 2010, state budget expenditures in the form of downward inter-budgetary transfers to local budgets were up to 25.6 percent or 77 766.2 million UAH and in 2011, up to 28.4 percent or 94 875.0 million UAH, in 2012, these indicators amounted up to 31.5 percent or 124 459.6 million UAH, respectively.

Moreover, the evaluation of total subventions, that is, targeted inter-budgetary transfers to local budgets, which local authorities can direct only to a definite target, is no less important. According to domestic legislation [13], this target is determined by the body that has made the decision on subvention, i.e. central government bodies. Therefore, the greater the proportion of subventions in the funds coming from the state budget, the more formal the nature of fiscal powers of local bodies. Thus, the use of subvention proceeds becomes the most centralized form of various incomes. In fact, the next step of centralization can be only the liquidation of local finance and local self-government as it has been done for most of the period of the former USSR.

Unfortunately, the ratio of subventions and subsidies in the incomes of local budgets of Ukraine demonstrate no positive trend. For example, while in 2005,

this indicator was as low as the value of subventions from the state budget (42.3 percent) (Marchuk), in 2012, already up to 51.3 percent. Moreover, over 2005-2012, in Ukraine, on average, only 46 percent of inter-budgetary transfers to local budgets were equalization subsidies, which local governments can distribute and spend at own discretion. In most of the European countries, this proportion is much higher (Rudenko, Lishchyna): 62 percent in the Republic of Poland, 64 percent in the United Kingdom of Great Britain and Northern Ireland, 75 percent in the Kingdom of Sweden, and 95 percent in the Federal Republic of Germany. Only in the Russian Federation, indicators are almost the same as current ones in Ukraine, only 47 percent of subsidies among inter-budgetary transfers.

4. Conclusions

Such data mean that most of the funds transferred from the State Budget of Ukraine to local budgets, actually, are only their imaginary income. Local bodies list only technically most of the secondary revenues of local budgets to final recipients not being able to distribute them at own discretion. Moreover, considering the above circumstances for the barely perceptible share of local taxes and charges, most of which should be credited to a special fund of local budgets, it should be concluded that in Ukraine the mechanism of various incomes functions in one of the most unfavourable for local bodies regime. Local bodies in Ukraine have very small and weak powers, even using funds distributed via the budget system.

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CORRUPTION AS A NEGATIVE SOCIAL PHENOMENON HINDERING THE ECONOMIC DEVELOPMENT OF THE STATE

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Abstract. The *purpose* of this article is to analyse the current state of fighting corruption as one of the negative phenomena that hinder the economic development of the state, parasitizing the whole body of Ukrainian society. It is emphasized that existing in society, being a product of social relations, corruption permeates various social spheres of society, deforms various groups of social relations. It is appropriate that a narrowly chosen approach to preventing such a negative phenomenon significantly reduces the effect of such an activity and, as a result, does not enable to form an autonomous system that would be resistant to other accompanying risk factors. It is worth paying attention to the problems that are gaining the objective acuteness in recent times and are to oppose the state regulation of the economy by administrative methods and the so-called "freedom" of the development of economic relations. The need for operational intervention in the economy by state institutions through the adoption of managerial decisions, taking into account the growth of the global economic crisis, produces a separate phenomenon – economic corruption. However, the strong link between the social and economic spheres indicates the need for a comprehensive counteraction to such a socially dangerous phenomenon. Along with this, the determinants of the spread of corruption in Ukraine are characterized by their social nature, and less – by an economic one. It is stressed that corruption can be considered as a kind of social corrosion, which erodes and destroys public authorities, in particular, the state and society as a whole. The article reveals the content and significance of corruption, its types and forms. It is indicated that corruption – a social phenomenon that has a social conditionality and rules of social development and influence on social processes. The social nature of corruption manifests itself first of all in the fact that it has historical origins and social preconditions. *Practical importance* of the scientific research is to find out the causes and consequences of corruption for the economic development of the state, which is extremely important for improving the current legislation of Ukraine, which cannot be effective without conducting a high-quality anti-corruption expertise, built on a clear mechanism for conducting such an examination and reliable, validated methodologies. *Methodology.* The methodological foundations of the study of corruption are determined by a set of methods of scientific knowledge, which allow considering this problem as a multidimensional, multidisciplinary phenomenon. The research strategy, which is the basis of the integrated approach, grounds, first of all, on the following methodological principles: the formulation of a general theoretical concept; the development of cross-cutting concepts and categories that ensure the unity of the approach to the research object.

Key words: corruption, corruption offence, anti-corruption expertise, economic development, causes and consequences of corruption, anti-corruption measures.

JEL Classification: K10, Z18

1. Introduction

The adoption of democratic principles of the rule of law, equality of all before the law today has become one of the priority tasks of our state. The basis for this was a series of events that took place in Ukraine and forced the state to go through the way of the leading countries of the world with a developed democracy, in particular, European ones. However, despite all the efforts, there are a number of problems that hinder the processes of full and qualitative development of the state, which must be opposed by all, both the state and the public.

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One of such problems was the problem of corruption, which is now parasitizing throughout the whole large "organism" of society. The Great Explanatory Dictionary of Modern Ukrainian Language for a reason interprets the term "parasite" as "an organism that lives within another organism or grows into it and is fed by its tissues, juices, etc." (The Great Explanatory Dictionary of Modern Ukrainian Language, 2009).

The scale of the spread of corruption in the world and the growing attention of the international community to this negative phenomenon have turned corruption into a global problem of our time.

Due to the active position of a number of international organizations and public propaganda, corruption has become perceived not only as a problem of corrupt states but also as a problem of those states and foreign companies that corrupt them.

Today, anti-corruption measures are also being implemented by governments of individual states and by various international, civil, and non-governmental organizations.

A large number of countries have introduced in government policy a wide array of anti-corruption measures that deserve extraordinary attention, study, and use.

As a result, the so-called global anticorruption consensus emerges and develops gradually in the global community. In the fight against this evil, the anticorruption consensus claims to combine efforts between various social and political forces, in particular, between the left-wingers and the right-wingers, between liberals and conservatives, between globalists and anti-globalists (Andrianov, 2011).

Therefore, corruption, as an extremely negative social phenomenon, requires a profound scientific study and analysis. This is primarily determined by the fact that most of the problems that affect from time to time different spheres of our society, especially in the unsuccessful resolution of some economic problems, crises that have taken place and are taking place against the backdrop of political confrontation in the country, are directly related to the influence of the phenomenon of corruption on these processes. The urgency of studying this phenomenon lies in its phenomenal ability to exist in each country, regardless of historical development, level of the economy, social development, and availability of legislative framework, which should counteract this. Its uniqueness consists in the ability to constantly develop, transform into a variety of new forms of manifestation, to improve, to adapt to the existing legal framework, and to coexist along with the obligatory principles inherent in a legal, democratic state: legitimacy, the rule of law, equality of all before the law, observance of rights and freedoms of citizens.

The global community has been genuinely interested in this phenomenon for the past few decades, and foreign experts and scientists are making a lot of effort in order to capture all aspects of this phenomenon. Since the phenomenon of corruption erases any interstate and inter-scientific frontiers and, at the same time, absorbs by its influence almost all spheres of life, its study takes place comprehensively and consistently, globally, and attention, first of all, is given to the nature of the emergence and development of tools, due to which it is possible, if do not overcome, then at least localize and minimize its scale and impact on society.

2. Definition of corruption, its possible forms and types

The phenomenon of corruption for history, law, and society is not new. Proceeding from the conclusions of the research of the science of history, this phenomenon existed from ancient times, from the moment of the emergence of the state and the creation of its bodies endowed with authority and administrative powers (Miroshnychenko, 2010). However, throughout the history of its existence, this phenomenon has one characteristic feature – it is harmful in legal, social, economic, and other aspects.

The term of corruption is derived from the combination of the Latin words correi and rumpere: correi – the obligatory involvement of several representatives of one of the parties in one case, and rumpere – to violate, break, damage, cancel. So an independent term was formed – corrumpere (Bartoshek, 1989), which means participation in the activities of several (not less than two) persons, whose purpose is to "spoil", "destroy", "damage" the normal development of the judicial process or the process of managing the affairs of society (Tiemnov, 1994).

Most often, the term "corruption" applies to the bureaucratic apparatus and political elite. According to one of the existing definitions, corruption is the failure of the state, with the help of incentives, to direct the useful interest of a person in a productive direction.

Considering the issue of corruption and the possibilities of legal influence on it, K. Surkov (Surkov, 1991) emphasizes that corruption should be understood as the use in any form by officials of state, executive, judicial power, institutions and organizations of economic management, public associations of their official position for obtaining property, services or privileges for themselves or third parties.

A well-known Russian scholar N. Kuznietsova emphasizes that corruption should be considered not only as legal but also as moral relations (Kuznietsova, 1993). O. Dudorov, who in his scientific publication considers corruption as a social, economic, and moral evil, follows the same position (Dudorov, 1994).

V. Hvozdetskyi, who notes that corruption is a complex and multidimensional (legal, economic, political, moral and psychological) social phenomenon, studied corruption as a social, psychological, and moral

phenomenon. The social nature of corruption manifests itself in the fact that it: has a social conditionality (is a product of social life); has its social price, which society pays for the existence of corruption, significantly affects the most important social processes; has historical origins and global character, is a legal, economic, political, psychological, and moral phenomenon; has the ability to adapt to social realities, constantly mimic and modify (Hvozdetskyi, 2012). O. Tylchyk considers corruption as the determinant of economic shadowing while defining the complex social, economic, and legal nature of such phenomena (Tylchyk, 2017).

Many scientists considering issues of the essence of the phenomenon of corruption, the causes of its occurrence and existence, as well as counteracting this negative phenomenon, judge corruption to be one of the obligatory signs of organized crime, emphasizing the fact that in a number of cases, organized crime and corruption are so much closely connected that this gives grounds for highlighting corruption as one of the signs of organized crime. This opinion is expressed by M. Melnyk (Melnyk, 2001), O. Tylchyk (Tylchyk, 2017), L. Arkusha (Arkusha, 2000), P. Bilenchuk, S. Yerkenov, A. Kofanov (Bilenchuk, Yerkenov, Kofanov, 1999), O. Kvasha (Kvasha, 2010), O. Ohorodnykov (Ohorodnykov, 2011), O. Kalman (Kalman, 1997), O. Zhovnir (Zhovnir, 2009) and others.

The notion of corruption is defined by Ukrainian law, in particular, Art. 1 of the Law of Ukraine "On Prevention of Corruption", as "the use by a person specified in part one of Article 3 of this Law of his/her authority or related opportunities for the purpose of obtaining an unlawful benefit or acceptance of such benefit or acceptance of a promise/offer of such benefit for himself/herself or other persons or, accordingly, the promise/offer or provision of unlawful benefit to a person specified in part one of Article 3 of this Law or at his/her request to other natural or legal persons in order to persuade this person to misuse his/her authority or related opportunities" (On Prevention of Corruption, 2014).

Instead, many scholars believe that it is hardly possible to give a single, comprehensive definition of corruption, which would accurately distinguish between corrupt phenomena and those that are not corrupt in all cases.

Consequently, a number of scholars, whose views we support, believe that one of the most erroneous interpretations of corruption is the attempt to squeeze it in the framework of exclusively criminal manifestations (Tylchyk, 2017). A significant number of authors believe that corruption as a social phenomenon is a much larger formation than the totality of purely criminogenic manifestations. In real life, there are many other its types that have never been considered criminal.

Taking into account the abovementioned thoughts, we believe that conditionally corruption can be classified using a variety of features, criteria, and peculiarities of manifestation. In particular, one can distinguish the following types of corruption:

– administrative (and petty as its kind);
– business (business, entrepreneurial, financial);
– corruption related to the pressure on the state (aggression, capture);
– political.

Administrative corruption should be understood as intentional distortion in the process of mandatory enforcement of the current rules of law, rules, etc., in order to give preference to the parties concerned.

Business corruption arises when business and government interact. Business corruption is, in essence, payment by entrepreneurs, businessmen in cash or material assets to civil servants in matters relating to their activities.

Corruption related to the pressure on the state (aggression, "capture") serves as a kind of corruption, which in the world practice is considered as activities of individuals, groups or companies, both in the public and private sectors, in order to influence the formation of legislation and other instruments of state policy.

Political corruption is a special kind of corruption. Political aspects of the phenomenon of corruption are extremely multifaceted and contradictory. One should agree with A. Y. Frantsuz and A. A. Frantsuz that in this case, civil society is the most effective mechanism for preventing and combating corruption (Frantsuz A. Y., Frantsuz A. A., 2013).

At the same time, in addition to these negative facts of the impact of corruption on state-public relations, it is appropriate to draw attention to the opinion of I. P. Holosnichenko, who notes that corruption acts negatively influence the rights and freedoms of man and citizen. Public services are provided not according to their law but according to the rules of organized criminal activity (Holosnichenko, 2001).

3. Legal regulation of the prevention of corruption in Ukraine

Corruption is one of the main factors of political and socio-economic instability in Ukraine, which has been repeatedly mentioned in the speeches of deputies of the Verkhovna Rada of Ukraine, the President of Ukraine, and the heads of the Government. The existence of the phenomenon of corruption among the representatives of the government and management apparatus poses a threat to the stable socio-economic development of the state.

There is no need for additional evidence that corruption affects the system of public administration, its implementation principles, generates contempt for the civil service and mistrust of civil servants, and contributes to the decline of the authority of state power since corruption can exist only among people with authority.

The state in the early 90s of the XX century voluntarily abandoned most of the control functions, which to some extent contributed to the emergence of a managerial vacuum in the economy and social sphere. As a consequence of this, it became obvious that the then "unregulated market economy" generated unprecedented levels of corruption, as a result of it state ownership virtually pricelessly turned into private hands. This was facilitated by the mass adoption of corruption laws and by-laws, which were lobbied by certain groups that penetrated the authorities.

The systemic character of corruption in Ukraine in addition to other reasons is determined by the nature of Ukrainian legislation, which is marked by a controversial, multivariate interpretation of individual norms, conflicts, gaps, etc.

The legal basis for combating corruption includes the international legal acts and legal acts of Ukraine. The international mechanism for the prevention of corruption has a significant impact both on the development of international anti-corruption cooperation and on the development of national anti-corruption legislation.

The Law of Ukraine "On Prevention of Corruption" as of 14.10.2014 determined the legal and organizational principles of the functioning of corruption prevention system in Ukraine, the content and procedure for the application of preventive anti-corruption mechanisms, rules for the elimination of the consequences of corruption offenses (On Prevention of Corruption, 2014).

In addition to the said Law, a number of other legislative acts have an anti-corruption direction, in particular: Laws of Ukraine "On National Anti-Corruption Bureau" on 14.10.2014 (On National Anti-Corruption Bureau, 2014), "On Access to Public Information" on 13.01.2011 (On Access to Public Information, 2011), "On Appeal of Citizens" on 02.10.1996 (On Appeal of Citizens, 1996), "On Prevention and Counteraction of Legalization (Laundering) of the Proceeds from Crime, Terrorist Financing, and the Financing of Proliferation of Weapons of Mass Destruction" on 14.10.2014 (On Prevention and Counteraction of Legalization (Laundering) of the Proceeds from Crime, Terrorist Financing, and the Financing of Proliferation of Weapons of Mass Destruction, 2014), and a number of others.

At the same time, in order to increase public confidence in state institutions, faithful and effective performance by civil servants of their duties, the Law of Ukraine "On Civil Service" as of 10.12.2015 was adopted (On Civil Service, 2015). The Decision of the National Agency on Corruption Prevention "On Commencement of Work of the System for Submission and Public Disclosure of Declarations of Persons Authorized to Perform Functions of State or Local Self-Government" on 10.06.2016 № 2 (On Commencement of Work of the System for Submission and Public Disclosure of Declarations of Persons Authorized to Perform Functions of State or Local Self-Government, 2016) and the Order of the Ministry of Justice of Ukraine as of 23.06.2010 №1380/5 "On Approval of Methodology for Anti-Corruption Expertise of Drafts of Regulatory Legal Acts" (On Approval of Methodology for Anti-Corruption Expertise of Drafts of Regulatory Legal Acts, 2010) are also of great importance for the process of preventing corruption in public authorities.

4. The anticorruption expertise of laws and regulations as a significant obstacle to corruption

It is obvious that a qualitative statutory legal act can only be created as a result of the complex application of a diverse range of expert assessments, among which not only anti-corruption but also legal, independent, scientific, linguistic, financial feasibility, social, gender, etc.

Instead, anti-corruption expertise is aimed, firstly, at detecting corruption provisions, and secondly, at fulfilling a preventive role in relation to corruption manifestations.

The purpose of anti-corruption expertise is to identify and eliminate the legal preconditions for corruption (corruption-causing factor), which in essence is identified by the elimination of defects of the legal provision, the legal formula (Kudriavtsev, 2007).

A corruptogenic provision generates or can lead to corruption offenses. Such a provision does not correspond to the purpose and tasks of legal regulation since the ordinary legal provision is aimed at regulating the most important social relations, effective influence on them by means of coercive measures provided for by the law, intended for repeated implementation (observance, application, execution, use, implementation). The corruptogenic provision, formally having the same functional purpose of a legal provision, in practice reduces the effectiveness of influence on social relations.

Elimination of corruptogenic provisions is possible in the process of rule-making activity of the body that applies the act (rule-making body) or the implementation of law enforcement functions by authorized state bodies. In essence, the elimination of corruptogenic factors in legal provisions is aimed at increasing the effectiveness of legal influence on social relations and law enforcement (Kudashkin, 2011).

5. Conclusions

Summarizing the foregoing, we can state that corruption is a phenomenon that is constantly evolving, transforming, adapting to the conditions of development of legislation, society, and state, while its essence and negative influence remain unchanged. Changing the types and forms of corruption offenses is carried out in order to prevent the impact of the existing

anti-corruption measures aimed at counteracting these phenomena and their limitations. Given the abovementioned, in our opinion, it is necessary to supplement existing anti-corruption legislation with definitions of possible forms of corruption behaviour, as well as adequate responsibility for such acts.

In the context of our study, it should be noted that solving the problems of effective counteraction to corruption largely depends on how correctly and deeply its essence is understood. Clarification of the essence of corruption is extremely important in the theoretical and practical terms. From the scientific point of view, the importance of this issue is determined by the fact that it is the key to any research of corruption in the field of jurisprudence, as well as in other branches of science, including sociology, political science, and economics. In addition, it is a derivative for scientific research: statement of the research problem, determination of its area, subject-matter, purpose and objectives, and methodology selection etc. depend on its solution.

Determining the essence of corruption eventually proves the reliability of the results of scientific research since this point in comparison with all other points of the problem of counteraction to corruption is a key, basic for all others. The importance of this issue for practical activity in the field of combating corruption lies in the fact that the formation of a strategy and such an activity, the formulation of its goals, the determination of the forces and means of their achievement, the content and level of statutory, material, financial, and other support depend directly on the correct understanding of the essence of corruption.

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THE EMERGENCE AND DEVELOPMENT OF TAXATION IN THE LEGAL TRADITION OF THE PEOPLES OF EASTERN EUROPE

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Abstract. *The purpose* of the article is to determine patterns of the creation of taxation given the centuries-long history of state-building of the peoples of Eastern Europe; to reveal the interaction of public and state elements as factors in creating a tax system. The use of dialectical, historical and legal, comparative methods allowed analysing standards, specifications and guidelines and solve a number of *objectives*: to find out the origin of taxes in the history of state creation; determine the laws of the origin and development of taxation in accordance with the nature of social relations; identify the factors that influenced the formation of taxation of the peoples of Eastern Europe. In the course of the study, it is found that taxation arises on the principles of self-government, social contract, and collective responsibility. Before the state creation, compulsory payments were collected from the population at the level of the communities and their associations in the form of "gifts" and "poliudie"; payment for the rituals; as well as tribute-farming. Objects of taxation were "dym" – a household with a house and a fire; "plough" – a plough or a plot of land that could be cultivated with one plough. Generally recognized for peoples and states of the early Middle Ages was the payment of tribute-indemnity. Polans, Severians, Vyatichi paid tribute to the Khazars, and in the northwest of Rus – to the Varangians, the Drevlians – to the Kievan land. The process of forming the state (princely) tax system began by Prince Oleg from the abolition of tribute-farming in favour of other peoples and the establishment of an internal single tribute in favour of the Kievan land. Depending on the relations between the lands of Rus and the prince, this tribute acquired either the form of "gift" or farming. In 947, Princess Olga conducted a tax reform and used it for the affirmation of princely possessions. Places, norms, and sizes of tribute in favour of the princely treasury are determined. The results of the study will enable the tax institution to be recognized as a dynamic, historical phenomenon, formed on the basis of a social contract and a consolidating function.

Key words: tax history, tax, tax system, emergence of taxes, tribute, tribute relationships in Slavic tribes, tax system of Kievan Rus.

JEL Classification: B15, K10, N13, N43

1. Introduction

Taxes are a dynamic state-legal institute, a financial instrument of the state, which allows the state mechanism "to live" in the economic-legal space. This is an important link that directly or indirectly connects society with the state, thus involving it in the process of accumulation of financial resources for various strategic and social tasks. This relationship is supported by the state will and compulsion in accordance with the law. At such a "positivist" approach to understanding the nature of the tax, its social component is lost. At the moment, the institution is perceived solely as a state initiative, a general obligation and coercion. The social component is limited by the taxpayer and the addressee in the case of financing social needs (pensions, allowances, scholarships, reimbursements, etc.). Due to this, we observe a negative perception of the taxation system because of the lack of understanding and the idea of cooperation between the state and taxpayers. These are two opposing sides, where the latter took the position of the affected critics. Harmony and cooperation between them are possible under the condition of "rehabilitation" of legal awareness and formation of the tax system on the basis of the common good. It is in the field of tax relations that the principle of a social state should be implemented.

On this basis, a scientific study, **the purpose** of which is to reveal not only the state (normative) nature of taxes but also the public one, acquires a special **relevance**. Its research requires coverage of wide chronological boundaries, analysis and comparison of various historical cultures and formations. Such an approach with the help of dialectical, comparative, systemic-structural methods will allow solving a number of **tasks**:

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to find out the origin of taxes in the history of state-building of the peoples of Eastern Europe; determine the laws of the origin and development of taxation in accordance with the nature of social relations; identify the factors that influenced the formation of taxation in the legal tradition of the peoples of Eastern Europe.

The genesis of the tax system in connection with the social processes of the ancient peoples and the Middle Ages is disclosed in the works of such researchers as N. I. Turgenev, V. A. Lebedev, E. Seligman, P. I. Tarasov, I. M. Diakonov, V. O. Kuri, S. M. Kashtanov, and others; changes in taxation during the bourgeois society were investigated by A. Smith, S. Gustav, O. Horb-Romashkevych, I. Yanzhul, and others. It should be noted that the works of these authors have a doctrinal character, form the foundation for modern research in the field of tax law and its formation, in particular, by M. P. Kucheriavenko, M. M. Sheverdin, H. H. Osadcha, F. O. Yaroshenko, V. L. Pavlenko, and others.

2. The main material

The tradition of taxation of the peoples of Eastern Europe "was born" along with the state.

14 associations of East-Slavic tribes (Polans, Dulebs, Buzhans, Volhynians, Severians, Tivertsi, Uliches, etc.), which appeared in the history of the world as early as one thousand AD, became the socio-political basis for the deployment of state-building processes. In the V-VIII centuries, their social organization was transformed into military-political unions in the form of tribal principalities: Polans and Severians with the centre in Kiev (the principality of Kiev); Ilmen Slavs, Krivichs, Chuds, Merya – near the city of Novgorod. Governance was carried out on the basis of a broad democracy, veche organization with the delegation of executive functions to an elected or "called" prince. The Byzantine historian Procopius of Caesarea described the political system of the Slavs as follows: "they are not governed by one person but have long been living in the rule of people and ... all things are always conducted jointly…" (Bojko, 1999).

This way of governance determined the procedure for satisfying the economic needs of the community and fulfilling its obligations on the principles of self-government, the participation of the people in the decision of community affairs, collective bail, and responsibility. Common duties were the maintenance of the prince, the rituals; payment of military tribute-farming. These forms of "financial" participation of the people became the first pre-state compulsory social contributions.

In cases of "calling" the prince, he was given a "gift" or a "tribute" in the sign of hospitality and goodwill of the community. "Gifting" of the prince was ritual-symbolic in nature. The population came to meet with gifts and bows, congratulating him during the poliudie – an annual autumn-winter visiting the lands of the principality. Therefore, the property received in this form was called "gifted poliudie".

Slavic principalities protected themselves whether they themselves were looking for booty from neighbouring peoples. In the area of relations between the winner and the conquered people, the common practice was the payment of tribute-indemnity. Tribute-indemnity was paid periodically or one-time as farming for non-aggression in favour of the winner. This model was universally accepted for peoples and nations of the early Middle Ages.

Tribute-indemnity, as well as "gifted poliudie", was paid by "dym" – a household with a house and a fire. The object of taxation was also "plough" – a plough or a plot of land that could be cultivated with one plough. In turn, hunting tribes had the experience of paying tribute per head. Up to the X century, tribute was paid, as a rule, in natural form: squirrels, valuable fur, honey, grain, and others.

Slavic tribes had a rich experience in receiving and paying tribute in the form of indemnity. On the one hand, Procopius of Caesarea mentions Slavs and Antes who have plundered European lands with robbery and indemnities. The campaigns of the Slavs in 860, 907-911, and 941 to Byzantium (under the influence of the Khazar Khaganate) were slashing. According to the Rus-Byzantine treaties, the Greeks undertook to pay a tribute-indemnity, to free the merchants of Rus from paying customs duties, and took on the burden of their allowance for the time of stay in Byzantium.

On the other hand, the Primary Chronicle records that the Polans, the Severians, the Vyatichi paid tribute to the Khazars, and in the northwest of Rus – to the Varangians.

The Khazars in the VII-IX centuries created the state of the Khazar Khaganate in the territory of south-eastern Europe. They controlled the trade routes between East and West and pursued an active aggressive policy. One of the great victories was domination over the South Slavic centre. Slavs were obliged to pay tribute in favour of Khaganate: the Polans – a sword per hearth, the Severians and Vyatichi – "по белей вверице отъ дыма" (Litvina, 2002).

The Kievan Prince Askold became a tributary of the Khaganate and the Khagan military governor. Nestor the Chronicler described the Khazars' charging of the tribute from the Polans in the following lines. "Then the Khazars came upon them [the Polans] as they lived in the hills and forests, and demanded tribute from them. After consulting among themselves, the Polans paid as tribute one sword per hearth, which the Khazars bore to their prince and their elders, and said to them, 'Behold, we have found new tribute.' When asked whence it was derived, they replied, 'From the forest on the hills by the river Dnieper.' The elders inquired what tribute had been paid, whereupon the swords were exhibited.

The Khazar elders then protested, 'Evil is this tribute, prince. We have won it with a one-edged weapon called a sabre, but the weapon of these men is sharp on both edges and is called a sword. These men shall impose tribute upon us and upon other lands.' All this has come to pass, for they spoke thus not of their own will, but by God's commandment." The Chronicler compared the dependence of the Polans from the Khazars with the Egyptian slavery of the Jews: "For the Egyptians perished at the hand of Moses, though the Jews were previously their slaves" (Dnipro, 1989).

In turn, the Varangians, according to the text of the Trinity list of the Novgorod Chronicle, were demanding "...дань даяху Варягомъ от мужа по белки и веверици; а иже бяху у нихъ, то насилье деяху Словеномъ, Кривичемъ и Мерямъ и Чюди" (Puzanov, 2007). The burden and intensity of duties, according to historians, aroused a long-lasting economic crisis in the first quarter of the IX century.

However, in 862, the local population managed to expel the Varangians "beyond the sea" and "began to rule by themselves." For better order and ending internal strife, the Slavs and the Finns made the decision to elect "собе князя, иже бы володелъ нами и судилъ по праву." According to Nestor the Chronicle, in 862, at the invitation of five tribes – two Slavic and three Finno-Ugric from the South Baltic, the Varangian dynasty comes to them: three brothers – Rurik, Sineus, and Turvor. However, their power was not absolute, the local elders retained their rule and influence. The princes divided the "Rus land" among themselves and began to reign and assigned cities to their followers. Among them were two boyars, Askold and Dir, who did not reach the Byzantine Empire "along the Dnieper", settled to reign in the land of the Polans (Tolochko, 1998).

The only successor after them was Oleg. The prince decided that Novgorod should pay the Varangians tribute to the amount of 300 grivnas a year for the preservation of peace and druzhina's service. This tribute to Varangians was received until the end of the reign of Yaroslav but already as a payment for military service. In 882, Oleg settled himself in Kiev and then the policy of consolidating the northern and southern Slavic tribes under his authority of the Kievan prince and the Kievan land began. This event has accelerated the development of state-building processes in Eastern Europe.

"Kievan Rus" formed as an early medieval state in the IX century in the process of political association of the East Slavic tribes. Its origin was not a single action, document or conquest. This is a unique way of multicultural interaction and consolidation of various pagan tribes of different levels of social organization (Slavs, Khazars, Varangians); Byzantine-Greek civilization. It conditioned the peculiarities of the formation of a state mechanism: the institutes of the head of state, the machinery, the court, and the taxation system. Their formation took place in the legal field of local Slavic and Scandinavian customs; rules of canon and Roman law (with the adoption of Christianity).

In the pursuit of supremacy and unanimous rule, Oleg demanded that the Slavs pay tribute to him according to the old custom "по всей Русстей земле." Any other forms of tribute to the conquerors abolished in favour of the prince. According to Laurentian Codex of the Chronicle, in 884, Oleg attacked the Severians, and conquered them, and imposed a light tribute upon them and forbade their further payment of tribute to the Khazars, on the ground that there was no reason for them to pay it as long as the Khazars were his enemies. The same mechanism was applied to the Radimichians. The Chronicle consolidated the negotiations' results, which stated that the tribute was paid to the Khazars, and at the same time, the demand of Oleg – "Do not pay the Khazars, but pay me ... And they paid Oleg a shilling apiece, the same amount that they had paid the Khazars." As a result, the Khazar Khanagate lost its Slavic tributaries. Thus, a new tribute was introduced on the one hand by force, and on the other – was a lighter alternative to previous tribute-indemnities.

Every land met the Kievan prince in different ways, and his goal was achieved either by force or by agreement: "Oleg began military operations against the Derevlians, and after conquering them he imposed upon them the tribute of a black marten-skin apiece. Thus Oleg established his authority over the Polans, the Derevlians, the Severians, and the Radimichians, but he waged war with the Ulichians and the Tivercians." Communities that "gifted" the prince or paid tribute as a farming did not lose their autonomy and lands. However, thus they recognized the military-political rule of the community of the Polyanians over other tribal associations. The refusal to pay tribute meant the dissolution of the political alliance with the prince and the transition to a state of war. So tribute did not become universal and did not turn into a state tax.

All forms of tribute out of the habit of the Slavs were paid during the poliudie to the prince, rarely – independently by the population in Kiev. The latter was called "povoz" or "podvoda". Gradually, the term "poliudie" combined various forms of payments from the population in favour of the prince: tribute, gifts, urok, bows, feeds, extraction, duties, and various fees.

With the increase of territories, the governors of the prince were delegated to places – "posadniks", elder "men" – druzhinniki. They were appointed from the inner circle of the prince. The time and place of the collection at first did not have a clear definition and created a space for conflict between the principality and the Kievan prince. A striking example of this was the Drevlian uprising against Igor in 945. The reason for the confrontation was an excessive "taxation" in response to the refusal of the Drevlians from their obligations after the death of Oleg. It is described in detail in the Primary Chronicle, which states:

"Igor attacked the Drevlians in search of tribute. He sought to increase the previous tribute and collected it by violence from the people with the assistance of his followers." Returning to Kiev, he demanded more property, and he directed his druzhina to the Drevlians again. In response, the Drevlians consulted with their prince Mal and decided to protect from him as from the wolf that steals and kills the sheep. Disagreeing with the protest, Igor met with them in a battle near Iskorosten, where he was killed.

This conflict, during the days of Princess Olga, broke into a thin political struggle for liberation from the supremacy of the Kievan land on the one hand, and on the other – complete conquest of the Drevlians to Kiev and the transformation of the Ruthenia into the princely domain. She has captured Drevlian lands by force and cunning and "imposed upon them a heavy tribute, two parts of which went to Kiev, and the third to Olga in Vyshgorod; for Vyshgorod was Olga's city." Moreover, the princess standardized the order of collecting tribute throughout Rus: "Olga went to Novgorod, and along the [river] Msta she established trading-posts and collected tribute. She also collected imposts and tribute along the [river] Luga. Her hunting-grounds, boundary posts, towns, and trading-posts still exist throughout the whole region, while her sleighs stand in Pskov to this day. Her fowling preserves still remain on the Dnieper and the Desna, while her village of Olzhichi is in existence even now." (Dnipro, 1989).

Since 947, tribute and imposts began to be systematically charged at the appropriate time and of fixed size. Princess Olga defined "uroki" and "statutes". Uroki established a list of duties, which set the size and terms of payment of tribute. The size was determined for each tribe separately. Also, the "urok" was used in the sense of duty to be executed at a specified time and the exact size. A statute is a definition, an interpretation of the collection procedure. For the collection of taxes, "stanovyshcha" were defined – administrative and financial points in the centres of rural communities – pogosty. These were the trading posts for the entire region, so it was here that the princely strongholds were located and princely men lived. They collected tribute, all duties, and also conduct a princely court on the principles of custom and law.

Consequently, the features of tax payments in the period of the establishment of the prince's authority and the consolidation of the Slavic lands under the authority of the Kievan prince were determined by the nature of his relations with the local princes, veche, and the community as a whole. The population paid tribute in the form of: 1) military tribute (Drevlians); 2) voluntary gift from the communities-allies (Polans); 3) state duty in the princely or patrimonial possession.

The introduction of a new system was firstly in the land of the Drevlians and then expanded from the southern part of Rus to the north.

Rules of the tax law of Kievan Rus became statutory determined in the code of common law – Russkaya Pravda. In the legislation of princes of XI-XII centuries, the term "оустави дани" is used to define a tax. It marked a clear definition of the tribute size, time and place of its collection. A special attention should be paid to the structural part of the code – "Pokon virnyi". his document determined the amount of money and food that came to the prince's men when collecting the vira from the community.

With the advent of Christianity, there were taxes in favour of the clergy. These are various additional types of sales duties on domestic trade, such as duty on trade in fairs during temple holidays. Volodymyr the Great in 988 established the "tithe". It was intended for the construction of the Church of the Dormition of the Virgin (Church of the Tithes) in Kiev. Initially, it was temporary in the amount of one-tenth of the income of the population and eventually transformed into the lifetime right of the clergy.

Satisfaction of state needs was also carried out through a series of personal duties, non-monetary fees, and duties. The first included certain types of work for the maintenance of the princely estate and land (to set up a princely court, to feed horses, to mow the princely meadows, to cultivate his fields, to harvest wood, to provide chickens for princely falcons, go hunting, etc.). With the development of the princely estates, the money replaced the non-monetary form of taxation.

The international trade of the Slavs with the Byzantine Empire, the Khazar Khaganate, and the Arabian Caliphate exerted a considerable influence on the formation of tax relations of Kievan Rus. Due to the works of Arab writers, it can be concluded on the general rule for paying tithe on the borders of Rome, Khazaria from various types of Slavic goods. By the IX century, its own customs on the principle of collecting tithe was formed in Rus.

A separate category of taxes was customs duties and trade fees. Unlike the tribute, a collection of duties was carried out in monetary form. Among them, there are two groups: zastavni, which were levied before the start of trade for travel, and sales. Zastavni included poberezhni (from moored ships and boats); perevoz (by ferry or boat), mostovshchina (for passing through the bridge), kostki (for travel along the protected roads). The duties were levied on the person who carried the goods and the cargo. Internal duties and fees significantly impeded the development of trade, since their size and quantity were not regulated.

After the death of Yaroslav the Wise, centrifugal tendencies intensified in the Old Russian state. His sons failed to ensure effective management and lost control in internal strifes. Fragmentation between lands was facilitated by external factors – the Pechenegs' capture of Pereiaslavshchyna in 1068; and internal uprisings of the population, in particular, Kievans against Izyaslav. Feudal Councils (1097, 1100, 1101, and 1107) and

wise reign of Vladimir Monomakh (1113-1125) only slowed the process of the collapse of Rus into separate independent principalities: Halych, Volhynia, Kiev, Murom, Pereyaslavl, Rostov-Suzdal, Chernihiv-Siversk, Polotsk-Minsk, Smolensk, Tmutarakan, Turov-Pinsk principalities, Novgorodian and Pskov lands. Already by the beginning of the XIII century, their number has reached 50. In each of the principalities, a model of taxation operated that was based on ancient customs.

3. Conclusions

1. The taxation in Kievan Rus arose and was carried out on the principles of self-government, social contract, and collective responsibility.

2. Before the state creation, compulsory payments were collected from the population at the level of the communities and their associations. The first "pre-state taxes" were "gifts" and "poliudie" for the prince's allowance; payment for the rituals; as well as military tribute-farming. They were paid in natural form.

3. Generally recognized for peoples and states of the early Middle Ages was the payment of tribute-indemnity. The Polans, the Severians, and the Vyatichi paid tribute to the Khazars, and in the northwest of Rus – to the Varangians, the Drevlians – to the Kievan land, at the time of the fragmentation and decline of Kievan Rus – to the Pechenegs and Tatar-Mongols.

4. Objects of taxation were "dym" – a household with a house and a fire; "plough" – a plough or a plot of land that could be cultivated with one plough.

5. The process of forming the state (princely) tax system began by Prince Oleg from the abolition of tribute-farming in favour of other peoples and the establishment of an internal single tribute in favour of the Kievan land. Depending on the relations between the lands of Rus and the prince, this tribute acquired either the form of "gift" or farming. In 947, Princess Olga conducted a tax reform and used it for the affirmation of princely possessions. Places, norms, and sizes of tribute in favour of the princely treasury were determined.

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ECONOMIC DEVELOPMENT OF EASTERN EUROPEAN COUNTRIES (ON THE EXAMPLE OF UKRAINE): REGIONAL ASPECT

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Abstract. *Research background.* Modern trends in world politics and international relations dictate new schemes for establishing links between regions and encourage states to constantly improve them. One such form is economic cooperation between regions, whose development strategies are gradually being introduced in countries around the world. Since Ukraine signed an association agreement with the European Union, in most economic and legal issues it relies on the experience of the European countries. In addition, worthy of attention is the analysis of the current state of the regional development in Ukraine and on its basis the formation of the basic principles for interregional cooperation. Such experience and identifying main economic trends in the formation of economic cooperation between different regions can help Ukraine to introduce this process in practical terms and possibly avoid the most popular problems in this area. *Purpose of the article.* The provisions of the article provide a systematic estimation of the regional development of Ukraine based on the calculation of the Spearman coefficient from 2006 to 2016. On the basis of these calculations, the main preconditions for the economic development of interregional cooperation are analysed and the basic principles of such cooperation for the regions of Ukraine are formed. *Methodology/methods.* This work is based on the generalization of the official methodological information of the following Ukrainian regions that are the most interested for the economic foundations of the interregional development. Ukraine has a new decentralization reform for the regions, which will be able to give impetus to the economic development and increase the effectiveness of the interregional ties. Nevertheless, since this process is quite new for our country, it is critically important to study foreign experience in this field. In the future, as a result of such studies, it would be possible to develop economic and legal mechanisms for introducing the best world practices in the Ukrainian legal field. *Value/originality.* The provisions of the article solve an important theoretical and practical task – firstly for Ukraine – contribute to the formation of the interregional cooperation institution since by this time there is no unanimous opinion on the legislative level or on the scientific one. It seems possible, through such studies, to create the real mechanisms for the regional development in Ukraine and their cooperation with each other. Most Ukrainian and world economists view the development of the regions as such in themselves, no one examines it through the prism of economic development of interregional cooperation. We support and use this approach, because it is very important, as it provides an opportunity to comprehensively analyse the current state of the meso-level in Ukraine. For the first time in Ukraine, *the results* of the formation development at the regional level in the context of interregional cooperation are presented in the detailed description that could give the opportunity to Ukrainian economists for the next step in this scientific field. *Practical implications.* The results of this article will form the basis for the assistance to various regions in Ukraine in the matter of strategic planning and their cooperation since no clear and detailed actions for them have yet been recorded. In addition, this work is relevant for representatives of state authorities and scientists who deal with issues of the regional economy because no one in Ukraine has ever considered these issues in the context of interregional cooperation.

Key words: regional economy development, regions, interregional cooperation.

JEL Classification: P25, O10, R11

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1. Introduction

One of the priority directions for implementing the state policy in many countries of the world is to ensure sustainable regional development; the ways of achieving are the same in different countries of the world. This concern the solution of such issues as overcoming regional disproportions, ensuring effective development of the productive forces, rational using of regional resources etc. Considering Ukraine's desire to become a full-fledged member of the European Union in accordance with the signed association document and to become a strong and competitive subject of the world arena, it is important to seek new sources and forms of development of the state regional policy. In such conditions, the interdependence of ties between regions is becoming increasingly important, based on their cooperation in various fields of activity (infrastructure, information, social services, etc.) for the overall improvement of the people's welfare and the development of regions and the country as a whole. Given this, the economic cooperation between regions is one of the main forms of the modern development of the regional policy in many countries of the world, including Ukraine. In contrast to the process of competition, the economic cooperation between regions in the strategic dimension is able to provide effective complementation of resources, expand opportunities for building up the internal potential of each region, and achieve synergies from their interaction. It could consolidate the nationwide socio-economic development.

In addition, the modern trends in world politics and international relations make the old schemes of establishing economic ties between regions ineffective and this situation encourages states to continually improve them. Therefore, a comprehensive approach to the research of the development process of the economic cooperation between regions will make it possible to present a picture of the trends in the development of interregional ties of some countries in the world. In addition, it could identify the problems of this type of cooperation with a view to working out the most effective solutions for improving this process in Ukraine.

2. Research methodology

The research is based on official statistics of Ukraine, based on the tendency of the Ukrainian regional development for the period from 2006 to 2016. The methodological basis of the regional economic cooperation development is the systemic and situational approaches. According to the system approach, the regional development could be regarded as a system consisting of certain interrelated elements that ensure its life activity, and elements of a larger system, which functioning and development are determined by economic laws and patterns characteristic. According to the situational approach, regional development is a complex socio-economic system, characterized by a number of its unique features.

Ukraine has a new decentralization reform for the regions, which will be able to give impetus to the economic development and increase the effectiveness of the interregional ties. However, since this process is quite new for our country, it is critically important to study foreign experience in this field. In the future, as a result of such studies, it will be possible to develop economic and legal mechanisms for introducing the best world practices in the Ukrainian legal field.

3. The current assessment of the regional development in Ukraine

The prerequisite for the economic ties development within any country in the world is the identification of trends in the overall economic development of its regions, allows many stakeholder groups (scientists, practitioners, society as a whole) to identify the problems of the relevant development area and look for ways to solve them. Ukraine is no exception in this case since, for an adequate study of the basics for interregional cooperation, it is necessary to understand the current state of the country, in particular, the trends and the effectiveness of its regions' development.

Such analysis and assessment are possible using a large arsenal of methods, among which the most accurate are the economic and mathematical methods because they allow us to explore the possibility of carrying out an assessment in dynamics. Thus, it is proposed to assess the tendentiousness and effectiveness of economic development in the Ukrainian regions, using the Spearman rank correlation coefficient for the period of available statistical data, namely from 2006 to 2016.

The use of the Spearman rank correlation coefficient for assessing the tendencies in the economic development of the regions in Ukraine provides for the determination of the rates of change (T_i) of indicators characterizing the development of the economy through efficient investments ($T_{GRP} > T_{CI}$), which ensure the outstripping growth of industrial (T_{VSIP}) and agricultural (T_{AP}), as well as the cost of innovative products (T_{VIP}), so there is an accelerated growth of value added (T_{GRP}). In addition, this affects the improvement on the structure of the population consumption ($T_{IP} > T_{RTE}$), the growth of the total labour productivity ($T_{GRP} > T_{NP}$), the reduction of the technogenic load on the environment ($T_{VSIP} > T_{VRU}$), the decrease in the unemployment rate ($T_{NP} > T_{UP}$).

The proximity of the actual dynamics to the normative series, which has to be not downward (> 1 or > 100%), testify to the presence of development by socio-economic and innovation factors (1):

$$T_{GRP}>T_{IP}>T_{RTE}>T_{VIP}>T_{VSIP}>T_{AP}>T_{CI}>T_{NP}>T_{VRU}>T_{UP}>1, \quad (1)$$

where GRP – the gross regional product;

IP – incomes of the pop ulation;

RTE – retail turnover of enterprises;

VIP – the volume of realized innovative products;

VSIP – the volume of sold industrial products (goods, services);

AP – agricultural products;

CI – capital investment;

NP – the number of the population;

VRU – the volume of fuel and energy resources/ natural gas use;

UP – an unemployed population.

To determine the degree of compliance of the normative and actual series of indicators for the development of the region's economy, the Spearman rank correlation coefficient (2) is applicable:

$$K = 1 - \frac{6 \cdot S(d)^2}{n^3 - n} \quad (2)$$

where $S(d)^2$ – the squares sum of the differences in the indicators series rank;

n – ranks number in series.

The results of calculations using formulas 1 and 2 showed that during the analysed period, the proportions of socioeconomic development did not fully correspond to their normative dynamics series (Table 1). The analysis of the tendencies in the economic development of the regions in Ukraine made it possible to establish that in 2006-2007 17 regions developed more or less answering the regulatory range of the economic indicators dynamics, as evidenced by the Spearman rank correlation coefficient.

In particular, only Kyiv city, Lviv and Poltava regions had a stable and average relationship between the indicators (0.7 > K > 0.8); other regions had an unstable relationship of which: 7 regions – moderate (0.5 > K > 0.6) and 7 more regions – bright (0.6 > K > 0.7). It should also be noted that during this period, there was a slight fluctuation in the correlation coefficient between its maximum and minimum value (0.489), i.e. the range of interregional differences was the least.

In the years of 2007-2008, the situation deteriorated somewhat as the number of regions that developed according to the established ratios of economic indicators fell to 12, or almost a third. The highest correlation rates were in Kyiv (0.758), Sumy (0.721) and Chernihiv (0.745) regions. In the period under review, the spread of the correlation coefficient increased to 0.582 and the range of differences in coefficient values was observed between Kyiv (0.758) and Dnipropetrovsk (0.176) regions.

Along 2008-2009, the relationship between the strategic and actual series of dynamics for all regions was weak and unstable, as the values of the Spearman's rank correlation coefficients were lower than 0.5, and ranged from -0.442 to 0.261. Such low values can be explained by the fact that during this period, the regions were unable to adapt quickly to the rapid deterioration of the economic situation, a decrease in investment activity, and a decline in industrial and agricultural production caused by the global financial and economic crisis.

In subsequent years (2009-2010) in the economy of most Ukrainian regions, there was some recovery. In particular, according to the normative series of indicators dynamics, Dnipropetrovsk, Donetsk, Lviv, Khmelnytskyi regions operated by 50-60%; Volyn, Ivano-Frankivsk, Kirovohrad, Luhansk, Poltava, Sumy regions – by 60-70%; Vinnytsia, Zhytomyr, Kyiv, Mykolaiv regions – by 70-80%. Only five regions could not overcome the barrier value of the rank correlation coefficient of 0.5, among them: Zaporizhzhia, Odesa, Rivne, Ternopil, and Kharkiv regions.

From 2010 to 2013, the regions developed unevenly. During this period, the economy of the regions was inefficient (0.5 > K). For the vast majority of regions, the economy was characterized by a correlation coefficient in the range of 0.5 > K > 0.8. Only three regions had a stable and close relationship between the normative and actual series of dynamics (0.8 > K > 0.9) – Chernivtsi (2010-2011), Zakarpattia, and Lviv regions, and also Kyiv city (2011-2012).

In 2013-2014 as a result of unpredictable political events, all regions of Ukraine, except the Rivne region, again had a weak correlation between the strategic and actual series of indicators dynamics (K < 0.5), which caused a decline in the economic performance. By the end of 2015, only a few regions had positive shifts: Volyn, Kyiv, Odesa, Chernivtsi (0.5 > K > 0.6), Lviv, Poltava, Kharkiv regions (0.6 > K > 0.7), and in 2016 only Khmelnytskyi region had a moderate and unstable relationship between the actual and normative structure of the region's economic indicators (0.5 > K > 0.6).

In general, it should be noted that in 2006-2016, coefficients of rank correlation quickly changed their value with large amplitude, which indicates an inefficient use of the existing production potential of the regions. In addition, the rank of some indicators also often changed in a dynamic series, the reason for this was the frequent change of goals and directions of development, the absence of a system of criteria for assessing the effectiveness of economic development, through which it is possible to assess the effectiveness of the regions functioning. Based on the analysis, we will determine the economic problems of the region's development during 2006-2016 (Table 2) (Timoshin, A. S., Tiazhkorob, I. V., Davydenko, V. M. and Volkov, S. V., 2008).

Thus, the results of assessing the development trends in the economy of the Ukrainian regions based on a dynamic standard of socio-economic indicators make it possible to conclude that the biggest problem in each researching period is the decrease in the industrial production output. The reason for this negative trend is the loss of a significant number of industrial enterprises located in a territory beyond the control of the Ukrainian authorities (after the war in 2014 in the East of the country), the presence of a significant share of products

Table 1

Dynamics of Spearman's rank correlation coefficient for assessing the economic development effectiveness in the regions of Ukraine in 2006-2016

The regions of Ukraine	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016**	*max*	*min*	*scope*
Ukraine	0,479	0,673	-0,091	0,588	0,467	0,503	0,600	-0,006	0,721	0,483	*0,721*	*-0,091*	*0,812*
Vinnytsia	0,455	0,297	0,030	0,758	0,588	0,467	0,648	0,442	0,479	0,133	*0,758*	*0,03*	*0,728*
Volyn	0,576	0,479	-0,212	0,697	0,552	0,491	0,733	0,248	0,503	0,017	*0,733*	*-0,212*	*0,945*
Dnipropetrovsk	0,612	0,176	-0,139	0,552	0,552	0,709	0,624	0,176	0,406	0,150	*0,709*	*-0,139*	*0,848*
Donetsk	0,616	0,467	0,018	0,530	0,491	0,552	0,515	-0,285	0,224	0,067	*0,616*	*-0,285*	*0,901*
Zhytomyr	0,515	0,406	-0,188	0,794	0,588	0,673	0,612	0,224	0,467	0,300	*0,794*	*-0,188*	*0,982*
Zakarpattia	0,491	0,600	0,018	0,794	0,394	0,891	0,745	0,067	0,285	0,033	*0,891*	*0,018*	*0,873*
Zaporizhzhia	0,261	0,624	-0,018	0,442	0,685	0,539	0,588	0,164	0,600	0,183	*0,685*	*-0,018*	*0,703*
Ivano-Frankivsk	0,539	0,418	0,042	0,648	0,673	0,685	0,442	0,127	0,321	-0,050	*0,685*	*-0,050*	*0,735*
Kyiv	0,612	0,758	0,139	0,770	0,552	0,636	0,539	0,236	0,552	0,350	*0,770*	*0,139*	*0,631*
Kirovohrad	0,333	0,394	-0,042	0,697	0,491	0,321	0,564	0,152	0,467	0,383	*0,697*	*-0,042*	*0,739*
Luhansk	0,552	0,539	-0,018	0,697	0,333	0,539	0,115	-0,188	-0,091	0,217	*0,697*	*-0,188*	*0,885*
Lviv	0,733	0,539	0,164	0,552	0,576	0,855	0,491	0,273	0,636	0,450	*0,855*	*0,164*	*0,691*
Mykolaiv	0,442	0,576	0,248	0,794	0,576	0,455	0,576	0,006	0,430	0,200	*0,794*	*0,006*	*0,788*
Odesa	0,600	0,345	0,127	0,418	0,612	0,539	0,576	-0,055	0,552	0,450	*0,612*	*-0,055*	*0,667*
Poltava	0,733	0,224	0,115	0,624	0,248	0,321	0,309	0,345	0,600	0,383	*0,733*	*0,115*	*0,618*
Rivne	0,697	0,600	-0,067	0,358	0,576	0,515	0,624	0,503	0,358	0,233	*0,697*	*-0,067*	*0,764*
Sumy	0,430	0,721	0,115	0,685	0,430	0,770	0,648	0,164	0,418	0,200	*0,770*	*0,115*	*0,655*
Ternopil	0,588	0,648	0,261	0,430	0,648	0,333	0,455	0,224	0,479	-0,100	*0,648*	*-0,100*	*0,748*
Kharkiv	0,576	0,673	0,006	0,406	0,212	0,600	0,697	0,091	0,612	0,100	*0,697*	*0,006*	*0,691*
Kherson	0,455	0,442	0,176	0,648	0,285	0,600	0,491	0,321	0,406	0,050	*0,648*	*0,050*	*0,598*
Khmelnytskyi	0,394	0,479	-0,115	0,539	0,697	0,721	0,370	0,236	0,273	0,517	*0,721*	*-0,115*	*0,836*
Cherkasy	0,636	0,624	-0,115	0,648	0,564	0,467	0,212	0,479	0,406	0,0	*0,648*	*-0,115*	*0,763*
Chernivtsi	0,612	0,417	-0,442	0,600	0,855	0,491	0,661	0,115	0,515	0,417	*0,855*	*-0,442*	*1,297*
Chernihiv	0,624	0,745	0,006	0,685	0,224	0,515	0,370	0,358	0,430	0,267	*0,745*	*0,006*	*0,739*
Kyiv city*	0,750	0,450	-0,100	0,133	0,317	0,883	0,733	0,133	0,417	0,476	*0,883*	*-0,100*	*0,983*
K_{max} across all regions	*0,750*	*0,758*	*0,261*	*0,794*	*0,855*	*0,891*	*0,745*	*0,503*	*0,721*	*0,517*	-	-	-
K_{min} across all regions	*0,261*	*0,176*	*-0,442*	*0,133*	*0,212*	*0,321*	*0,115*	*-0,285*	*-0,091*	*-0,1*	-	-	-
Coefficient spread (scope)	*0,489*	*0,582*	*0,703*	*0,661*	*0,643*	*0,570*	*0,630*	*0,788*	*0,812*	*0,617*	-	-	-

Source: Calculated on the basis of The State Statistical Service of Ukraine, 2018

Note:* excluding T_{AP} (did not report on the production of agricultural products);
** excluding T_{VIP} (there are no statistics on the rate of growth in the innovative products volume by 2016).

Table 2
The economic problems of the Ukrainian regions' development during 2006-2016

Order of indicators	The economic problems of regional development
2006–2007	
$T_{GDP} < T_{IP}$	Decrease in the industrial production output
$T_{GDP} < T_{AP}$	Decrease in the agricultural production output
$T_{GDP} < T_{CI}$	Decrease in investment efficiency
2007–2008	
$T_{GDP} < T_{IP}$	Decrease in the industrial production output
$T_{GDP} < T_{AP}$	Decrease in the agricultural production output
$T_{VIP} < T_{IP}$	Decrease in the cost of innovative products
$T_{CI} < T_{NP}$	Decrease in investment volume
$T_{NP} < T_{UP}$	Increase in unemployment
2008–2009	
$T_{GDP} < T_{AP}$	Decrease in the agricultural production output
$T_{GDP} < T_{VSIP}$	Decrease in the total labour productivity
$T_{VSIP} < T_{UP}$	Increase in unemployment
$T_{CI} < T_{UP}$	Decrease in investment volume
$T_{VSIP} < T_{IP}$	Decrease in the cost of innovative products
2009–2010	
$T_{GDP} < T_{IP}$	Decrease in the agricultural production output
$T_{CI} < T_{UP}$	Decrease in investment volume
$T_{VSIP} < T_{IP}$	Decrease in the cost of innovative products
2010–2011	
$T_{GDP} < T_{IP}$	Decrease in the agricultural production output
$T_{GDP} < T_{CI}$	Decrease in investment efficiency
$T_{IP} < T_{RTE}$	Deterioration of the structure of the population consumption
$T_{IP} < T_{CI}$	Decrease in the vested interests efficiency
2011–2012	
$T_{GDP} < T_{CI}$	Decrease in investment efficiency
$T_{IP} < T_{VRU}$	Decrease in the vested interests efficiency
$T_{IP} < T_{RTE}$	Deterioration of the structure of the population consumption
$T_{VIP} < T_{IP}$	Decrease in the cost of innovative products
2012–2013	
$T_{GDP} < T_{AP}$	Decrease in the agricultural production output
$T_{IP} < T_{RTE}$	Deterioration of the structure of the population consumption
$T_{CI} < T_{NP}$	Decrease in investment volume
2013–2014	
$T_{GDP} < T_{IP}$	Decrease in the industrial production output
$T_{VIP} < T_{IP}$	Decrease in the cost of innovative products
$T_{IP} < T_{RTE}$	Deterioration of the structure of the population consumption
$T_{CI} < T_{NP}$	Decrease in investment volume
$T_{NP} < T_{UP}$	Increase in unemployment
2014–2015	
$T_{IP} < T_{CI}$	Decrease in the vested interests efficiency
$T_{VIP} < T_{IP}$	Decrease in the cost of innovative products
2015–2016	
$T_{GDP} < T_{IP}$	Decrease in the industrial production output
$T_{GDP} < T_{AP}$	Decrease in the agricultural production output
$T_{GDP} < T_{CI}$	Decrease in investment efficiency
$T_{NP} < T_{UP}$	Increase in unemployment

with low added value in the production structure, the high cost of energy carriers and materials, on the output of basic industries on foreign sales markets.

Taking into account the results of the economic analysis of the regions' development, it would be advisable to develop cooperation between those regions, which have different problems (for sharing experience in those areas that have insufficient development in a given region and to solve them effectively). In practice, interregional connections in Ukraine are born spontaneously depending on the geographical location, that is, cooperation arises between neighbouring regions. This leads to a deepening of socio-economic disparities between regions and affects negatively the country development as a whole. Such a state of things could be improved by introducing a unified national Development Strategy for interregional cooperation to clearly plan priorities, goals, and objectives in this area, and to confidently direct the country towards sustainable development. Unfortunately, now such a strategic document is absent in the regulatory and legal field of Ukraine, and therefore, it is expedient to study the foreign experience of implementing the economic cooperation process between regions and its normative regulations.

4. Formation of the main principles or the cooperation between regions in Ukraine

The study of the existing experience from the different countries in the world about the formation and development of economic cooperation between regions tell us about the strength of the interregional integration, expanding cooperation of regions in new market conditions that imply an increase in their economic independence.

Economic cooperation of the regions offers many opportunities for ensuring the progressive and balanced social and economic development of each of the subjects based on establishing strategic, equal, and mutually beneficial relations between them.

The regional level of international relations was widely spread at the end of the 20th century and became one of the characteristic features of the world system relations in the 11th century. Initiated by the federal states, first by the USA and Canada (Börzel, van Hüllen, 2014) in the American continent, Belgium (Chuzhykov, 2008) together with other decentralized states of Europe, the economic ties between the regions in recent decades have entered the practice of many countries. Therefore, among the main tools for implementing the strategy for interregional development, the following can be singled out: the activities of non-state institutions and their assistance in enhancing interregional links; the availability and participation in targeted development programs for territories; the operation of special funds for regional development and support

of problem areas; the conclusion of contracts between the state, regional agencies development and other stakeholders of interregional development; the activities of institutions engaged in research of the inter-territorial and urban planning; participation in various grant programs of international partners together with regional and interregional investors (Čiegis, 2001).

The southern states of the USA and the Canadian province of Quebec were pioneers in the development of economic cooperation between the regions (Ornstein, Stevenson, 1999). Accordingly, their activity to establish relationships with the regions of other states has provoked a response from the partners. As interregional cooperation has become more important for social and economic development, one more area of the subnational authority's activity has been recognized. This led to the understanding that the representation of the regional interests in the international arena is a part of the official responsibilities of the regional leaders and within the framework of a nationwide foreign policy. The activities of governments of some regions and more actively developed interregional ties in this connection have been a stage in the regulation of intra-state relations. This process is understood as the development of the necessary institutions for coordinating regional and national interests, coordinating international activities of the regions, and has served as a model for other subnational units. The Canadian province of Quebec, for instance, was often seen as a model of political and economic cooperation by such Spanish regions as the Basque Country, Catalonia, Flanders, Wallonia. These regions brought their own approaches to solving emerging problems, which led to the emergence of the so-called 'The Catalan Model of Cooperation.'

In the middle of the twentieth century, the world observed the rapid development of public self-awareness in the regions of many countries, which was reflected in the formation of appropriate legal and institutional mechanisms at the domestic and international levels. Thus, various forms of international contacts are supported by regions in practically all democratic states with a federal structure. This phenomenon also becomes characteristic of decentralized countries, such as Spain and the United Kingdom, as well as for unitary and centralized states, for example, Japan or the People's Republic of China (Hänggi, 2006). That is, in regional cooperation they see the way to the development of their economy and the strengthening of international positions as a state with a relatively small volume of Gross Domestic Product (GDP), as well as major world leaders.

At the end of the twentieth century, the interregional activities of the People's Republic of China significantly intensified. Thanks to the reform of the regional administration (called "The Concept of the Purported Regionalization") the subjects of cooperation were granted broader rights, not only in the context of foreign economic activity but also the possibility of establishing special zones and other priority development areas (for trade and investment cooperation).

To develop regional cooperation in modern Europe, there is a fairly developed legal and solid institutional basis. The European Charter and conventions, such as The European Charter of Local Self-Government (Strasbourg, October 1985), The European Outline Convention on Transfrontier Co-operation between Territorial Communities and Authorities (Madrid, May 1980), The European Charter for Regional Languages and the Languages of Minorities (Strasbourg, November 1992), including the part concerning cross-border exchange, The Charter of the Congress of Local and Regional Authorities of Europe (adopted by the Committee of Ministers on January 14, 1994). It should also be mentioned The European Charter of Regional Self-Government, the draft of which was adopted by the Congress of Local and Regional Authorities of Europe of the Council of Europe on June 5, 1997 (The Committee of the Regions, 1999).

Since 1990, the European Union (EU) has begun to provide financial support for interregional cooperation using a number of initiatives, programs, and projects, the common areas of which are listed in Table 1. Support programs such as MEDA (for remote regions of the country that are not EU members); TACIS CBC (covering the border regions of Russia, Ukraine, Belarus, and Moldova); CARDS (program for the Western Balkan countries); LACE (project of the Assembly of European Border Regions, includes advocacy for the implementation of positive practices of cooperation between regions) (Doidge, 2007) and others (Table 1).

Undoubtedly, for the successful implementation of the projects aimed at the cooperation between regions, it is necessary to transfer appropriate powers from central to regional authorities and local governments that are able to provide not only organizational but also financial support to project participants. The principles followed by the countries of Central and Western Europe are also suitable for the implementation in the area of economic cooperation between the regions and the countries of Eastern Europe. Thus, the experience of Romania testifies to the existence of an effective and ramified system of non-state institutions and organizations that contribute to the establishment of interregional links. Such institutions include regional development agencies and chambers of commerce and industry that ensure the effectiveness of links between regions in the following areas: 1) to search for partners in the regions of other countries for implementing joint programs for social and economic development; 2) to participate as a partner in EU programs and joint projects at the international level (Doidge, 2014).

In the countries of Central and Western Europe, the activities of the regional development agencies are

Table 4
The most common support areas from the EU for the cooperation between regions

Name of the direction	Purpose	Participants	Priority areas of the financing
Cross-border cooperation	Development of the joint local and regional initiatives	Regions of EU member states, Ukraine	Small and medium business. Tourism and culture. Protection of the environment. Transport, information, communication networks and services. Joint using the infrastructure in the sphere of culture. Cooperation of judicial and administrative bodies.
Supranational cooperation	Territorial integration of the EU countries.	Regions of the Baltic Sea countries, the Mediterranean Sea, Central and Eastern Europe	Balanced development in the cities. Innovative activity. Protection of the environment.
Interregional cooperation (INTERREG III)	Experience exchange between the regional and local organizations of the EU countries.	Countries of the EU, Norway, Switzerland	Innovative activity and knowledge-based economy's development. Protection of the environment.

Source: compiled on the basis of (The European Commission, 2017)

also extraterritorial in nature and are aimed at similar goals. The legislation of the EU does not contain reservations regarding the organizational and legal form of these agencies; therefore, predominantly such are the entities that are formed in accordance with the procedure provided by law on their own initiative or initiative of the government at any level. For instance, in Ireland, Spain, Germany, The United Kingdom, regional development agencies are formed as the state enterprises, in Portugal and France – as the joint-stock companies with a state share in the statutory fund.

The experience of the European countries is also practiced by the participation of the chambers of commerce and industry as the initiators of the creation and functioning of the regional development agencies. The international chambers of commerce are used to establish partnerships for the implementation in different joint programs, so this type of cooperation is an economic cooperation between regions.

Considering the experience of the EU countries in forming the foundations of the interregional economic cooperation, it should be noted that in the context of the decentralization reform in Ukraine and its competitive positioning on the world arena, it is necessary to intensify cooperation of our country's regions not only within the national but also international level. There are certain changes in this direction – cooperation within the framework of the Carpathian Euroregion, the Bug Euroregion, the Danube Transnational Programme, etc. At the same time, the underdevelopment of the institutional infrastructure, the uncertainty in the competence of the regional and local authorities in the field of interregional cooperation, the lack of the strategic programming of the regional development limits the participation of the regions only by separate tactical activities.

6. Conclusions

Regional and interregional policies that are almost indivisible operate variously in the economically active countries and are treated differently: as a part of the state overall policy to redistribute income in society, especially in the countries with a target-oriented market economy or as a part of the regional politics.

Obviously, it is impossible to reduce the differences in income and living standards of the population without reducing the differences in the regional economic development levels, clearly manifested in interregional cooperation. As foreign experience shows, regional policy and interregional relations development in any country should differ in the following features: the presence of a conscious and formulated goals vision of the regional and interregional development of the country; the existence of authorities that are responsible for changing the regional territorial proportions; availability of the special tools aimed at raising problem areas in a strategic dimension.

Thus, the analysis of the foreign practice in the formation and implementation of the economic cooperation between regions makes it possible to identify the main prerequisites for this process, on which should be paid attention when implementing this type of interaction in the Ukrainian legal and institutional field (Fig. 1). It will force the formation of integration-type regions that will function to solve common problems or to obtain a certain benefit for the development of their territory.

The current stages of the world economy's spatial changes and the Ukrainian economy are characterized by the implementation of complex, radical transformations of the administrative and territorial structure. Now, for our country, this is connected with the implementation of the decentralization reform components, the essence of which is the direct redistribution of power between the state and

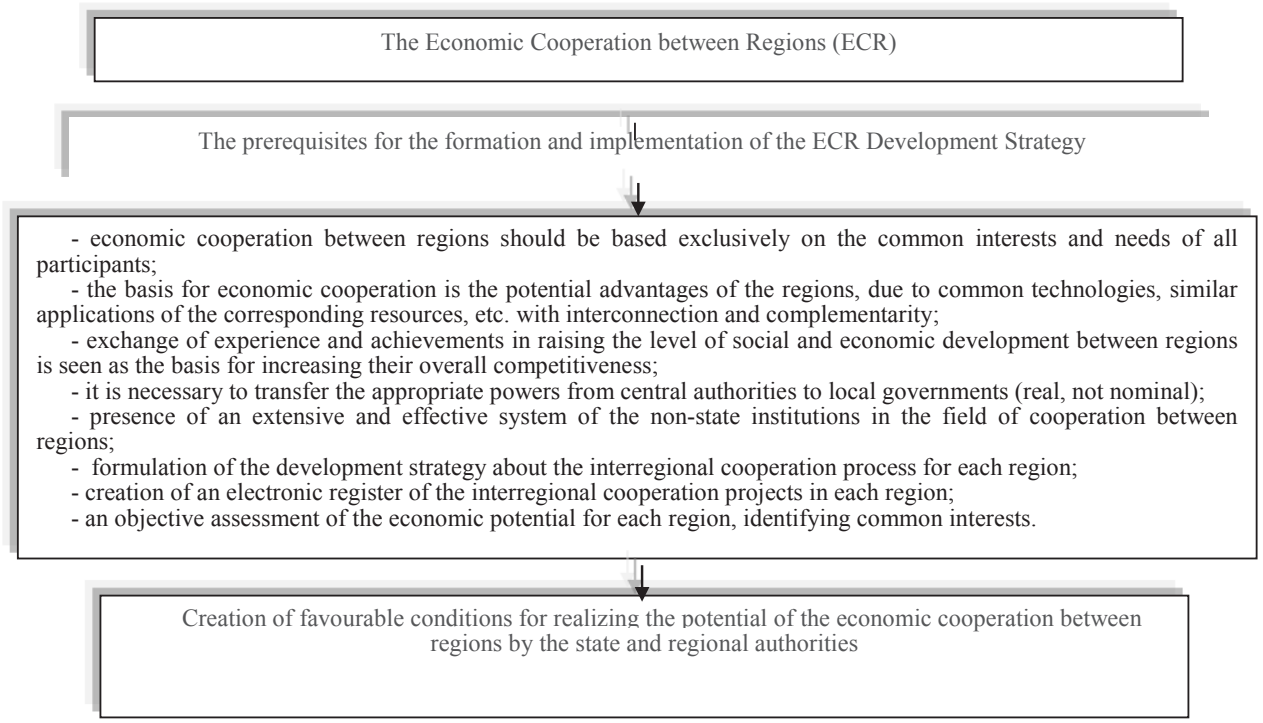

Figure 1. Preconditions for the formation and development of the economic cooperation between regions based on the foreign experience

local levels. On the one hand, the signing and entry into force of the Association Agreement between Ukraine and the EU dictate to our country the necessity to activate the European integration reforms, but on the other hand, certain regional differences occur in our country.

Moreover, in the process of a frantic pace of world development and the introduction of scientific and technological progress elements, the approach to understanding the role of economic (productive) resources, which play the main role in the process of carrying out any economic activity, is modified somewhat. Therefore, for the positive foreign practices, introduction in this area and for a qualitative transition of Ukraine from traditional to innovative development of the economy, A. Smith's classic trilogy "land-labour-capital" requires thorough supplementation. Thus, in any country with a modern economy, it is no longer enough simply to accumulate and use traditional types of resources (natural, material, financial, labour), it is important to ensure balanced development of the regions and interregional cooperation in the strategic dimension.

Undoubtedly, the complex task of forming a unified national economic space in Ukraine is strategic, and therefore, its solutions in the context of the world economic, political, and cultural integration are impossible without activation, expansion, and deepening the interregional links, institutionalization of which is a prerequisite for sustainable development of the economy throughout countries, and it can become a topic of further research in this field.

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MODERN METHODOLOGICAL APPROACHES TO THE INVESTIGATION OF ENSURING AND PROTECTION OF HUMAN RIGHT TO ACCESS TO PUBLIC INFORMATION

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Abstract. The *purpose* of the paper is to study the preconditions of the necessity to use new scientific tools during the study of issues related to the ensuring and protection of human right to access to public information; to characterize the main scientific approaches to modern researches in the sphere of safeguarding human right to access to public information; to identify promising directions for further research on this topic. *Methodology.* The paper presents the examples of a negative use of scientific methodology in conducting research in the area of administrative law and procedure and also draws attention to the need to reconsider an obsolete scientific methodology that does not correspond to the current realities and negatively affects the development of legal science. It indicates and characterizes the main preconditions of the necessity to use new scientific tools while investigating the issues related to ensuring and protection of human right to access to public information. In the context of the research of peculiarities of administrative and legal coverage and protection of human right to access to public information, it is proposed to use the systems approach, which is extremely effective in analysing complicated legal phenomena and processes and permits to study the peculiarities of substantive, procedure and procedural legal regulation as a cohesive whole. *Practical implications.* The system approach is an extremely promising technique for studying legal reality. Its use allows synthesizing all the knowledge about legal phenomena (legal rules, legal relations, legal consciousness, etc.), which is accumulated during the past stages of formation and development of domestic legal science, for a deeper insight into the development and functioning of law in general and administrative law in particular. *Value/originality.* Problems that exist in legal science in general and in the science of administrative law, in particular, can be solved only with the help of new scientific tools, specifically, by applying the system approach. The use of the systems approach in case of studying the issues of ensuring and protection of the human right to access to public information would allow combining all studies that were performed on this issue in substantive, procedure or procedural parts of the administrative law.

Key words: administrative law and procedure, methodology, public information, right to access to public information, administrative legal proceedings.

JEL Classification: I2, K1, K23

1. Introduction

The problems that currently exist in the science of administrative law and procedure are conditioned by different factors: rapid changes in the economic, political, and socio-cultural spheres of society, which require significant changes in the national legislation, the gap of branch studies to the needs of society, and therefore, the legal science doesn't manage to respond promptly and adequately to changes taking place in the society, etc. At the same time, the main problem of the modern legal science of Ukraine, and especially of the science of administrative law and procedure, lies in the fact that scientific tools, which are used by the science in order to learn legal phenomena in the modern world, are out of date. It is impossible to produce high-tech products using obsolete equipment, as to improve the production and enhance its technological qualities, it is necessary to upgrade the equipment, which will produce such products, to elaborate administration at the enterprise, to advance professional competence of personnel, etc. The same processes should take place in the sphere of juridical science. The complication of

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social relations governed by law requires more advanced scientific tools, through which legal phenomena and processes are recognized in the modern world.

Unfortunately, we have to state that there is still no full comprehension of this problem among Ukrainian legal scholars, who automatically continue to explore the new phenomena for administrative law and procedure with the help of outdated methodology. Under the new conditions, the methodology that was used for the Soviet administrative law does more harm than provides benefits for the development of branch science, as its use often leads to wrongheaded or untrue results.

In the context of the outlined problem, it is relevant to define modern scientific tools of researches in the sphere of ensuring and protection of human right to access to public information. During the years of Ukraine's independence, firstly, there took place a gradual transformation of Ukrainian society with limited use of information into a new-day information society, and secondly, the rapid development of information relations in Ukraine, which was under the influence of a spread of the latest information technologies throughout the world, led to a gradual development of the national information legislation, thirdly, the mechanisms for enforcement of the right to access to public information were outlined in the current legislation by consolidating the relevant administrative procedures and access modes to information; fourthly, repeated violations of human right to access to public information by the public administration bodies favoured the consolidation of mechanism of judicial protection of the violated right in the current legislation. All these legal phenomena and processes can be investigated in the science of administrative law and procedure only with the help of new scientific instruments.

The general issues of methodology use in researches on the problems of administrative law and procedure were covered in the papers of V. B. Averianov, Ya. V. Zadorozhnia, V. K. Kolpakov, D. M. Lukianets, and many other domestic scholars.

At the same time, it should be noted that traditionally these issues are related to the theory of state and law, hence, are hesitantly raised by the representatives of administrative law and procedure, as a rule, in the context of covering the shortcomings of Soviet administrative law science or in conducting research, which is mainly based on the application of one approach of scientific knowledge.

2. Problems of the application of scientific methodology in legal science

The modern problem of using scientific methodology in juridical science has two dimensions. The first is that a formal attitude to the methodology became widespread in branch legal sciences, that is, it was given up to be used as a tool for research practice but it is used as an attribute for the execution of research work. If you get acquainted with the content of the research papers that were written in Ukraine over the last decade, you can see that very small percentage of them contain author's explanations regarding the methodology of research. In rare instances, the author explains a paper structure, specifies the framework of categories of the work, draws attention to the specifics of involved scientific tools in comparison with other works, which were written earlier on similar subjects, and suchlike. The majority of the authors mention the methods of scientific knowledge only when making up the introduction of a dissertation, which is a mandatory requirement for the defence of that sort of papers. This pro forma approach to the methodology usage doesn't have anything in common with a genuine research activity and its results. For example, hereupon, O. M. Mykolenko states that the lack of a methodological approach in the paper indicates an unsystematic character of information presentation (it becomes marked in the paper's structure or in the discrepancy between the subsection title and its actual content), the lack of a scientific problem that is solved in the course of study (so this kind of paper is usually descriptive), the lack of conclusions that would solve the existing problem (therefore, such a paper is overloaded with conclusions, which only state the fact that exists in a real legal reality) (Mykolenko, 2018).

The second dimension of the current problem of scientific methodology application in legal science is that fresh problems of the science of administrative law and procedure require new tools for their solution.

3. Preconditions of the need to use new scientific tools for research of ensuring and protection of human right to access to public information

Among the conditions for the need to use new scientific tools in modern researches of administrative and legal phenomena in general and issues of ensuring and protecting the human right to access to information, in particular, one can distinguish the following.

1. The transformation of Ukrainian society into an information society. For example, O. V. Lohinov outlines three types of information society:

1) a society of new type, which is evolved as a result of the global social revolution and generated by the rapid development and convergence of information and communication technologies;

2) a society of knowledge, that is, a society where the main condition of the welfare of every person and every state is knowledge gained through unimpeded access to information and the ability to deal with it;

3) a global society where the information exchange will have neither temporal, nor spatial or political limits that, on the one hand, will promote the interpenetration of cultures, and on the other hand, will open up new

opportunities for self-identification to each community (Lohinov, 2005).

The development of the national information legislation and promotion of research activities in this sphere is conditioned, first of all, by the fact that Ukrainian society being an information society of new kind tries to transform into an information society, which refers to the second or third type, which not only declares information rights of natural and legal persons but also creates real conditions for their implementation and provides legal mechanisms for protection of violated rights.

2. Reform of administrative law as a branch of law. This reform concerns the institutional issues of administrative law because it involves reconsidering and clarifying the content of the subject and the method of administrative-legal regulation, the system of administrative law, the system of subjects of administrative law and their legal status, etc. These changes influence the framework of categories and concepts of administrative law. The terms as "public administration", "administrative procedure", "administrative services" were rarely used in scientific works at the end of XIX – beginning of XX centuries and have recently become the key categories of modern administrative law. For example, when it investigates the peculiarities of ensuring and protection of human right to access to public information, it raises the question of the distinction between the subject of administrative law and the subject of information law. On the one hand, there is the re-examination of administrative law system with the clarification of elements included in this system but, on the other hand, there is an endeavour to substantiate the expediency of establishment of an independent branch in Ukrainian law system – information law.

The right to information and the right to access to public information, as a rule, are implemented through administrative procedures provided for by the current legislation and are related to the provision of administrative services. In this case, there is a need to specify the place of the procedure for access to public information in the general system of administrative procedures, to determine the place of the subjects of relations in the sphere of access to public information in the general system of subjects of administrative law, as well as to define the peculiarities of the provision of public information in the general system of administrative services.

The issues under consideration can't be solved using outdated scientific tools. They require the search for new scientific approaches to highlight the problems of administrative law enforcement and protection of human right to access to public information.

3. The lack of comprehensive researches that would, firstly, combine all early studies on ensuring and protection of human right to access to public information and, secondly, unite the analysis of substantive, procedure and procedural administrative law on ensuring and protection of the human right to access to public information.

4. Comprehensive analysis of researches on ensuring and protection of human right to access to public information

The right to information, especially its enforceability and implementation, is a research subject of constitutional, administrative, and information law. Therefore, in this area, it is important to use not only the achievements of administrative law and procedure but also the achievements of other branch legal sciences. The holistic character of a research lies in the fact that a scholar not only investigates a legal phenomenon with the help of existing tools but also takes into account the results of previous investigations, compares them with the conclusions that the author achieved in the course of the study, tries to identify tendencies which were conditioned by a certain historical stage, etc.

For example, the analysis of scientific papers on ensuring and protection of human right to access to public information shows as follows:

- the studies of representatives of constitutional law were mainly focused on the reasons for non-compliance with the constitutional requirements for ensuring access to public information by public administration bodies, the issue of essence of human right to access to public information and mechanism of its implementation were fragmentarily considered in the following papers (N. V. Kushkova, O. V. Nesterenko, E. P. Teptiuk, and others);
- the papers of representatives of administrative and information laws considered the issues of ensuring human right to public information, as they comprehensively studied the content of such concepts as "public information", "human right to access to public information", "procedure of public information access" and others (V. Yu. Baskakov, T. V. Hrushkevych, Yu. V. Dyka, L. V. Kuzenko, O. O. Kukshynova, K. S. Mashtak, S. M. Taradai, and others).

It is very important that the study on the issues of ensuring and protection of human right to access to public information combines an analysis of the rules of substantive, procedure and procedural administrative law. Today, it is relevant in the context of reforming administrative law and formation of its system. The emergence of administrative legal proceedings in Ukraine contributed to the development of democratisation of our society but also generated a number of theoretical problems in the doctrine of administrative law, some of which are currently unresolved:

a) is the set of rules regulating administrative legal proceedings a part of the system of administrative law (its branch or sub-branch) or does it create an independent branch of law – "administrative procedural law"?

b) if administrative legal proceedings are regulated by administrative procedural rules, so which rules do regulate the activities of public administration bodies regarding the provision of services (by administrative procedure or administrative procedural rules)?
c) the recognition of the existence of administrative procedural rules along with administrative procedure rules does not comport with contemporary views of the types of legal rules in the theory of law that currently divides the legal rules into two types – substantive and procedural.

There are constant discussions among the representatives of administrative law towards the abovementioned issues that are presented in juridical literature (V. M. Bevzenko, A. T. Komziuk, O. V. Kuzmenko, and others). At the same time, it is obvious that there is a range of issues that require a comprehensive analysis in the area of administrative law and procedure, that is, taking into account the peculiarities of substantive, procedure and procedural parts of the administrative law. For example, the investigation of human right to access to public information can be performed solely from the point of view of administrative substantive law and such study should focus on: a) the concept of information and its types; b) the concept of public information and its types; c) the content of human right to access to public information in the system of other administrative rights of a person; d) the characteristic nature of administrative and legal status of a person who has the right to access to public information, etc.

The human right to access to public information can be investigated exclusively from the point of view of administrative procedure law. In such studies, attention will be drawn to: a) the mechanisms, methods, types of enforcement of the right to access to public information; b) stages or steps of the procedure for the implementation of this constitutional right; c) the legal status of participants of the enforcement of the right to access public information, etc.

But the investigation, for example, of judicial protection of human right to access to public information, cannot be performed solely from the point of administrative procedural law, because the disclosure of this topic is not limited by the solution to procedural issues, it is closely related to the peculiarities of regulation of the right to access to public information by substantive and procedural rules of administrative law.

The analysis of scientific papers shows that the substantive and procedural rules of administrative law, which establish the content of the human right to access to public information and regulate the procedure for the implementation of this right, are researched to the full extent in the science of administrative law of Ukraine. While the administrative procedural rules regulating the procedure of consideration of disputes by administrative courts over appeals against decisions, actions or passivity of public information administrator in terms of access to public information, are not adequately investigated.

Recently, studies connected with the peculiarities of administrative legal proceedings in certain cases categories have been enhanced in Ukraine (O. V. Bacherikov, T. F. Veselska, Ya. S. Riabchenko, N. V. Shevtsova, O. V. Yatsun etc.). It should be noted that most of them mainly focus on the problems of administrative process avoiding the examination of issues of substantive and procedure parts of the administrative law. For example, Ya. S. Riabchenko in her work, devoted to the peculiarities of administrative legal proceedings on issues of appealing regulatory documents, covered the specification of the content of the procedure for appealing regulatory acts in administrative legal proceedings and the definition of the principles of this proceeding (Riabchenko, 2010). O. V. Yatsun describing the peculiarities of administrative proceedings in land disputes confined herself, firstly, to the description of the content, features, and types of land disputes, which are settled in the procedure of administrative legal proceedings, and secondly, the definition of the procedural principles of proceedings for the consideration and resolution of land disputes with the participation of entities of public administration (Iatsun, 2011).

At the same time, the science of administrative law and procedure has achievements, which comprehensively consider the problems of administration of justice in administrative courts. For example, O. V. Yevsikova investigating the peculiarities of protection of tax relations in administrative courts of Ukraine lays emphasis on the characteristics of content of tax relations in Ukraine and the peculiarities of their legal regulation, and then continues with the analysis of the procedural arrangement for the consideration of cases in a county court, within the framework of the appellate and cassation proceedings (Ievsikova, 2012). A similar approach was used in the paper of A. V. Krasovska. Considering the peculiarities of administrative legal proceedings in cases over the termination of legal entities' activities on claims of authorities, in the first chapter of the work, the scholar focuses on the consideration of the substantive grounds of the claim's causes for the termination of legal entities' activities and in the second and third chapters reveals the specifics of administrative proceedings in this category of cases (Krasovska, 2012).

The need for a comprehensive study of the issues of judicial protection of human right to access to public information is also confirmed by the existence of the Resolution of the Plenum of the High Administrative Court of Ukraine dated September 29, 2016, No. 10 "On Practical Application of the Law on Access to Public Information by Administrative Courts" (High Administrative Court of Ukraine, 2016). The content of this resolution shows that the main problem of considering disputes over appeals against decisions, actions or inactivity of an information administrator

by administrative courts, in terms of access to public information, doesn't lie in the weaknesses of administrative procedural legislation or shortcomings in the activity of administrative courts, but in the peculiarities of administrative and legal regulation of substantive and procedural relations, that is, related to the definition of content and types of public information, information access modes, procedures for access to public information, including classified information, and so on.

5. New scientific tools in solving problems in the administrative law

In our opinion, the foregoing is a sufficient reason to argue that currently existing problems in juridical science in general and in the science of administrative law, in particular, can be solved only with the help of new scientific tools. The conceptual framework, which successfully has been used by the science for many years, malfunctions in increasing frequency, in particular, because of its inconsistency to contemporary tasks and their very formulation. The systems approach acts as one of the ways of such deepening, associated with the development of new methodological directions in science (Melnyk, 2010).

The systems approach is extremely effective in the analysis of complex objects, which include the sphere of providing and protection of the human right to access to public information. This sphere has several qualitative definitions (substantive, procedural, procedure) and, in this respect, several directions of its development (clarification of the content of the right to access public information, improvement of the procedure for access to public information, generalization of administrative courts' jurisdiction in order to increase the level of protection of human right in the sphere of access to public information).

To sum up, we want to emphasize that the systems approach is an extremely promising method for studying legal reality. Its application permits to synthesize all the knowledge about legal phenomena (legal rules, legal relations, legal consciousness, etc.), which was accumulated during the past stages of the formation and development of domestic legal science, for a deeper insight into the laws of development and functioning of law in general and administrative law in particular (Melnyk, 2010).

6. Conclusions

In the light of the analysis of modern methodological approaches to research on the provision and protection of human right to access to public information, the following conclusions can be drawn.

1. The current problem of using scientific methodology in legal science has two dimensions. The first is that in branch legal sciences, there is a widespread conventional attitude to the methodology, that is, it was given up to be used as a tool for research performance but is used as an attribute for the execution of research work. The second is that fresh problems of the science of administrative law and the procedure require a new scientific tool for their solution.

2. Among the preconditions for the need to use new scientific tools in modern studies of administrative and legal coverage and protection of human right to access to public information, it is necessary to highlight the following: a) the transformation of Ukrainian society into an information and its subsequent development in a new direction; b) the reform of administrative law as a branch of law with the gradual definition of legal rules' place in the system of Ukrainian law that regulate administrative proceedings; c) the lack of comprehensive research that would, first of all, combine all previous research on the issues of ensuring and protection of human right to access to public information and, secondly, unite the analysis of the rules of substantive, procedure, and procedural administrative law on ensuring and protection of human right to access to public information.

3. The current problems of juridical science in general and the science of administrative law, in particular, can be solved only with the help of new scientific tools, namely, by applying the systems approach. The application of systems approach in the study of issues of ensuring and protection of the human right to access to public information will give an opportunity to combine all studies that have taken place on this issue in substantive, procedure or procedural parts of the administrative law.

4. Based on the foregoing, we believe that the issue of research methodology improvement in the sphere of ensuring and protection of human right to access to public information is a promising one for the further development of administrative law and procedure.

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ON THE EXPEDIENCY OF GRANTING TAX EXEMPTIONS IN THE SPHERE OF SETTLEMENTS IMPROVEMENT

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Abstract. The *purpose* of the paper is to investigate the procedure of provision of economic incentives in the sphere of settlements improvement in the context of elements of development, in particular, the provision of tax privileges. *Methodology.* The survey is based on the analysis of the elaboration of the regulatory framework in the CIS countries regarding the application of tax privileges to economic entities that take an active part in the sphere of settlements improvement in terms of elements of development. The norms, which provide tax incentives in the Tax Codes of the Republics of Uzbekistan, Kazakhstan, the Kyrgyz Republic, the Russian Federation, and Ukraine, are considered. Provided proposals for the improvement of the tax legislation of these countries in the direction of application of tax incentives to natural and legal persons are based on the statement of the need to enhance the ecological component of a settlement, maintain its aesthetic appearance, create comfortable conditions for people living in it. *Results.* In the course of the investigation of the state policy on waste management in the CIS countries and analysing the modern legal and regulatory framework towards the provision of tax incentives to economic entities, which operate in the sphere of waste management, or towards natural persons, who acts in a private procedure, the necessity to grant them benefits on corporate profit tax, value-added tax, personal income tax, land fees is substantiated. Studying the state and regional policy on planting of greenery on the territory of settlements as an element of improvement, it is justified the necessity to grant tax privileges to enterprises, institutions, organizations, which take an active part in the process of planting by virtue of corporate profit tax, and to allow the use of special tax regimes for the enterprises the main activity of which is cultivation and realization of ornamental plants. It is proposed to consider the possibility to relive economic entities belonging to representatives of small business from payment of property tax for small outdoor amenities. *Practical implications.* The presented proposals for granting tax exemptions to economic entities that take an active part in the improvement of settlements will contribute to increase of motivation for the promotion of waste sorting, the manufacture of containers, garbage trucks, facilities of waste sorting plants; the intensification of activities on waste recycling and manufacture of products made of secondary raw materials; planting of greenery on the territory of settlements, which will contribute to betterment of the appearance of the settlements, creation of favourable, comfortable conditions for the population, improvement of the ecological situation. *Value/originality.* The article gives action-oriented proposals to bring modifications to the Tax Codes of the CIS countries towards the simulation of natural and legal persons to invest funds in sanitary clean-up of the territory from domestic waste for the implementation of rational waste management and for actions aimed at waste collecting.

Key words: tax privileges, taxpayers, improvement of settlements.

JEL Classification: E62, H25, H54

1. Introduction

Modern rapid development of settlements and annual growth of population density in the megalopolises (expansion of the urbanization process as a socio-economic process, which is characterized by geographical conditionality and expressiveness in the space accompanied by the growth and development of urban settlements , the increase in the volume weight of urban population, the spread of urban lifestyle in the country and the region, in particular) cause the necessity to solve tasks aimed at creating favourable, comfortable, aesthetic living conditions for the inhabitants of settlements.

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The solution of the problems of settlements improvement is a topical issue, which contributes to the revival and socio-economic development not only of a separate administrative-territorial unit but the state as a whole. The development of the qualitative infrastructure as a component of assurance of settlements improvement of high-level will promote the growth of entrepreneurial activity, employment creation, increase of economic potential of regions, growth of budget revenues of all levels as a financial basis for the solution of social problems connected with guarantee of a high living standard for people.

A complex improvement of settlements is considered as the implementation of a set of works on organization (restoration) of road and pavement surfacing, installation of equipment for traffic safety, planting, provision of outdoor lighting, and out-of-home advertising, installation of street furniture, implementation of other measures aimed at improving engineering-technical territory condition, improving its aesthetic appearance (Art. 22 of the Law (the Verkhovna Rada of Ukraine, 2005).

The issue of the rational use of the settlements territory as an element of improvement was considered in the following papers: V. I. Demchenko, Ye. O. Ivanova, S. D. Kravchenko, I. V. Nahorna, A. I. Ripenko. O. P. Kokits, N. I. Oliinyk provided recommendations on the formulation of a model for the creation of the scenario for an urban development. I. I. Kulichenko, S. V. Nesterenko, O. S. Slieptsov, I. L. Subota studied the rational accommodation of buildings on certain types of foundations in the complex engineering and geological conditions; formation of small buildings; development of the architecture of civil buildings. A. V. Skrypnyk devoted her research to the problem of taxation in the sphere of waste recycling (Skrypnyk, 2015). However, in order to increase the motivation of economic entities and the population regarding waste management, conservation of natural resources, creation and maintenance of the aesthetic appearance of a settlement, it is expedient to apply economic incentives, in particular, to provide tax privileges to those legal and natural persons who fulfil all abovementioned conditions.

We will conduct the opportunity analysis of the application of tax privileges in the terms of elements of settlement improvement.

The purpose of the article is to examine the procedure of provision of economic incentives in the sphere of settlement improvement, in particular, the provision of tax privileges, in the context of redevelopment.

2. Tax privileges in the sphere of household waste management

The economic aspect of the issue of rational waste management is connected with the need that the population pays for processing. The main method of financing for waste processing in the world is an inhabitant tax, and there is manufacturers' tax in those countries, which have waste sorting system, recycling, and implement environmental legislation (Skrypnyk, 2015). It is expedient to apply tax incentives in order to increase taxpayers' motivation in relation to rational wastes management, which, first of all, negatively influence the appearance of the settlement's territory and environmental situation.

The European legislation lays down waste management standards, the main objective of which is to minimize the negative impact on the environment and human health (Directive 2008/98/EC of the European Parliament and of the Council). In addition, para. 28 of the Directive indicates the need to avoid waste generation and to use waste as a resource aimed at ensuring the source separation, collection, and recycling of priority waste streams. To facilitate and improve recovery capacity, if it is technically, ecologically, and economically feasible, the separate waste collection should be provided. In addition, Art. 11 of the Directive presents recommendations on relevant measures to encourage the re-use of products and preparing for re-use activities, using economic instruments (the European Union, 2008), which include tax privileges.

In the Ukrainian legislation in the Law "On Waste" there are provisions, which confirm the possibility of application of tax privileges. In particular, para. "в" of Art. 18 shows the authority of the Cabinet of Ministers of Ukraine in waste management to ensure organizational and economic principles and to encourage the separate collection and recycling (the Verkhovna Rada of Ukraine, 1998). The powers of the local state administrations in the sphere of waste management include the creation of the necessary conditions to motivate the population to be involved in collecting and preparing of certain types of waste as secondary raw materials (para. "н", Art. 20 of the Law), and local authorities are endowed with similar powers (para. "і" Art. 21 of the Law). In addition, para. "а" of Art. 21 of the Law of Ukraine "On Waste" stresses on the adoption of measures to motivate commercial entities engaged in waste management but without any specification what the legislator meant.

But para. "в" of Art. 38 of the Law "On Waste" clearly indicates the possibility to provide tax privileges for enterprises that recycle and reduce the volume of waste generation and introduce low-waste technologies in manufacturing. Paragraph "а", Art. 40 of the Law of Ukraine "On Waste" specifies that economic entities which introduce technologies aimed at reducing the volume of waste generation, recover wastes in the process of manufacturing (work performance, provision of services), carry out their collection and storage, implement manufacturing of waste recycling equipment, may be provided with privileges for taxation of profit on the sale of products manufactured with waste use. However, insight into the content of the Tax Code of Ukraine (hereinafter referred to as the TC of Ukraine)

made it possible to conclude about the absence of such a standard for the provision of tax benefits on income tax. The only exception is a temporary relief from profit taxation for Japanese entities, which perform Bortnychi Sewage Treatment Plant Modernization Project in the framework of "Project of reconstruction of sewage treatment facilities and construction of a production line for sewage-sludge treatment and utilization of the Bortnychi aeration station" (para. 38, Subsection 4 of the "Transitional Provisions" of the TC of Ukraine) (the Verkhovna Rada of Ukraine, 2010). At the same time, these business entities are temporarily relieved from value added tax. However, relatively the value added tax, undertakings carrying out operations for the supply of paper and paperboard for recycling (waste paper and waste) are temporarily relieved from the value added tax (by January 1, 2019), although this provision doesn't concern on the system of settlement improvement.

In the Republic of Kazakhstan, procedures for the implementation of services for the organization of the collection, transportation, processing, disposal, use and (or) recycling of waste are released from the value added tax (para. 21, part 5, Art. 372 of the TC of the Republic of Kazakhstan (the Parliament of the Kazakhstan, 2017). In addition, when calculating paid amount of landfills, which carry out the disposal of municipal waste, for emissions, for the amount of solid waste that is generated by individuals at their place of residence, and a reduction coefficient 0.2 is applied to payment rate (para. 2, Art. 577 of the TC of the Republic of Kazakhstan (the Parliament of the Republic of Kazakhstan, 2017)).

Consequently, examined the procedure of incentives' provision for individuals and economic entities in the CIS countries in the sphere of waste management, in particular, regarding tax privileges, we can observe the lack of support from the state in this direction. It is advisable to propose ways of tax legislation improvement in the following direction:

– provision of privileges for the profit taxation of enterprises that carry out the sales of products manufactured with the use of waste. Privileges may be granted in the form of a reduced income tax rate. The release of these undertakings from payment of the value added tax in connection with the implementation of operations for the supply of such products, as well as operations for the supply of equipment, which is meant to be used for manufacturing of products made of waste, to the customs territory of the country;

– provision of privileges for profits taxation of enterprises engaged in waste management, in particular, to allow enterprises to reduce their income for the expenses amount related to the purchase of accessories, equipment, vehicles used for transportation, sorting, storage of waste for their recycling. Granting of privileges for value added tax in the case of operations for supplying of accessories, equipment, vehicles used for the abovementioned purposes to the customs territory of the country;

– provision of privileges for individuals who carry out sorting of household refuse by creating containers for separate waste collection in their own territory, for example, to permit a reduction of income that is subjected to personal income tax for the amount of costs associated with the purchase/creation, the establishment of such containers, and the costs associated with payment to enterprises that carry out garbage removal;

– to play an active role for the attraction of domestic industrial enterprises for the manufacture of containers, garbage trucks, and buildings of waste sorting plants, providing them with exemptions from corporate income tax, value added tax, land tax (land use fees) in the form of tax holidays for a certain period of time;

– to consider the possibility of encouraging individuals if they collect and store certain types of waste as a secondary raw material. So, paper and paper wrappers are raw material for the production of toilet paper, newsprint, roofing material. Glass container can be raw materials for the production of new glass, decorative tiles with significant electricity savings. Incentives can be in the form of exemption from the payment of personal income tax, for income got from the paper delivery in the form of waste paper for re-processing it in the future.

3. Provision of privileges in the sphere of cleaning and landscaping of settlement territory

The study of the regulatory framework in the CIS countries provided an opportunity to draw the conclusion that, as a rule, taxpayers who take part in the improvement of settlements have the opportunity to obtain benefits from property tax or land tax.

Thus, in Ukraine, lands exempted from land tax, in the conditions if there are buildings that ensure the functioning of roads, namely: snow-protecting structures and plantings, anti-mudflow and anti-snow slide facilities, protective plantings, noise barriers, wastewater treatment constructions; facilities for parking and rest, which are in state ownership (subparagraphs 283.1.4, para. 283.1, Art. 283 of the TC of Ukraine (the Verkhovna Rada of Ukraine, 2010)).

In the Republic of Uzbekistan, the enterprises of housing and municipal services and other municipal economy of the general public are released from the property tax of legal entities, who directly provide management, maintenance, and operation of the housing stock, organization of sanitation and cleaning service, improvement and planting of greenery, outdoor lighting of cities and settlements, for the operation of water intakes, distribution networks (with treatment facilities) and distribution of water, operation of sewage networks, etc. (Article 269 of the TC of the Republic of Uzbekistan (the Parliament of the Republic of Uzbekistan, 2007)).

In the Kyrgyz Republic, actions for the supply for natural persons of services for the use of sewage, elevators, disposal of solid and liquid waste, provision of hot and cold water, heat, electricity and gas for household purposes (para. 1, Art. 240 of the TC of the Kyrgyz Republic (the Parliament of the Kyrgyz Republic, 2008)).

But the landscaping of settlements' territory plays an important role in the redevelopment sphere. Green areas can improve sanitary and hygienic conditions of settlements protecting them from dust, regulating the thermal regime, purifying and humidifying the air. Green areas are of great importance for the formation of the urban architecture, enriching the variety of its landscape by the diversity of forms, colours and texture of trees and shrubs. In addition, in many countries, the Territory Greening Programs were approved.

Thus, the Decree of the President of Ukraine "On Certain Measures for Preservation and Recreation of Forests and Green Plants" obliges local authorities: to develop regional programs for the development of ornamental horticulture; to create new green areas, parks, squares, involving enterprises, institutions, representatives of public organizations in this process (Verkhovna Rada of Ukraine, 2008). In the Russian Federation, many regions adopted a number of legal acts, in particular, "On Approval of the Strategy for Settlements Landscaping in Saratov Region" (Government of Saratov Region, 2017), the Order "On Approval of the Concept for Landscaping of Municipal Entities in the Voronezh Region" (Department of Natural Resources and Environment of Voronezh Region, 2011).

Enterprises, organizations, institutions should take an active participation in the process of greening, but regulatory legal acts of Ukraine, the Russian Federation, and Kazakhstan do not provide tax benefits. In addition, in accordance with para. 291.4, Art. 291 of the TC of Ukraine, agricultural goods producers can choose a preferential taxation such as a simplified tax system, accounting and reporting, except for those entities that have more than 50 percent of the income received from the sale of agricultural products of their own production, is the income from the sale of ornamental plants (the Verkhovna Rada of Ukraine, 2010). Usually, such conditions of management will not contribute to motivation raise for participation in the Greening Program, in particular, the Ornamental Horticulture Development Program.

In our opinion, in order to improve the level of settlements' greenery, those companies that take an active part in this process should get the possibility of exemption on income tax by reducing the amount of income of the enterprise to the amount of expenses associated with the participation in the process of planting of greenery (purchase of ornamental plants, inventory for planting with the use of own funds), and enterprises the main activity of which is the cultivation and sale of ornamental plants should be allowed to use special taxation treatment.

4. Provision of privileges to business entities engaged in activities with the use of street furniture

Street furniture is one of the elements of municipal improvement and it is an element of decorative or other equipment of the object of amenity. They include: arbours, pavilions, canopies; park arches (arcades) and columns (colonnades); street vases, flowerpots and amphorae; decorative and game sculpture; street furniture (benches, wooden seats, tables); stairs, balustrades; park bridges; fences, gates, lattices; information stands, boards, signboards, etc. (p. 2, Art. 21 of the Law (the Verkhovna Rada of Ukraine, 2005)).

In Ukraine, the entities of small and medium-sized businesses, which carry out their activities by virtue of street furniture, are relieved from payment of immovable property tax, which is different from the land plot (subparagraphs 266.2.2, para. 266.2, Article 266 of the TC of Ukraine (the Verkhovna Rada of Ukraine, 2005).

Similar privileges take place in the TC of the Kyrgyz Republic. According to Arts. 324, 328, a lowering factor of 0.8 from the tax base is applied to the tax rate on the property for tax objects, such as: temporary premises from metal and other structures (kiosks, containers for business purposes) (the Parliament of the Kyrgyz Republic, 2007).

But, as a rule, activities with the use of such forms are carried out by small business entities that require state support, and it would be expedient the governments of the Republic of Uzbekistan, Kazakhstan draw attention to the provision of the possibility of exemption from payment of property tax for street furniture, and it would contribute to the development of entrepreneurial activity and, consequently, the creation of new job positions, an increase in tax revenues, etc.

5. Conclusions

The state policy on waste management in the CIS countries was studied and the modern regulatory framework for the provision of tax privileges to economic entities and individuals engaged in waste management is analysed. In the course of investigation of the state waste management policy in the CIS countries and analysing the current regulatory framework for the provision of tax privileges to economic entities that carry out activities in the sphere of waste management, or in relation to individuals who carry out activities in a private procedure, it was justified the need to grant them tax breaks for corporate income tax, value added tax, personal income tax, land fees. Regarding the policy of greening of settlements' territory as an element of improvement, it was substantiated the necessity to provide tax privileges of corporate profit tax for enterprises, institutions, organizations that take an active part in this process, and enterprises, the main activity of which is cultivation and sale of ornamental plants should be allowed to use special tax regimes. It is proposed to consider the possibility of release from payment of property tax for street furniture, business entities belonging to small business representatives.

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ASSESSMENT OF MARKETING ACTIVITY MANAGEMENT IN TERRITORIAL UNITS: THEORETICAL-METHODOLOGICAL APPROACH

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Abstract. *The subject of the study* is a set of theoretical and methodological aspects of the development of organizational and economic relations that arise in the process of interaction of economic subjects while shaping the potential of territorial marketing as a factor of its socio-economic development. *The purpose of the study* is to substantiate the methodology for assessing the integral indicator of the territorial marketing functioning. The methodology of the presented study of marketing management in territorial units is based on the multivariate assessment of various economic entities that clearly shows the priorities and unevenness in the areas' development. Area economic entities themselves are interested in the area development and determine the direction of area development. Economic entities' direct residence and economic activity conducted by them in the area should be taken into account. This makes them serious experienced experts who are really interested in the effective and rapid development of their area. Economic entities themselves determine the measurable criteria for assessing the directions that they were originally offered. The "brainstorming" is used where the experts in the area development are involved. There is a joint process aimed at obtaining the most concrete and measurable results that actual state is assessed from 0 to 10 by the process participants based on personal observations and statistics. The evaluation of marketing results is based on the multicriteria socio-economic approach. The evaluation criteria should include the economic mechanism formation. This mechanism provides an effective interaction of market institutions and business entities in the area; selection of wholesale and retail organizational and economic forms, financial and credit and business services, as well as organizational and legal forms of trade and economic interregional ties; the markets system creation that is based on the priority provision of consumers and small owners interest; the choice of the most effective channels for goods movement, transportation, warehousing, material, financial, and information flows rationalization. *The methodology* for estimating the integral indicator of territorial marketing functioning that is presented in the work is based on the next indicators: financial stability, business activity, profitability, technical and technological stability, social sustainability, environmental sustainability that allows monitoring the functioning of the territorial marketing system. This methodology is universal since it allows evaluating areas of different industrial orientations and comparing them in order to identify the greatest functioning stability. *Methodology for marketing research of areas potential* is based on the system approach, complex consideration of conceptual principles of areas' marketing potential formation and development; key features of territorial marketing allow carrying out purposeful actions for the sustainable development of area marketing potential, within the framework of which the conditions of its formation are determined, and their aggregate acts as a point of growth of market marketing component of the economic potential of the territory and is the basis for constructing the model of infrastructure of the marketing potential of the territory, used to make sound and balanced management decisions; developed a methodology for assessing the integral indicator of the functioning of territorial marketing. *Research conclusion:* grounded methodology of research of territorial marketing potential that is based on the system approach, complex consideration of concepts of area marketing potential formation and development. The key features of territorial marketing are distinguished that allow carrying out purposeful actions for the stable development of the area marketing potential, within the framework of which the conditions for its forming are determined, and their complex serves as a point of growth of market marketing component of the area economic potential and is the

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basis for the creation of the infrastructure model for the area marketing potential that is used to make substantiated and balanced management decisions; a methodology for assessing the integral indicator of territorial marketing is developed.

Key words: territorial marketing, area marketing potential, regional policy, sustainable economic development, strategic planning of territorial marketing.

JEL Classification: M31, O38, R58

1. Introduction

Growing role of territorial marketing areas and changes in the strategies of territorial management are associated with a number of factors: change in the philosophy, principles, objectives of the area development, identification of the population as a real participant in the system of area planning, as well as change of the area authorities nature who become the main responsible persons for the area socio-economic development, including its improvement, safety and social protection of the population. The problems of territorial marketing are extremely relevant in Ukraine as far as they relate to such important areas as state and local government, investment attractiveness, European integration, competitiveness and strategic development of regions. The implementation of a regional policy aimed at eliminating disproportions between regions and their integrated development is strategically important for Ukraine. A progressive change in the socio-economic structure of the region that ensures the economical use of its resources and best satisfaction of area production needs means the development of the region.

Territorial marketing allows to look at the territorial unit from the point of view of its consumer value and, therefore, takes into account the needs and interests of the population. Territorial marketing becomes an integral part of the expanded reproduction process of area economic entities that is related with the production, promotion, distribution, and sale of products produced within the economic, geographical, and natural specifics of certain territorial units. Development of territorial marketing that is involved into the production process and goods and services circulation requires the study of the modern marketing theory, methodology and practice, as well as its consideration through the prism of economic entities' interests which are an integral part of the algorithm of decision-making. All it allows to purposefully affect the consumers' behaviour and stimulation mechanisms.

Among domestic researchers of this theme, A. Anoshkin, L. Grishina, R. Kozhukhivska, E. Popkova and others should be called. Many domestic works relate mainly to the role of marketing in increasing the investment attractiveness of regions, but more and more attention researchers pay to use of Internet technologies in marketing. Leading foreign specialists in territorial marketing are: F. Bencherif, P. Buonincontri, Ph. Kotler, S. Anholt, Z. Megri, S. K. Rainisto, and others. Foreign researchers of territorial marketing pay the main attention in their works to the differentiated features of areas as a marketing object in comparison with goods and services, branding and the image of territories (countries, regions, cities), their impact to the socio-economic development, development strategies and tools of marketing of a particular area, global and local dimension of territorial marketing. Almost all cases are considered by authors in the context of the strategic development of promoted city or region. Practical recommendations for the planning and implementation of marketing campaigns are connected with the integrated approach to the management of the area and various aspects of its development.

Therefore, the goal of this article is to systematize domestic and foreign theoretical and methodological aspects of organizational and economic relations' development that arise in the process of economic entities' interaction while forming the area marketing potential as a factor for its socio-economic development and the methodology for assessing the integral indicator of territorial marketing functioning that is based on this justification.

2. Theoretical and methodological principles of territorial marketing development

The genesis of marketing is determined by the policy of the enterprises located on the territory, aimed at the sale of products manufactured with minimal costs. In the transition process from a deficient economy to the society of plenty, the need for a systematic search and development of new markets is growing. At the same time, marketing serves as a definite concept for the enterprise management and employees, the specific territorial unit authorities.

First of all, territorial marketing assumes taking into account the area's needs and interests in the pursued regional policy. In this case, it is a certain territory, designated by the territorial unit limits or entities that are a part of a single economic space. The unified economic space assumes goods, services, money free movement, as well as the free movement of labour within the boundaries of the territory; common language, land and capital that are necessary for a set of welfare production.

Territorial marketing significantly differs from enterprise marketing, namely:
1) there is a wider range of marketing technologies that are used as far as the content of territorial marketing is complex;
2) territorial marketing is carried out on the territory defined by the boundaries (administrative, geographical, economic, informational and other), within which there are enterprises and organizations. The totality and functioning of enterprises and organizations create a single economic space that requires appropriate economic and organizational interaction: socio-economic integration, share co-financing, the creation of temporary creative groups or other forms of management;
3) enterprise marketing focuses on the choice of the optimal distribution channels, the main task of territorial marketing is to search, create, and advertise such advantages of a territory that could be interesting for the potential labour force, investors, shareholders;
4) on any local territory, there is the concentration and intersection of economic interests of area population and subjects that live outside the area while it is necessary to recognize the parity (equality) of the interests of all subjects – the carriers of economic interests. Orientation to meet the needs of the indigenous population or those who permanently reside in the territory requires their interests to be prioritized that leads to inconsistency of interests and becomes the basis of the contradictions that require special measures for solving;
5) competitive advantages of the territory may not have value form that causes the diligence work to create the image of the territory as a special product.

The elaboration of territorial marketing development strategy is based on a number of prerequisites (Bagautdinova, 2012; Chandler, 2015; Isoraite, 2009; Runielt, 2014):
– firstly, it should be considered that the area has its own history and industrial structure including the industrial and social infrastructure that can and should be used for strategy development;
– secondly, the trajectory of the area development must be taken into account both in the historical retrospective and in the planned perspective. It can be achieved through the definition of possible "growth zones", which, in turn, assumes accelerated development of industries, sub-sectors or individual productions; determining the main directions for innovative development; reduction of the production of certain products, which may occur for various reasons (aging, resource base exhausting, etc.); accounting of direction of capital overflow and diversification, and so on;
– thirdly, the work over complex and targeted regional development programs should be based on the mono-structure of the industry of domestic cities (especially in the mining and heavy industry). In such conditions, the accelerated development of light industry and services, including business services will be the purpose of these programs. In this regard, special attention should be paid to supply management as the most important component of the market.

Consequently, the essence of territorial marketing is based on socio-economic, investment-innovation, organizational and economic, institutional relations that are dominant in society. Certain requirements are putting forward to these relations:
– *socio-economic relations* – property relations, labour relations, economic interests forming, income distribution, national relations forming, social services distribution;
– *organizational and economic relations* – management and control, functions delegation, resources allocation, incentives, cooperation and specialization, regionalization;
– *institutional relations* – legal, normalization, external effects, contract, transaction costs;
– *investment-innovation relations* – between demand and supply, between investors and subjects of the territory, between households and the state, between the business and the state, between market availability and potential sellers.

3. Area marketing potential and conditions for its forming

Forming the area as an independent socio-economic entity assumes the creation of the potential, which will effectively form, correct, and develop the economy of the area. The area potential, from the marketing point of view, is understood the system of interconnected, interdependent, and interacting factors that provide an effective and progressive area development both nowadays and in the future. *The combination of factors that characterise the area potential can be divided by a number of features:*
– on a spatial basis, one distinguishes internal potential (that is, factors inherent in the region) and an external one (factors that operate in the region);
– on a temporary basis, territorial marketing is divided into the existing potential (area's resources) and possible (factors that can be used in the future or reserves);
– by genesis, the area potential is divided into natural, economic, and social. Effect of natural, economic and social factors on the regional development can be considered as one of the methods of conscious regulation of the regional reproduction territorial proportions in accordance with economic laws.

The area potential has a complicated hierarchy structure. In the most general form, it can be divided into natural, economic, social, human, national. The potential forming is determined by the specific conditions, which together give impetus to the development of the marketing component of the areas' potential, such as: raising the level of education and self-education, material incentives, personnel training,

social benefits, moral stimulation, working conditions, income, unemployment cutting, raising life level and quality, ecology, economic indicators of households, etc. (systematized by (Isoraite, 2009; Simeon, Buonincontri, 2011; Chandler, 2015)).

Any territory existing in a competitive environment, regardless of its size, is forced to promote itself. The influence of various factors assists or does not the promotion in the local and foreign markets that form the marketing potential. Despite the deep economic crisis, reforms and transformations that take place in the country ensure forming competitive environment. In this regard, the behaviour of all economic entities is largely conditioned by rigid competitive conditions, which are formed both at the level of the country as a whole and at the level of specific regions, and therefore, the marketing component comes to the fore, providing a systematic development of the region.

As a result of all the above, it can be articulated that the area marketing potential is a set of natural, economic, social, national, human (labour, demographic) resources that ensure sustainable socio-economic development of the territory, its competitiveness and positioning in the domestic and world markets on the basis of expanded reproduction in accordance with economic laws.

However, it should be noted that the promotion of the area under the absence of its potential, arrangement, without creating the appropriate investment and innovative climate, and a number of other prerequisites are an ineffective business. In other words, the arrangement of the territory, its compliance with the public level of needs satisfaction are important prerequisites for the area competitiveness, its potential forming and development, without which to go to the marketing research is at least irrational. In this case, achieving the desired effect is unlikely. All factors that may influence the formation and development of the marketing potential of the territories should be taken into account (Figure 1).

The presented groups of factors clearly reflect the peculiarities of the area marketing potential formation. Therefore, external factors that shape the objective prerequisites for development must be taken into account, but the impact on them is difficult. At the same time, internal factors mainly related to general arrangement, controlled territories, and the possibility of their improvement and development are obvious, especially in the framework of the innovative process, an increase of investment attractiveness, the creation of competitive jobs, etc.

4. The infrastructure of areas marketing potential

In order to make reasonable and balanced decisions, it is necessary to monitor the trends of transformational shifts in the form of market research, despite the recognized inertia of the area structure. In each specific territory, the infrastructure peculiarities form its marketing potential; it is just a reflection of such shifts.

The infrastructure of the areas marketing potential consists of three blocks (Bagautdinova, 2012; Popkova, Dubova, 2013; Runielt, 2014):

– block I – social infrastructure: population service, education infrastructure, health infrastructure,

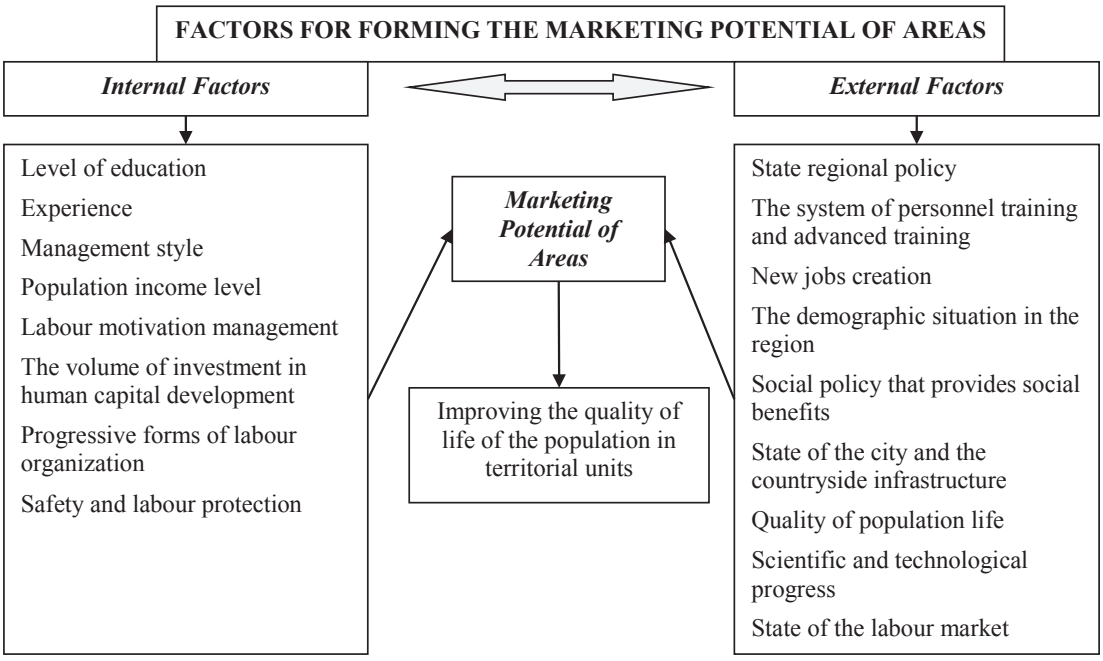

Figure 1. Factors of areas marketing potential forming

Source: compiled by the authors (Isoraite, 2009; Simeon, Buonincontri, 2011; Anoshkin, 2014; Popkova, Dubova, 2013))

consumer services infrastructure, public transport infrastructure, culture, sport, and leisure facilities;
– block II – market institutional infrastructure: managing subsystem, organizational subsystem, material subsystem, information subsystem, credit and financial subsystem, personnel subsystem, regulatory subsystem, other (marketing organizations, leasing, innovations, etc.);
– block III – industrial infrastructure: enterprises-producers, all types of transport, reservoirs, water supply, electricity, gas supply, heat supply, inter-branch and city heat networks, product quality systems.

The process of infrastructure formation and development is a combination of three blocks, each of which is necessary, important, and prone to changes. Especially large number of transformations due to the objective factors and the flexibility of processes occur in market institutional infrastructure, where the largest number of factors and regular and objective shifts take place. The influence on these shifts of new and changed economic interests of various economic entities is definitive. In addition, the interests of international business influence the areas' potential development, which is also facilitated by processes that have begun and entered into force over the years of economic transformation. These considerations allow making the following conclusions about territorial marketing:

1. The need to form the areas marketing potential and to usefully use its toolkit for diagnostic of the area state, the availability of competitive advantages and a generalization of the assessment of area economic policy.
2. The use of marketing tools and techniques that lies at the crossroads of regional economics and classical marketing cannot be considered a universal tool. If the area does not have, for example, transport infrastructure, marketing methods are very narrow.
3. Diagnostics of the area state through the prism of territorial marketing allows deeply and comprehensively analysing the problems of the area or territorial unit, ranking the tasks, identifying the contradictions and ways (methods) for their solution that will increase the area marketing potential. In other words, the complex use of marketing methods assumes the creation of certain prerequisites for widespread use of marketing tools in shaping the area potential.

Each area has many organizational and legal forms, a diverse range of resources, markets, potentials, and a variety of tools and opportunities. The territorial marketing research allows seeing more clearly the features and possibilities of each territorial formation, outlining the future as a separate area, as well as the directions of its possible integration processes, including integration to the international sphere.

The contradictions, which are the inconsistencies of interests at the regional level, are the most important prerequisite for developing the territorial marketing programs that shape its potential. It should be emphasized that territorial marketing contributes to the solution of emerging contradictions. It happens often indirectly due to the accounting of the most important affecting factors and scrupulous everyday work to establish the regional management mechanism.

5. Methodology for the assessment of territorial marketing functioning

In today's economic conditions that are characterized by complete economic independence of areas and responsibility for their livelihoods, as well as the uncertainty of external environmental factors, the main condition for their survival is to increase the efficiency and sustainability of functioning. The mechanism of territorial marketing stable functioning should promote in the best way area's autonomy and goals. In this regard, there is an objective need to develop tools for assessing the stability of the areas' functioning, including the impact of the marketing system. This will provide an efficiency increase and functioning stability and justify the practical significance in modern conditions. The following basic indicators of the sustainable functioning of territorial marketing can be integrated into the system under their evaluation:
– *financial stability*: equity, debt-to-assets, leverage, interest coverage, long-term investment security, capital, current assets to equity, current ratios, equity multiple;
– *business activity*: ratios of capital turnover, inventory turnover, return on assets, sustainable growth, receivables turnover, finished goods turnover, working capital turnover, equity capital turnover borrowed capital turnover;
– *profitability*: ratios of return on assets, equity, current expenses, borrowed capital, fixed assets turnover, profit margin;
– *technological stability*: ratios of suitability, renewal, and growth of fixed assets;
– *social stability*: ratios of staff stability, average wages in the enterprise to the average wages in the industry, the provision of normative working conditions;
– *ecological stability*: ratios of warehousing, charges for air pollution by stationary objects, charges for air pollution by mobile objects, above-limit pollution payment.

This system completely reflects mathematical processing of the results of the areas integrated stability. To achieve the ratios' homogeneity, known method of normalizing the zero and negative values of the ratios is used. The method involves calculation of the normalized value of the negative ratio. The formula for determining the standardized value of each ratio looks like this:

$$K_N = \frac{K_n}{K_{\max}}, \quad (1)$$

where K_n – standardized value of ratio that reflects the state of enterprises in the nth analysed area;

$K_{\max}$ – the maximum value of ratio that is taken as standard;

K_N – value of the ratio of enterprises in the n^{th} territory.

After determining the standardized ratios included in the corresponding generalized index, in the frame of this methodology, all the above indicators are combined into a single integral indicator. This indicator allows making a conclusion about the possibilities of surveyed enterprises' further development and is determined by using the expert evaluation method taking into account indicators heterogeneity:

$$K_{\text{int}} = \sum_{n=1}^{i} a_n \times A_{agg}, \quad (2)$$

where K_{int} – integral performance indicator;

a_n – the weight of the nth generalized stability index in the integral one, determined by the expert evaluation method;

A_{agg} – nth aggregate indicator of financial stability, business activity, profitability, technological, organizational, social, and environmental sustainability;

n – the number of generalized indicators that determine the integral functioning stability.

The proposed methodology is universal since it allows evaluating the areas of different branch directions and comparing them with each other in order to identify the greatest functioning stability. It also gives an opportunity to determine the dynamics of area functioning stability and to identify separate reserves of its growth for determining its ability to adapt to environmental changes. The application of a flexible calculation algorithm allows concluding that the area potential is sufficient for the analysed period of time. In Figure 2, the model of planning and management of territorial marketing is presented.

When constructing the model, an attention is focused on the program-target approach and methods of system

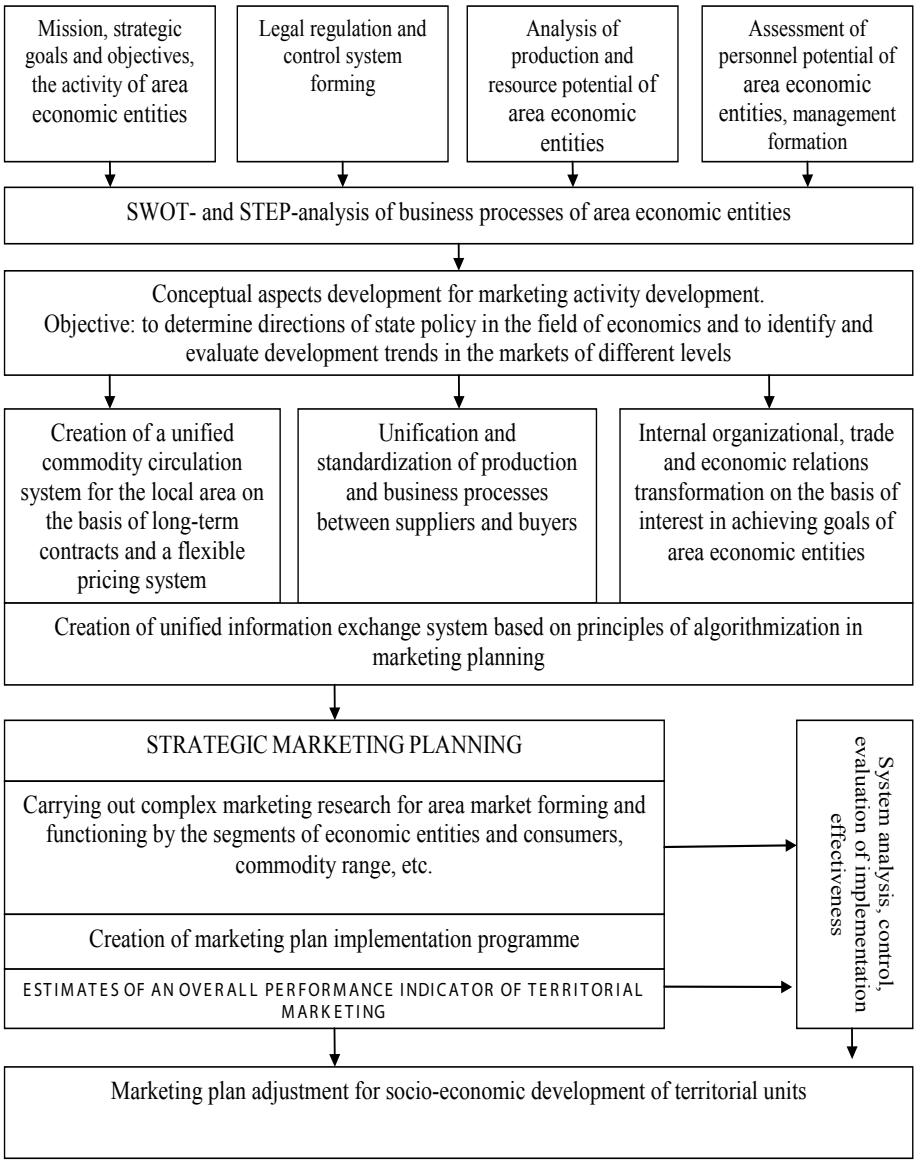

Figure 2. Model of territorial marketing planning and management system

Source: improved by the authors (Grishina, Yefimova, 2011; Kozhukhivska, Parubok, Petrenko, 2017; Isoraite, 2009; Megri, Bencherif, 2014; Venter, Jansen van Rensburg, 2014))

analysis. The complex nature of the model assumes the use of various tools and mathematical methods for representing marketing process objects. The developed model relates to the organizational-economic group of models. It allows optimizing the parameters of the measures in all phases of the marketing process in accordance with the given criteria, which contributes to solving the target task of marketing planning.

Taking into account the synergetic effect of marketing tools in the enterprises of the area and suggestions on the marketing planning system, it is offered to pay a particular attention to the complex use of marketing tools for planning the economic activity of the area subjects in goods and services design, production, and circulation, taking into account the peculiarities of existing and future state policy.

6. Conclusions

The theoretical comprehension of the socio-economic foundations of territorial marketing allows making conclusions about the development of the general theory in the direction of its formation given the historical and practical preconditions regarding the area independent development within individual territorial formations, their associations, interconnected megapolis elements and interterritorial associations, the operation of territorial production complexes.

In the article, territorial marketing means a set of territory (territorial unit) management principles in order to achieve sustainable economic development, complete realization of economic interests of its population and means or methods for creating opportunities and conditions for attracting potential and real participants of transactions, which are carried out in this area and by area subjects. The development of territorial marketing strategy is based on a number of prerequisites: history and industrial-production structure survey; definition of possible "growth areas"; increased attention to the offer management as the most important component of the market. Territorial marketing is based on socio-economic, organizational and economic, and institutional and economic components of public relations and has its own requirements for these relations.

There is the difference between enterprise marketing activity carried out in a certain area for the promotion of the company's products and territorial marketing carried out in order to promote it within a single economic space, which includes not only the territory of the country but also the international aspects of the territory's functioning. For this purpose, commercial and non-commercial marketing is used, as well as all its types and varieties, because the essence of territorial marketing is complex. In any limited area, there is an intersection, localization, and polarization of economic interests of both the population of this area and those who live outside it. This is an objective precondition for the inconsistency of interests, the emergence of contradictions, and the search for ways for their harmonization.

The conditions for forming the area marketing potential, its essence, functions are explored and formulated; the infrastructure model is offered; features of forming the model in industrial, social, and market-institutional spheres are highlighted. The method of integral indicator estimation for territorial marketing stable functioning, where indicators of financial stability, business activity, profitability, technological, intellectual, social, and environmental sustainability are used, is proposed.

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FINANCIAL ARCHITECTURE AS THE BASE OF THE FINANCIAL SAFETY OF THE ENTERPRISE

Olga Sosnovska[1], Maksym Zhytar[2]

Abstract. In today's economic realities, achieving the necessary level of financial security of enterprises is a prerequisite for ensuring their sustainable operation and the formation of competitive development parameters in the internal and external market environment. The effectiveness of this process depends on building a high-quality financial architecture as the basic structural element of the company's financial security system. In this regard, the subject of the study is an analysis of existing theoretical approaches to the definition of financial architecture and its relationship with the financial security of the enterprise. *The methodological basis* of the research is the scientific development of domestic and foreign scientists, the fundamental theoretical positions of economic science in the field of financial architecture formation, financial risk management, and financial security of the enterprise. *The purpose of the article* is to study the essence of financial architecture in order to substantiate its determining influence on the financial security of the enterprise and ensure its sustainable functioning in an unstable development of economic processes. The article analyses the theoretical aspects of financial architecture and finds that the interpretation of this economic category is due to the existence of clear causal relationships between its constituent elements and their impact on the financial support. Proceeding from this, the definition of financial architecture is drawn as a set of interconnected structural elements such as capital structure, ownership structure and quality of corporate governance, which accumulate and mobilize financial resources, increase control over the activity of the enterprise, solve conflicts of interest between owners and other stakeholders. It is determined that the choice of principles and methods for constructing financial architecture depends on such financial interests of economic entities as forming a flexible financial potential, optimizing the structure of capital, increasing investment attractiveness, maximizing profits, and increasing the market value of the enterprise. It is proved that the result of building a flexible financial architecture is to provide the appropriate level of financial security of an enterprise by identifying, quantifying, neutralizing, minimizing, and monitoring its financial risks. It is proposed to systematize indicators of financial security level assessment on the most typical of its functional components, among which investment, credit, emission, innovation, and currency can be distinguished. It has been established that ensuring the appropriate level of financial security will contribute to achieving financial sustainability, forming qualitative financial potential, providing competitive advantages, harmonizing interests of economic entities, and creating an effective system of economic security of the enterprise. *It is concluded* that the construction of high-quality financial architecture is the basis of financial security of an enterprise, the level of which depends on the proper management of financial risks and ensuring an adequate level of safety of all its functional components. As a criterion for the effectiveness of the process of ensuring the financial security of the company, sustainable development of the enterprise was determined in the conditions of an unstable economic environment.

Key words: financial architecture, financial security, capital structure, ownership structure, quality of corporate governance, risk management.

JEL Classification: D04, A11, L22

1. Introduction

Taking into account the current tendencies of dynamism and uncertainty of economic processes, the ability of enterprises to efficiently conduct the economic activity and stable development is determined by the level of their adaptation to internal and external parameters of functioning. Under these circumstances, the most priority task is to create an effective system of economic security of the enterprise to protect the business entities from the threats of a dangerous

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economic environment. In this case, the main and decisive functional component of this system is financial security, as evidenced by a significant number of existing scientific research in this scientific direction.

It should be noted that to the problems of providing financial security of enterprises, the works of such domestic and foreign scientists are devoted as J. C. Van Horne, T. Allison, G. Foster, J. Schumpeter, L. I. Abalkin, V. M. Heiets, O. I. Baranovskyi, I. O. Blank, T. G. Vasyltsiv, K. S. Horiacheva, L. I. Donets, Z. S. Varnalii, A. O. Yepifanov, M. M. Yermoshenko, S. M. Illiashenko, H. V. Kozachenko, and others. However, many issues are currently debatable and underdeveloped, requiring new scientific approaches to their solution. In this regard, the study of the essence of financial architecture as the basis of financial security of the enterprise is a topical issue.

The purpose of the article is to study the essence of financial architecture in order to substantiate its determining influence on the financial security of the enterprise and ensure its sustainable functioning in an unstable development of economic processes. To achieve the goal, the following is a prerequisite:

- analysis of theoretical approaches to the definition of financial architecture and the identification of its constituent elements;
- identification of the methodological link between financial architecture, financial security, and financial risks of the enterprise;
- selection of stages of management of financial risks of the enterprise;
- systematization of indicators for assessing the level of financial security as indicators of financial sustainability of the enterprise.

The scientific novelty of the research is the development of theoretical provisions for determining the methodological relationship between financial architecture and financial security, the achievement of which level depends on the process of management of financial risks of the enterprise to promote its sustainable functioning.

Theoretical and practical aspects of financial architecture of companies was studied by many foreign scientists, among which are: M. Barclay, R. Brealey, C. Brigham, R. Vyshnia, H. Demsetz, T. Dolhopiatova, R. Entov, I. Ivashkivska, R. Kapeliushnykov M. Kokoreva, B. Kolass, R. La Porta, F. Lopez de Silanes, S. Myers, K. Smith, A. Stepanova, J. Finnerty, J. Van Horne, A. Shleifer, and others. Among scientists who studied labour issues can be noted: N. Bychkova, M. Bilyk, I. Blank, I. Ziatkovskyi, V. Melnyk, S. Onishko, O. Tereshchenko, A. Poddierohin, V. Fedosov, L. Fedulova, S. Yurii, and others.

2. Definition of the essence of financial architecture

In the most general form, "architecture" is an expression of the patterns of structure inherent in the system, the general plan or concept used to create it and, on the other hand, an abstract description of the system, its structure, components, and their interrelations (Grigoriev).

As for the term "financial architecture", for the first time, this term was proposed in 1999 by S. Myers (Myers, 1999) who defines the financial architecture of companies as a set of financial indicators such as ownership, legal form of business organization, incentives, sources financing, and risk-sharing mechanisms. He notes that corporate financial theory and practice developed within certain financial architecture, public corporations in countries such as the US and the UK, namely, countries with well-developed and safe markets. The scientist stressed that the financial architecture depends on active and persistent risk markets, which in turn is also dependent on adequate information such as financial reports, basic investor protection, continuity of contracts and law and justice.

In the continuation of S. Myers's works, foreign scholars M. Barclay and K. Smith in their work use the term "financial architecture" when considering corporate finance issues. They note that the financial architecture of enterprises is primarily determined by its investment opportunities (Barclay, 1996). Companies with a high ratio of market-to-book value to better use less borrowed capital compared to companies with low rates. In addition, the authors conclude that the size of the company has a systematic effect on its financial architecture, since large and small companies have different access to the market for debt capital, while small companies have access to short-term bank lending, while large have the opportunity to attract government loans and long-term debt.

Foreign scholars D. Cassimon and P.-J. Engelen argue that in addition to investment opportunities, there are also institutional barriers that influence the formation of an optimal financial architecture for firms in the "new economy" in developing countries.

In the writings of the last ten years, the term "financial architecture" is often viewed in the macroeconomic sense of the world financial architecture, and the financial architecture at the micro level is insufficiently highlighted. Yes, V. M. Melnik, N. V. Bychkova (Melnik, Bychkova, 2012) and A. M. Stepanova (Stepanova, 2009) continue to justify the development of the concept of S. Myers and considers the financial architecture in terms of financial activity of business entities – from the point of view of the management of the structure of capital and its efficiency.

In the dissertation research, N. V. Bychkova argues that financial architecture is a set of interconnected components and structural characteristics of corporations such as organizational and legal form, capital structure, ownership structure, corporate governance, which determine the structure of the corporation's finances and is a tool for improving the financial performance of the entity in the context of the development of an appropriate financial policy to

achieve the strategic objectives of such activities, taking into account the combination of external and internal factors of the idea of corporation (Bychkova, 2008).

Author S. V. Klimchuk presents financial architecture as a system of tools and instruments for managing financial relations that form a financial institution and proposes the use of the term "architectonics of financial space" as a system of effective spatial functioning of a financial mechanism, which enables to qualitatively capture this area by means of functional dependence of structural elements and levers of the financial system (Klimchuk, 2012). In this case, it is advisable to agree with the opinion of V. O. Kozlova, who believes that this definition narrows its significance to the implementation of the financial mechanism.

The financial architecture of the enterprise is determined due to the presence of clear causal relationships between its constituent elements and their impact on the financial support of its activities. Therefore, it is appropriate for the enterprise to understand the combination of interconnected structural elements such as capital structure, ownership structure, and quality of corporate governance that accumulate and mobilize financial resources, strengthen control over the activities of the enterprise, resolve conflicts of interest between owners and other stakeholders, and are the basis of its financial security.

3. Characteristics of elements of the financial architecture of the enterprise

The decisive stage in the construction of the financial architecture of the enterprise is the definition of its basis – the financial interests of economic entities, whose implementation plan is closely linked with the provision of an adequate level of financial security of the enterprise. Thus, in the conditions of financial and economic instability, the financial interests of economic entities will be directly related to the main objective of effective functioning of the enterprise, which in turn will have a significant methodological value for choosing the principles and mechanisms for building its financial architecture. The following models of the definition of the main goal of the enterprise are presented in the scientific literature: the model of profit maximization (based on the principles of the classical economic theory and the marginalist theory of the firm), the model of transaction cost minimization (based on theoretical principles of neo-institutionalism by R. Coase), the model of maximization of sales, growth of the enterprise, model of provision of competitive advantages, model of value-added maximization, and model of maximizing the market value of the enterprise (Blank, 2004). Each of the existing models is independent and offers a specific purpose of the company's operation, which may be a priority for a particular enterprise at different stages of its life cycle. At the same time, all target benchmarks are interconnected and each of them will influence the achievement of the main goal of effective operation of the enterprise and satisfaction of the financial interests of economic entities.

Determining the main goal of the operation of the enterprise is the basis for building its financial architecture. As the key elements of the financial architecture of the enterprise, it is appropriate to allocate: ownership structure, the capital structure of the enterprise, and the quality of corporate governance (Figure 1).

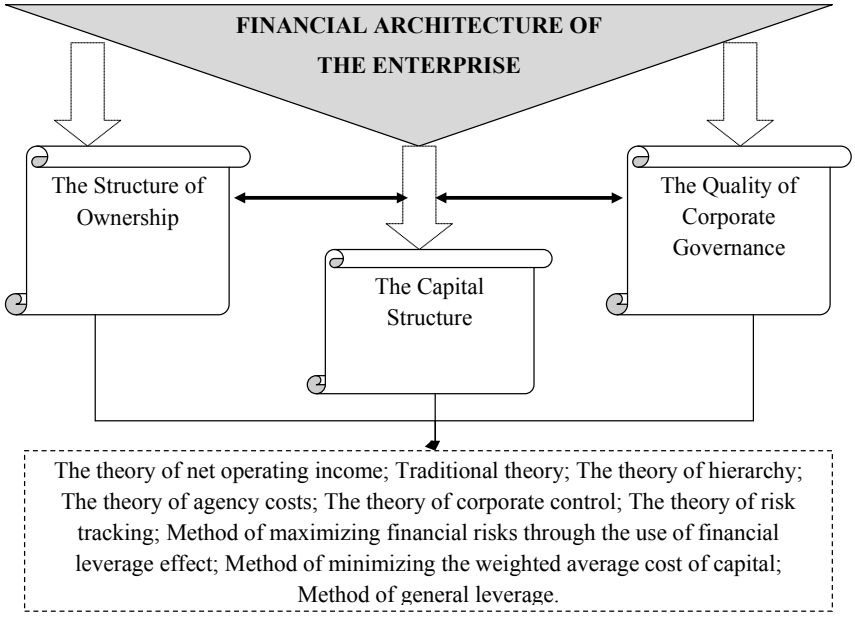

Figure 1. Elements of the financial architecture of the enterprise

Source: developed by the authors

It must be agreed with many scholars who believe that the ownership structure should be considered through the prism of agency conflicts between managers and shareholders, majority and minority shareholders, state and private owners. The optimal ownership structure should facilitate, on the one hand, the concentration of capital in the hands of an effective owner and, on the other hand, the matching of the capital structure with the strategic goal of the enterprise.

The capital structure of an enterprise sets the risk distribution between investors, especially financial risks. Market imperfections (taxes, transaction and agency costs) lead to a dependence of the efficiency of the structure of capital, which suggests a negative impact of debt load on strategic efficiency. In addition, the formation of a sound capital structure through the implementation of high-tech innovative projects involves solving a number of tasks related to the assessment of sources of funding, the form of attraction, the degree of accessibility, the time of disposal, the cost of attracting a certain type of financial resources, financial risk, and other conditions attracting a specific source of innovation financing. Therefore, the key issue in the structure of capital is the assessment of the rationality of the ratio of individual groups of sources of financing for innovation and, first of all, own and borrowed capital, as well as substantiation of managerial decisions on the rational ratio of sources of funding for specific innovation projects. It should be noted that in Ukraine at the present stage, it is rather difficult to assess the ownership structure of the enterprise since it is rather opaque.

One of the main tasks of corporate governance is the minimization of transaction costs related to the delineation of rights and responsibilities of managers, as well as agency costs associated with the diverse interests of managers and the risk of shareholders. An assessment of the level of corporate governance is carried out to determine the appropriateness of management principles that are used in a particular enterprise – the generally accepted principles that underlie effective corporate governance and can be applied in a wide range of legal, economic, and political conditions. The final result of the assessment is the corporate governance rating that is assigned to the research object according to the National Rating scale of corporate governance ratings by the rating agency of the agency as a result of the voting. This component of the financial architecture of the enterprise is difficult to analyse since a significant part of enterprises do not provide information on their official sites.

4. The methodological relationship between the financial architecture and financial security of the enterprise

It should be noted that the process of forming the financial architecture of the enterprise occurs under the influence of a significant number of factors of the internal and external environment. Among them, financial factors are important, which include the provision of financial stability of enterprises and the growth of the market value of business through the effective formation and allocation of financial flows, which in turn characterizes the financial potential of the enterprise and ensures its liquidity and synchronization of financial flows in time and for volumes. The result of these factors may be the emergence of financial risks, the realization of which directly affects the financial security of the enterprise and leads to the positive or negative consequences of its activities.

It should be noted that in the vast majority of scientific studies, there is a correlation between the concepts of financial security and risk. We consider it the correct position because, in today's knowledge, knowledge of the risk category can significantly improve the efficiency of financial security management of the enterprise. We agree that the financial risk category regarding the provision of financial security of an enterprise includes two main components: identification and evaluation of risk, which is largely expert and probabilistic, and financial risk management in order to ensure the financial security of an enterprise and prevent its market value from falling (Yermoshenko, 2010). This is precisely the methodological link between financial architecture, financial security, and financial risk at the enterprise level. As is rightly noted by O. Shishkina, there is the growing relevance of the problem of risk management in the world, as evidenced by the establishment of the Institute of Risk Management (IRM), the Global Association of Risk Professionals, the International the International Risk Governance Council (IRGC), the Federation of European Risk Management Standards. The urgency of the problems in the field of risk management has led to the creation of risk management standards, which resulted from the joint efforts of the Institute of Risk Management (IRM), the Association of Risk Management and Insurance (AIRMIC), the National Risk Management Forum in the public sector (Shishkina, 2014).

In this regard, the necessary condition for maintaining an adequate level of financial security is the formation of a flexible financial architecture of the enterprise through effective management of its financial risks (Figure 2).

5. Stages of management of financial risks of the enterprise

In domestic science, the perception of the process of managing financial risk is based predominantly on foreign experience, which needs to be adapted to the current realities of the Ukrainian economy. Currently, financial risk management is a specific area of financial management, which in recent years has been treated as risk management in research. The process of financial risk management includes a defined sequence of management decisions, which in a systematic way

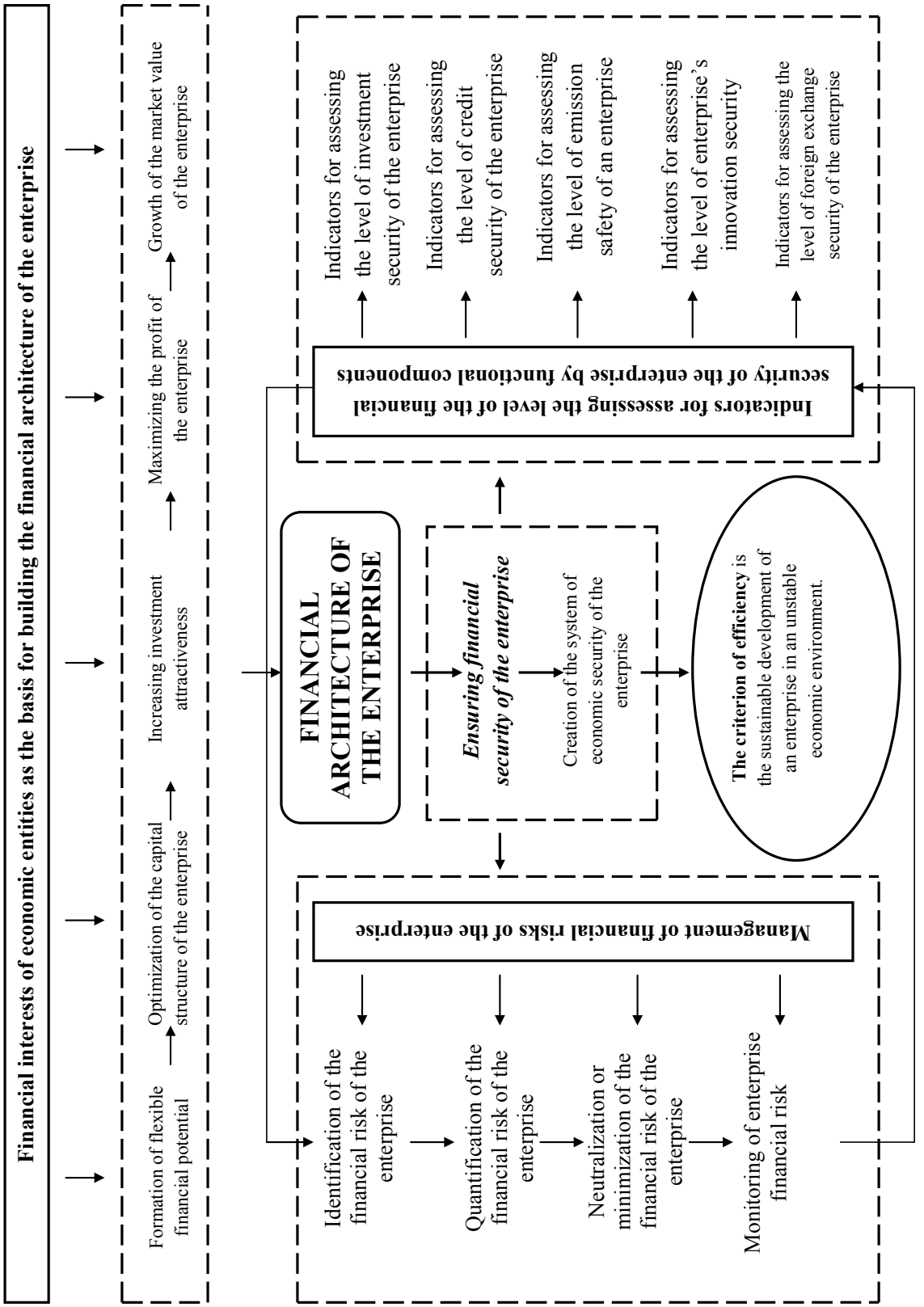

Figure 2. Interconnection of financial architecture and elements of financial security of the enterprise

Source: developed by the authors

can be represented by such interconnected stages as identification, quantification, neutralization or minimization, and risk monitoring.

At the identification stage, a qualitative analysis of systematic and non-systematic financial risks of the enterprise is carried out by identifying internal and external risk factors and systematizing potential financial risks that are characteristic of the enterprise's economic activity at the appropriate stage of its life cycle. The most responsible and methodically complex stage of financial risk management is its quantification, which involves a quantitative assessment of the possible magnitude of risk and the calculation of the probability of occurrence of a negative event, the duration of the period of exposure to risk and the size of possible financial losses.

The formation of qualitative and quantitative data is the basis for the implementation of the phase of neutralization or minimization of risk through the use of known methods for avoiding, diversifying, hedging, distributing, limiting the concentration, insurance, and others.

The final stage of risk monitoring involves comparing the planned and projected values of financial security indicators of an enterprise with their thresholds, beyond which there is a change in the status of financial security – from safe to dangerous. Under these conditions, the financial architecture of the enterprise becomes more vulnerable and loses the ability to effectively adapt to the factors of a dynamic economic environment that results from a violation of the financial interests of economic entities.

6. Systematization of indicators for assessing the level of financial security of enterprises

Taking into account the aforementioned, a quantitative assessment of the level of financial security of an enterprise is possible provided that its indicators are monitored, the timely conduct of which helps to identify, quantify, and implement the methods of optimizing financial risks. It should be noted that a thorough analysis of the methods of assessing the financial security of an enterprise leads to the conclusion that there are different approaches to the choice of indicators of this process – from generally accepted indicators of the financial state of the enterprise to grouping indicators to assess the level of its financial security in accordance with various criteria. We believe that the choice of indicators for assessing the level of financial security of an enterprise should be carried out on its functional components with the possibility of a further definition of the integral index (Saati, 1993).

The most typical elements of the functional structure of financial security, which can be allocated at the enterprise level, should include investment (capital investment in the development of the enterprise), credit (formation and use of debt capital), issue (securities transactions), innovative (takes into account purely financial innovations), currency (export-import operations) and others. Certainly, the selected indicators of the level of financial security of an enterprise should be based on indicators characterizing the state of its financial activity. In addition, these indicators should meet the requirements of ease of calculation and comprehension, completeness and comprehensive coverage of the qualitative and quantitative state of financial security of the enterprise, the use of accounting and tax reporting for their calculation.

7. Determination of the criterion of the financial safety of the enterprise

Ensuring an appropriate level of financial security will help protect against financial risks of an unfavourable internal and external environment, achieving financial sustainability, developing a qualitative financial potential, ensuring competitive advantages, and harmonizing the financial interests of the enterprise. Achieving such results is the basis for creating an effective system of economic security of an enterprise, the optimal combination in the structure of which financial and other functional components, and their proper management will be the key to sustainable development of the enterprise in an unstable economic environment.

It will be appropriate to emphasize the fact that in the theory of systems, constancy is one of the main concepts that is determined when considering the behaviour of the system and implies the ability of the system to maintain its operation within the specified limits. From the standpoint of a systematic approach, the constancy of the system is determined by the mechanism of homeostasis, which is a process by which the system saves its parameters (state), in spite of changes in the external environment and acts as the most perfect form of self-regulation with the use of feedback. Violation of the system's stability means that there are divergent processes in it, that is, bifurcations that are not manageable and can lead to the disintegration of the system and its destruction (Wiener, 1951).

8. Conclusions

According to the results of the scientific research, the following conclusions can be drawn:

1. Based on the analysis of theoretical approaches, the definition of the financial architecture of the enterprise as a set of interconnected structural elements such as capital structure, ownership structure and quality of corporate management, which accumulate and mobilize financial resources, increase control over the activities of the enterprise, solve conflicts of interest between owners and other stakeholders.

2. The structure of capital, ownership structure and quality of corporate governance as components of the financial architecture of the enterprise have

been characterized, which has allowed elaborating the concept of its essence and structure.

3. The methodological link between financial architecture and financial security of the enterprise is found, which is based on the dependence of the appropriate level of financial security and flexible financial architecture of the enterprise through the management of its financial risks.

4. The financial risks management stages, which include their identification, quantification, minimization or neutralization and monitoring, the consistent implementation of which will contribute to maintaining an adequate level of financial security and ensuring financial sustainability of the enterprise, are proposed.

5. The indicators of assessing the level of financial security on the investment, credit, emission, innovation, and currency functional components are systematized; observance of normative values is an important condition for ensuring financial stability and sustainable operation of the enterprise in an unstable economic environment.

Prospects for further research are the development of methodological approaches to enterprise risk management, the implementation of which will contribute to improving the financial architecture of the enterprise and increase its financial security.

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ESTABLISHING THE RATIO OF CONCEPTS OF COUNTERACTION TO LEGALIZATION (LAUNDERING) OF ILLEGALLY-OBTAINED INCOME AND COUNTERACTION TO THE SHADOW ECONOMY: THE IMPORTANCE FOR DETERMINING PERFORMANCE INDICATORS OF THE EUROPEAN INTEGRATION PROCESSES

Olha Tylchyk[1], Olena Dragan[2], Olena Nazymko[3]

Abstract. The vast majority of reports from governments of the European Union member states and applicants for such membership contain a separate provision on ensuring their effectiveness in the system of combating money laundering and terrorist financing, adherence to the requirements of leading international groups and organizations for such measures. In particular, the assessment of compliance with the 40 Recommendations of the Financial Action Task Force (FATF) on combating money laundering and counteraction to terrorist financing, conducted in Ukraine in 2017 and ended with the relevant report of the Committee of Experts of the Council of Europe MONEYVAL (Report, 2018), is systematically evaluated. The mentioned monitoring body of the Council of Europe assesses, in particular, compliance with the main international standards of organizational, technical, and legal provision of counteraction actors in the respective country, making emphasis on the fact that corruption and illegal (shadow) economic activity (and, according to a well-founded author's approach – "shadowing of the economy" – Tylchyk, 2017) are the main threats (risks) of money laundering (Report, 2018). Today it is possible to state the awareness of the need to introduce generally accepted standards into the practice of special subjects of providing economic security, although in the absence of a single vision of their place in the overall system of subjects of national security. At the same time, there is a significant complication regarding the gradual, system, and systematic nature of this activity, which is determined by the aggravation of social tension in society, external aggression, features of the formation of domestic doctrine and legislation traditionally oriented towards the application of the maximally defined concepts, at the same time, to date contain ambiguous provisions as to the content, in particular, the concept of illegally-obtained income, which does not coincide with that specified in the mentioned Standards and other international documents. The above stipulates the urgency to search for optimal ways to eliminate these inconsistencies, which lead to real hampering activities related to providing a counteraction to the legalization (laundering) of illegally-obtained income, in order to secure not only the national interests of Ukraine but also of the entire world. *Methodology*. The solution of the set purpose is realized using the cognitive potential of the system of philosophical, general scientific, and special methods. Analysis and synthesis allowed identifying the signs of illegally-obtained income, shadow economy, fight against the shadowing of the economy, and forming the latter concept. Methods of grammatical review and interpretation of legal rules helped to identify gaps and other shortcomings of legislation on problems of providing counteraction to the legalization (laundering) of illegally-obtained income, to develop proposals for its improvement, in particular regarding the features of defining the meaning of the concept of "illegally-obtained income" in domestic law field, the correlation of this concept and other economic and legal concepts. The comparative legal method allowed determining the development directions for domestic statutory acts in order to bring them in line with the generally accepted European standards. *Practical implications*. The level of shadowing of the Ukrainian economy, as well as many other countries of the world, requires the introduction of effective, timely, and consistent measures, in particular, to ensure control over the mentioned processes and create conditions for minimizing the possibilities of legalization

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(laundering) of illegally-obtained income by the efforts of the system of subjects of providing national (including economic) security to counteract the shadowing of the economy, for which it is necessary to formulate uniform unambiguous basic concepts that are "legalization (laundering) of illegally-obtained income", "counteraction to the economic shadowing", which determine the actual direction of the activities of these subjects and correlate the use of appropriate complex measures and facilities.

Key words: socio-economic security, state security, legal regulation, shadowing of economy, counteraction of corruption, legalization (laundering) of illegally-obtained income.

JEL Classification: F52, G1, H2

1. Introduction

The last decade was marked by the intensification of the search for means of ensuring the economic security of the highly developed countries of Europe, which requires the consolidation of the efforts of the scientific community in such basic directions as: unification of terminology, in particular, concerning the subject-matter and the content of counteraction to the legalization of illegally-obtained income, the financing of terrorism, the correlation of such concepts with other related concepts. Today, the legalization of the economy, capitals is perceived simultaneously as a positive activity, an active policy of the Government in order to maximally effectively manage the Ukrainian economy, which is an important component of accelerating the economic growth of its withdrawal from the "shadow" relations: in fact, the way of "unshadowing of the economy" through "legalization of the economy" is indicated. In the Basic Law of Ukraine "On Prevention and Counteraction of the Legalization (Laundering) of the Proceeds from Crime, Terrorist Financing and the Financing of the Proliferation of Weapons of Mass Destruction" (Law, 2014), "legalization" is used in the opposite sense and is defined as any action associated with the commission of a financial transaction or a transaction with assets obtained as a result of crime (Law, 2014). From this thesis, it is clear that in Ukraine, the legalization of only those assets is counteracted that are obtained through the commission of crimes (which must be confirmed in accordance with the procedure established by the Criminal Procedure Code of Ukraine), and in relation to other offenses, the issue is open.

2. Definition of concepts "legalization of income" and "shadow economy" in national legislation

It should be noted that the content and essence of the concept of "shadow economy", "shadowing" are debatable; some scholars-economists call them "purely economic", the concept of "legalization" – by the content and essence is just legal. An analysis of laws and regulations that define certain measures to counteract the legalization (laundering) of proceeds from crime allows us to conclude that they actually emphasize the fact that this phenomenon and the shadow economy, the shadowing of the economy are not identical, at the same time, the relation between these concepts and phenomena marked by them are not revealed.

In addition, it is noted in separate publications that the sign of the shadow economy is the illegality of the origin of the sums, including in its mathematical indicators. Consequently, according to the authors of such approaches, the way to reduce the shadowing of the economy is the legalization of "shadow capital".

The legalization of shadow capitals is a process of introducing shadow capitals into the legal sphere of economic activity for the purpose of their legitimate accumulation, that is, receiving "purified income" or "reproduced-additional fictitious income" (Popovych, 2001).

The above gives an opportunity to summarize the use of the same concept of "legalization of capitals" as both positive and negative for society. The occurrence of the situation, which leads to significant terminological confusion, is obvious. The need for eliminating such a double understanding is realized, and an example of specifying what this is about is the phrase in the title of the Law of Ukraine "On Prevention and Counteraction to Legalization (Laundering) of the Proceeds from Crime, Terrorist Financing and the Financing of Proliferation of Weapons of Mass Destruction". That is, illegal is the legalization activity in the sense of "money laundering". The stated approach to clarifying the content of the established legal concept through the introduction of another one is quite doubtful.

Moreover, in the specified legal act in Article 1, which is devoted to the definition of terms used in the Law, the term "legalization (laundering)" is not disclosed, and this can be regarded as the fact that there is its fixed definition that is inadvisable to be given; along with this, Article 4 of the Law states that legalization (laundering) of proceeds from crime includes any actions related to the commission of a financial transaction or a transaction with assets obtained as a result of the commission of a crime, as well as the commission of actions aimed at concealing or disguising the illegal origin of such assets or possession of them, rights to such assets, sources of their origin, location, movement, change of their form (transformation), as well as the self-acquiring, possession or use of assets obtained as a result of the commission of a crime (Law, 2014). That is, as in the case of the

definition of the concept of "shadow economy", without the possibility to provide a common definition, the authors characterise a certain activity, calling its features, aimed at distinguishing such an activity from the activity of other types, in essence, from crimes of other types.

Another legal term to be distinguished from the "legalization" of capital is "legitimization", in particular, of entrepreneurial activity. It is understood as one of the measures of public regulation of economic activity in Ukraine aimed at confirming the legality of the entry of its subjects in economic circulation and may include state registration, licensing, patenting, quota arrangement. At the same time, if the first element of legitimization is mandatory for those who seek to become entrepreneurs, then the latter are optional and depend on the specific type of economic activity the entrepreneur wants to engage in. The relations of legitimization of economic activity are bilateral. On the one side is their initiator – a business entity (natural or legal person), on the other – an authorized body, which can be a public authority or local self-government bodies (public administration). At different stages of legitimization, the quality of the composition of such entities may vary. Thus, during state registration of entrepreneurs, on the one hand, the subject of legitimate relations is a state registrar, and on the other – the founder of a legal entity or an individual who wishes to become an entrepreneur. In the further relations of legitimization, the latter party acts already as a registered partnership or individual entrepreneur. Therefore, legitimization is a consistent implementation of certain actions, the execution of which is ensured by public administration bodies (Kovalenko, 2011). Legitimacy is a mandatory sign of the legitimate power of the state, which means recognition of it both within the country and in the international arena. Scholars caution that this concept should not be confused with the concept of legality as a legal characteristic. Since any authority, if it issues laws and enforces them, is legal. At the same time, it can remain unrecognized by people, that is, to be illegitimate. However, for example, not only legitimate but also illegal power – the power of "shadow merchants", mafia structures, can operate in a society (Shemshuchenko, 2007).

3. The concept of "counteraction" in the domestic legal doctrine

It is necessary to clarify and disclose the content of the concept of "counteraction", which is currently the most used to refer to activities directed against various types of offenses (in particular, corruption and related to corruption, legalization (laundering) of proceeds from crime, etc.), and therefore, the most acceptable to denote activity against the shadowing of the economy.

The term "counteraction" is of foreign origin, translated as "an act that serves as an obstacle to the emergence or development of another action, resistance", "opposition" or "active opposition" – from English counteraction; "resistance to someone, something" – entgegenwirken (German). The given English variant has a consonant analogue in Ukrainian – "контракція", which means counteraction ("контр" – counter, "акція" – action). The German version is also almost literal: "entgegen" – "counter", "wirkung" – "action, influence" (Vyshnevetskyi, Trofymenko, 2013). The issue of defining the concept of counteraction and its essence in more detail was considered within the criminal law sciences in connection with the definition of activities directed against crime. So, V. V. Kovalenko, distinguishing the shadow sector of the economy, concludes that the latter exists as a structure, which purpose is to use for mercenary purposes the shortcomings of the state regulation of social relations in the field of the economy, public administration of the economy, etc., and includes a set of conscious measures to counteract the processes of qualitative development of the economic sphere of the country (Kovalenko, 2004). O. M. Bandurka and O. M. Lytvynov define counteraction to crime as a special integrated, multilevel object of social management, which is a diverse by forms activity of the relevant actors (state, non-state bodies and institutions, public formations, and individuals) that interact in the form of a system of heterogeneous measures aimed at the search for ways, means, and other possibilities of effective influence on crime in order to reduce the intensity of determination of crime at all levels, neutralization of its causes and conditions for the restriction of the number of criminal manifestations to a socially tolerant level (Bandurka, Lytvynov, 2011).

In general, supporting this definition, it should be pointed out that in this work and in many other criminological studies, first of all, the difficulty of establishing clear boundaries between the terms used to refer to the whole range of methods of influencing crime – counteraction and fight – is noted. In this regard, it is proposed to use them as synonymous (Bandurka, Lytvynov, 2011). On this issue, A. I. Dolhova points out that the most accurately the content of such an activity is reflected in the concept of "fight against crime" because it covers the impact on the causes of crime and the crime itself, shows the complex, voluminous nature of such influence; and emphasizes the active moment of an attack on crime during its counteraction (Criminology: Dolhova, 2012). With this argument, the scholar actually states that the fight is only one of the components of the counteraction, its active moment. This is an extension of the content of the term "counteraction", including the term "fight" to it, as other scholars suppose. However, such an approach to defining the purpose of counteraction – directing it to the fight – is rather doubtful. The inexpediency of spreading this approach regarding the definition of the impact on such a threat as the shadowing of the economy is indicated in the previous author's publication (Tylchyk, 2017).

Recognizing the need to take into account the achievements of the criminal law sciences on the problems of counteraction, it should be emphasized that today it is precisely in administrative-legal rules that the principles of ensuring counteraction to threats to national security, in particular, partly in the sphere of the economy, that is, the shadowing of the economy, are revealed. In addition, a large array of administrative and legal means and measures aimed at ensuring the legality of the economy, as well as the procedure and conditions for the activity of the subjects of providing who are the subjects of administrative law, is being developed. Therefore, it is expedient to study the issue of counteraction in the administrative-legal aspect.

Proceeding from the etymological essence of the term "counteraction", it is quite logical to define its content as an activity directed against a negative action – "anti-action and/or anti-activity", completing the phrase by an adjective which denotes a negative phenomenon (for example, anti-extremist activity). The above will emphasize the nature of the term "counteraction". However, the use of the aforementioned, namely theoretical, phrase (anti-activity) in relation to other negative manifestations, in addition to the anti-terrorist activities perceived in scientific circles, should be taken with caution, as it may bring into the use (science) concepts that will replace the established scientific terminology and cause confusion during practical activity. The "counteraction" vector will be determined by the nature of the latent behaviour of the subjects, which directly or indirectly affects the vital legitimate interests and rights of individuals and will be characterized as a threat. This is evidenced by the doctrinal work of the considered issue, in particular, when forming elements of the state counteraction policy, which should include issues that reflect problems of the organization and implementation of counteraction, which is accompanied with identifying vital interests in various spheres of state and social life, revealing real and potential threats, forecasting probable changes in the assessment of interests and threats and, in this regard, the general state of security, and determining specific countermeasures adequate to the threats and sufficient to overcome them (Tylchyk, 2016).

Counteraction, implying the influence on social relations, does not level out the individuality of its implementation. Therefore, the allocation of the concept of "individual counteraction" or "narrowly directed" will substantially limit its subject and will not be scientifically and practically valuable. Taking into account the above, the characteristic of administrative-legal counteraction as an active activity, the purpose of which is to ensure the passive behaviour of the subject of administrative legal relations, prevent violations of administrative-legal rules, appears to be objective. That is, activities aimed at providing one of the forms of implementation of rules of administrative law – observance. It is entirely logical to conclude that the provision of such a form of implementation as observance has a coercive character, which is understood as the compulsion of a person to consciously carry out certain actions or to refrain from them, obey contrary to their will.

Recently, the discussion on the problem of the definition of counteraction to various social negative phenomena as objects of administrative-legal regulation revived. At the same time, the authors mainly indicate that such a counteraction is a complex of measures of influence carried out by the subjects of public administration, who are responsible for identifying the causes and conditions that contributed to certain violations of legal prescriptions, preventive measures, prevention of such violations, termination of such violations, elimination of their consequences, and bringing the perpetrators to responsibility, which is provided on the basis of the rules of administrative law, aimed at regulating social relations in order to ensure the constitutional rights and legitimate interests of man and citizen.

Pointing to the circle of subjects of counteracting the shadowing of the economy, it should be taken into account that in the sphere of the economy, both citizens and representatives of public administration perform activities, in particular, in the process of managing objects of state ownership form. Most clearly this can be demonstrated by the example of managing the production complex of the criminal-executive system. Therefore, we consider definitely incomplete the statement that counteraction is a complex of measures aimed at regulating social relations in order to ensure the constitutional rights and legitimate interests of man and citizen. It is quite important to supplement it with the need to provide public administration actors with effective means of influence, including administrative coercion, in order to exercise their powers strictly in accordance with legal instructions.

4. Conclusions

Defining the concept of counteraction to the shadowing of the economy, it is expedient to clarify that the activities of subjects are ensured on the basis of rules of not only administrative law but also other branches of law, for example, criminal – in relation to determining the grounds for bringing people to criminal liability for crimes in the economy (including money laundering, terrorism financing), etc.

Counteraction to the shadowing of the economy – a complex of measures of influence of subjects with the appropriate legal status for identifying the causes and conditions that contribute to violation of the requirements established by the legal rules for activities in the field of economy, preventive measures, prevention, termination of such violations, elimination of their consequences, and bringing the perpetrators to responsibility in order to prevent the negative transformation of the economy

(which will lead to a material result that is not reflected in GDP) and preventing the formation of threats to economic security. Such a counteraction can be effective in the case of its complex nature in relation to the said offenses, which may include certain corruption offenses, offenses related to corruption if they lead to the formation of corresponding material results (income – for a broad understanding of this concept).

Today, the key is that it is precisely within the framework of counteraction to the shadowing of the economy that the counteraction to the money laundering is provided. This very thesis should define the conceptual foundations and find a reflection in domestic legislation and in the legislation of other countries, which seek to form an effective system of economic security.

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STATUS OF THE TAXPAYER IN A TAX LEGAL MECHANISM

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Abstract. *The aim of the article.* The theoretical and legal bases of a taxpayer in the tax legal mechanism are considered. A comparative legal study of legal regulations that determine the place of the taxpayer in the tax legal mechanism is conducted, and on this basis, ways to improve domestic legislation in this sphere are determined. *The subject of the study* is the status of the taxpayer in the tax legal mechanism. *Methodology.* The research is based on the analysis of legal regulatory acts concerning the tax legal regulation in Ukraine. Based on the comparative legal method of research of certain provisions of Ukrainian legislation, the place of a taxpayer in the tax legal mechanism, as well as the application of positive foreign experience in this field, are determined. *The results of the study* revealed the need for a detailed study of defining taxpayers, taxable persons. *Practical implications.* The taxpayer is considered as the most significant element for the existence and development of tax relations. Moreover, the formation and development of compulsory tax payments, the integration of such payments into the tax systems of countries are analysed, which indicates the paramount importance of the taxpayer among any other elements of the tax legal mechanism. *Relevance/originality.* A comparative analysis of the taxpayer in the tax legal mechanism in foreign countries is the foundation for the improvement of most promising ways for the development of domestic legislation in this sphere.

Key words: tax legal mechanism, tax legal relations, subject of tax legal relations, taxpayer.

JEL Classification: H21, H26

1. The relevance of the topic

In the legal mechanism of any tax, both among its main and additional elements, the subject or the taxpayer is the most crucial element for the existence and development of tax legal relations. Being an obliged subject of the tax legal relationship, the taxpayer is the only participant in tax and legal relations, which is fixed in the legal mechanism for compulsory tax payments. In addition, the taxpayer actually transfers aspects of will expression, consciousness, and activity (qualities that he/she receives as a subject of tax legal relations) to the legal mechanism. The conscious will, active performance of the taxpayer, his/her lawful behaviour, aimed at creating the relevant juridical facts, will further determine the implementation of other elements of the tax legal mechanism or fees in specific tax legal relations. This specificity and influence on other elements of the tax legal mechanism must be considered by the legislator in the legislative establishment of any taxes and fees. Therefore, an important role of the taxpayer in securing the legal mechanism of one or another compulsory tax payment becomes evident.

2. Literature review

A significant contribution to the study of the taxpayer in the tax legal mechanism was made by foreign and domestic scientists, such as L. V. Avramenko, S. I. Ilovaiskyi, A. A. Isaiev, I. I. Kucherov, N. P. Kucheriavenko, I. Kh. Ozerov, O. V. Petrishin, N. Yu. Pryshva, K. D.-G. Rau, I. T. Tarasov, N. V. Tsvik. The aim of the article is to consider the theoretical and legal bases of the taxpayer in the tax legal mechanism. A comparative legal study of legal regulations that determine the place of a taxpayer in the tax legal mechanism is conducted, and on this basis, ways to improve domestic legislation in this sphere are determined.

3. The main material

The historical aspect of the introduction of compulsory tax payments, their integration in the taxation systems of countries demonstrate the paramount importance of the taxpayer among any other elements of the tax legal mechanism. Therefore, the specific nature of the relationship between the state and potential taxpayers becomes the foundation and supporting structure for

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the introduction and development of taxation, the legal justification of its grounds, and therefore, the possibility and admissibility of establishing compulsory tax payments. N. Prishva argues (Pryshva, 2004) that the admissibility of introducing taxes, recognizing the state's tax sovereignty is associated with a special qualitative order of the state power that should not only be legitimate but also strong to ensure payment of taxes as free payments.

At the same time, potential taxpayers should be aware of the need to establish their tax duty for the common good and possibility of realizing and protecting their own interests in the territory covered by the tax sovereignty of the state or other territorial formation. It is known (Pryshva, 2004), for example, that in Ancient Greece and Ancient Rome, free population of these countries did not presume the possibility of recognizing themselves as taxpayers, except for special and extraordinary circumstances, which could be martial law and the need to protect the integrity of the state territory; but usually the tax and tax duty were supposed as the state's burden on the subdue and other citizens not possessing full rights. Only with the advent of the Enlightenment, the beginning of a broad social life under the formula "if you possess property, you should allocate its part in favour of the state and under the protection of the latter easy use the rest of the property," the final understanding of the acceptability of tax establishment came. Therefore, not only the possibility of introducing taxes and fees but also the modern role of compulsory tax payments in general as one of the main public legal sources of state revenues directly depended on the realization that all persons who in one way or another take part in public life and take advantage of it should be recognized as potential taxpayers.

The generally recognized classics of financial and legal science assume the primary place and importance of taxpayers for establishing mandatory tax payments. For example, a well-known German specialist in the middle of the XXI century Professor K. D-G. Rau wrote that in order to require tax, first, it is necessary to determine those numerical data, according to which it is easy to evaluate the tax duty of each person. This includes: a) definition of the subject, which should be the measure of tax duty, for example, a certain part of the property, income, expenses, etc.; b) establishment of a tax rate, that is, the rate at which a known amount of tax is determined from a known item; c) determination of the number of items to be taxed that each person is obliged to pay (Rau, 1867). Pre-revolutionary Russian jurist I. T. Tarasov pointed out that by establishing the tax, the law must define with precision the payer, the object, that is, the taxable object, the taxable action, upon which the tax is to be paid, the forms of calculation, orders and receipts, tax control, repayment, penalty, exclusion and management (Tarasov, 2004). Therefore, in all these cases, in establishing mandatory tax payments, scientists emphasized the taxpayer and then around this category they completed the tax legal mechanism or other payment of a tax nature.

The issue of assigning tax duties to certain persons, the definition of taxpayers has maintained its relevance over time and confirmed its significance. I. I. Kucherov argues that the question of taxable persons is one of the main in the theory of taxes and fees. In modern life, the need for everyone to participate in the formation of public finance is no longer questioned; the principle of universal taxation is firmly established in the minds of people acquiring legal significance and legislative consolidation (Kucherov, 2009). Generally, under present conditions, any physical individual or legal entity should take part in the formation of public revenues of state and local budgets, at the expense of his/her property, be involved in financing public expenditures.

Therefore, the most common definitions of the payer (subject) of the tax are based on this. For example, representatives of Russian pre-revolutionary financial thought I. Kh. Ozerov and A. O. Isaev defined the taxpayer as any person, who is legally charged (Ozerov, 1908), concretizing, however, that taxable persons can be both physical individuals and legal entities, corporations, societies, unions, both nationals and foreigners (Isaev, 1887).

However, in this definition, neither formal nor substantive aspects of taxpaying are disclosed in detail. Therefore, in an attempt to explain the formal aspect of bearing the tax by the person, I. I. Kucherov interpreted the taxpayer as an eligible person, who in accordance with the legislation is charged with the duty to pay tax independently and at the expense of own funds (Kucherov, 2009). However, in our opinion, several remarks need to be made to this definition.

First, it is hardly worthwhile to focus separately on the issue of taxpayer legal capacity. Each individual possesses legal capacity (has an abstract ability as a subject of law to acquire subjective legal rights and bear subjective legal obligations) from birth to death. The legal capacity of a legal entity arises from the moment of its state registration, in some cases, the receipt of a license for specially defined activities and terminates with the liquidation of a legal entity. Legal capacity is inherent in all participants of legal relations (Tsvik, Petryshyn, Avramenko et al., 2011). Therefore, the legal personality of the taxpayer would be more appropriate.

Secondly, it should be emphasized that legislation is referred to in a broad sense, that is, not only the actual system of existing laws but also other legal regulations. For example, decisions of local representative bodies on the introduction of local taxes and fees can provide for the tax obligations of the person. For example, in 1992-1993, the powers of the parliament were delegated to the government and the decrees of the Cabinet of Ministers of Ukraine were given the force of law. Finally, international treaties can also be a source of tax laws that affect the content of tax liability in the case of elimination of double taxation.

Thirdly, the independence of the payer's duty to pay taxes should not be absolutized necessarily. Moreover, under the appropriate instruction or by virtue of law, both the representative of the taxpayer and his/her tax agent can pay money into budget accounts. In addition, in cases of consolidation of the tax obligation, the transfer of the payer's money to the budget is physically performed by another payer of the tax. After all, the tax can be paid from borrowed not only from own funds.

While defining the taxpayer, a combination of the formal and substantial side of the mechanism for a tax duty seems to be more correct. From this perspective, M. P. Kucheriavenko argues that taxpayers are persons who have, receive (transfer) objects of taxation or carry out activities subject to taxation and are entrusted with a tax obligation in accordance with the current tax legislation (Kucheriavenko, 2005). Moreover, the person's possession or entry into the object of taxation or the performance of taxable activities are expressed through a cross-cutting legal category of a juridical fact, therefore, the definition of a taxpayer can be reduced to the formula "a taxpayer is a person with the tax duty imposed by tax laws on juridical facts indicating his/her possession of taxable object".

Therefore, the abovementioned achievements of the legal science determine the definition of a legal taxpayer in the domestic legislation. According to the provision of clause 15.1 of Article 15 of the Tax Code of Ukraine, taxpayers are individuals (residents and non-residents of Ukraine), legal entities (residents and non-residents of Ukraine), and their separate subdivisions that have, receive (transfer) tax objects or carry out activities (operations) that are subject to taxation under this Code or tax laws, and that are charged for paying taxes and fees under this Code (Podatkovyi kodeks Ukrainy, item 15.1, Art. 15). This taxpayer definition is generic. It provides for the general understanding of the taxpayer, which would be suitable for application in any abstractly conceivable tax legal relations.

Moreover, as a phenomenon of legal and social reality, taxation relations consist of the establishment and collection of specific, not imaginary, mandatory tax payments. Furthermore, the latter, as one of the means of achieving public interest, do not exist autonomously and separately from other factors that unite society and form the focus of public relations in general. Therefore, specific persons, on whom the main tax liability is imposed, depend on many aspects, in particular: the specifics of the legal system of the state, in which a specific tax or fee is established, the characteristics of economic, political, social, ideological, and other types of social relations, nature of dominant public interest, etc.

To be sure, the compulsory tax payment itself, the main general goal of its establishment, accentuation on the fiscal or on regulatory functions of the tax determine the composition and features of the obligated persons (subjects of tax legal relations). For example, for the successful implementation of the fiscal function of a compulsory tax payment, the payer of such a tax should be as universal as possible, involving the absolute majority of both individuals and legal entities, regardless of their citizenship, place of registration and other characteristics. The rules of formal logic prove it, according to the law of the inverse relationship of the scope and content of the concept, the more an additional number of attributes assigned to the prospective taxpayer, the less number of persons taxed. Therefore, the introduction of the regulatory function of the tax would often be impossible without the differentiation of taxpayers according to certain criteria important for the state to redistribute optimally tax pressure in the state, regulate such basic economic indicators as production, consumption, exports, imports of goods and services, braking negative trends emerging in various spheres of social relations, and promote desired social processes.

I. I. Kucherov emphasizes (Kucherov, 2009) that the direct definition of potential taxable persons is a matter of special importance since it is equated with the definition of objects of taxes and fees forming actually the basis of taxation. At the same time, the obliged subjects of tax legal relations differ from state to state, including different categories, vary by many features, in particular, social, economic, and others.

One of the most important criteria for differentiating persons subject to taxation in case of legal imposition of a compulsory tax payment is their personification by types, such as individuals or legal entities. Contrasting the above generic definition of taxpayers and tax collections enabling to understand a general nature of the person with the status of an obligated subject of tax legal relations, this distribution of taxpayers is most convenient for the legislator when establishing a direct legal regime for charging a specific tax or levy.

Under the direct establishment of tax obligations of legal entities and individuals, in fact, two types of taxpayers are consolidated legislatively. According to M. P. Kucheriavenko, exactly on the basis of the concept of a legal entity and an individual, the tax status of all types and their manifestations is formed (Kucheriavenko, 2005). For example, in the regime of tax duties and rights of legal entities, the specificities of involving branches, representative offices, and separate subdivisions of these persons into tax legal relations are determined, and their own legal status of obligated participants in tax legal relations is created. It is also possible to consider separately tax and legal statuses of various categories of individuals-taxpayers, in particular, on the basis of their tax residency or engagement in business activities.

Therefore, due to the differentiation of specific tax and legal statuses of taxpayers, the state receives sufficiently flexible and acceptable means for the society to regulate tax relations. Furthermore, a number of fundamental principles of tax and legal regulation are being implemented. For example, the principles that are provided for in domestic tax legislation by Article 4 of

the Tax Code of Ukraine (Podatkovyi kodeks Ukrainy, p. 4.1 Art. 4). First, this is the principle of equality of all payers before the law, preventing any tax discrimination, that is, to ensure the same approach to all taxpayers, regardless of social, racial, national, religious affiliation, legal entity's form of ownership, citizenship of the individual, place of origin of capital. Second, this is the principle of social justice, according to which the establishment of taxes and fees should consider the solvency of taxpayers. Third, this is the principle of neutrality of taxation, that is, the establishment of taxes and fees in a way that will not affect the increase or decrease in the competitiveness of taxpayers.

The typology of taxpayers is embodied in the legal regulation of taxation relations while fixing the list of compulsory tax payments that make up the tax system of the state. Therefore, the whole set of established taxes and tax collections, according to the taxpayer criteria, can be divided into: a) collected only from individuals; b) collected exclusively from legal entities; c) collected both from physical individuals and legal entities.

A canonical example of tax with an individual as its only payer is the personal income tax (Podatkovyi kodeks Ukrainy, p. IV). In contrast, the corporate income tax is only for legal entities as taxpayers (Podatkovyi kodeks Ukrainy, p. III). Accordingly, such a differentiation of the taxpayer enables to establish an exclusive tax and legal regime for each of these taxes. In each case, the regime should facilitate the implementation of the basic functions of the mandatory tax payment, that is, fiscal and regulatory. Specificity of the legal regimes of these taxes is manifested at many levels, such as at fixing a special list of tax benefits, aimed at the maximum adaptation to the specificities of individuals and legal entities, stimulation of their socially useful activities considering their available opportunities. Furthermore, on the basis of such opportunities, as a rule, individuals are limited in performed tax obligations shifting part of them to other obligated participants in tax legal relations such as tax agents.

It should be noted that the current tax legislation of Ukraine (Podatkovyi kodeks Ukrainy, Art. 18) defines tax agents as persons on whom the Tax Code of Ukraine imposes an obligation to calculate, withhold from the income accrued (paid) to the payer, and transfer taxes in the appropriate budget on behalf of and at the expense of the taxpayer's funds. Moreover, it is indicated that tax agents are equal to taxpayers, have the rights and fulfil the duties established by the Tax Code of Ukraine for taxpayers. Indeed, tax agents are to fulfil a part of the duties of taxpayers, for which, by law, such a shift is provided. Meanwhile, it is necessary to clarify the issue of their "equalization with taxpayers." The point is that the unconditional feature, the fundamental principle of the legal status of tax agents is the derivativeness of their duties and rights from the basic legal status of taxpayers with assigned tax agents. This basic legal status of taxpayers is established primarily on the constitutional provision on the generally binding character of the obligation to pay taxes and fees (Konstytutsiia Ukrainy, Art. 67). Then this legal status of the taxpayer is detailed by general tax and legal regulations on the duties and rights of taxpayers (Podatkovyi kodeks Ukrainy, Art. 16, 17, 36). Accordingly, the legal status of taxpayers is initial in comparison with the legal status of their tax agents. Moreover, according to M. P. Kucheriavenko (Podatkovyi kodeks Ukrainy: postateinyi komentar, p. 263), it is important to consider that the duties of the tax agent arise upon availability to withhold and transfer the tax of the taxpayer, that is, upon availability of a corresponding source in the form of money of the taxpayer at his/her disposal. The situation when the tax agent transfers the tax of the taxpayer at own expense is excluded. Therefore, it should be emphasized that tax duties and the rights of tax agents are always derived from tax obligations and the rights of taxpayers.

Furthermore, tax agents together with taxpayers can coalesce into categories of taxable persons, subjects of tax legal relations, in a broad sense. This is due to assigning tax duties and tax rights to tax agents by tax legal regulations. I. Kucherov argues that taxable persons in taxation are physical individuals and legal entities, charged with calculating and paying or withholding and transferring taxes and fees to the budgets, in accordance with tax legislation. Moreover, the scientist observes that the direct content of these duties determines these individuals' legal status of taxpayers, payers of fees, or tax agents (Kucherov, 2009). Moreover, two interrelated remarks must be made to this thesis.

4. Conclusion

Such remarks rely on the fact that in some cases taxpayers' representatives can also enter tax relations as obliged persons. In accordance with the provisions of Article 19 of the Tax Code of Ukraine, the taxpayer manages the affairs related to the payment of taxes personally or through his/her representative (Podatkovyi kodeks Ukrainy, Art. 19). Personal participation of the taxpayer in tax relations does not deprive him of the right to have his/her representative, as well as the participation of the tax representative does not deprive the taxpayer of the right to personal participation in such relations. Representatives of a taxpayer are persons who can represent legitimate interests and manage the affairs related to the payment of taxes on grounds of law or a power of attorney. The power of attorney issued by a taxpayer (an individual) to represent his/her interests and manage the affairs related to the payment of taxes, must be certified in accordance with applicable law. Thus, a representative of a taxpayer exercises the rights provided for by this Code for taxpayers. Therefore, while considering taxable persons, payers of taxes and levies, their tax agents, and representatives of payers of taxes and levies should be specified.

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LAWMAKING ISSUES IN THE REGULATION OF FINANCIAL RELATIONS

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Abstract. *The aim of the article.* The problematic issues of financial legislation are revealed, as well as the adoption of financial and legal provisions as one of the stages of financial legal regulation is considered. *The subject of the study* is lawmaking issues in the regulation of financial relations. *Methodology.* The study is based on an analysis of legal provisions regarding the legal regulation of financial relations in Ukraine. The comparative legal method enabled to study certain provisions of the legislation of Ukraine on financial relations, followed by the application of positive foreign experience in this sphere. *The results of the study* revealed the need for a detailed study of the problem. The most significant element for the existence and development of tax relations is considered. The author's approach to improving the tax legislation of Ukraine is exposed. *Practical implications.* Theoretical and legal foundations of financial relations in the economic and legal sphere are considered. A comparative legal study of legal provisions that affect the lawmaking issues in the regulation of financial relations and on this basis the definition of ways to improve the domestic legislation in this area. *Relevance/originality.* The analysis of financial relations raises the issue of codification and harmonization of tax legislation that mediate the development of the tax system since the efficiency of the tax system of Ukraine, the Russian Federation, and other countries depends on the uniformity of legal concepts used in the legal regulation of financial, banking, budgetary, tax activities.

Key words: law making, financial legislation, law enforcement, legal provisions, tax.

JEL Classification: K2, K3, K4

1. The relevance of the topic

The formation of Ukraine as a sovereign independent state requires the urgent solution of important social problems in a strict compliance with the provisions of modern national and international law. First, this concerns the improvement of social relations in public administration and implementation of state powers, search for ways to prevent social conflicts and their legal resolution. In the national legal framework, a large number of provisions establish a special procedure for the adoption of financial regulations that determine funds for the budget generation, sources of its revenue, targeted distribution and use. Therefore, the most important task is to define the forms and limits of the financial competence of state bodies, public and private entities authorized by the state to monitor compliance with tax legislation and bring to justice the subjects that violate this legislation.

2. Literature review

A significant contribution to the study of the place of the taxpayer in the legal mechanism of taxes was made by foreign and domestic scientists, such as S. S. Alekseev, I. V. Bilous, A. V. Demin, M. S. Kelman, D. A. Kerimov, A. P. Korenev, N. P. Kucheriavenko, O. H. Murashin, I. L. Nevzorov, V. S. Nersesiants, Ye. V. Pohorelov, T. N. Radko, O. Ya. Rohach, O. F. Skakun, A. I. Khudiakov. The aim of the article is to reveal the problematic issues of financial legislation, as well as to consider the adoption of financial and legal provisions as one of the stages of financial legal regulation.

3. The main material

The harmonization of existing legal provisions in the sphere of state power, such as the elimination of legal conflicts, compliance with international legal standards, coordination of legal provisions to achieve consistency of legislation, is the key to the effective functioning of state bodies and local governments. While the application of the general provisions of law is investigated sufficiently fully in the general theory of law and occupies one of the central places of modern legal science, a special theoretical analysis of the application of the provisions of financial law is rare. In addition, scientific perspectives on the essence of the application of this type of legal provisions are fundamentally different.

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Unfortunately, in modern legal science, there is no unity in understanding the stages of applying the provisions of financial law, implementing regulations in this area. At the same time, the implementation of the provisions of financial law, specificity of legal nihilism in the financial sphere and others remain unattended Many controversial issues arise in the application of various financial and legal regulations. Therefore, the incorrect application of the provisions of tax legislation cannot give the state and society the necessary social effect.

According to S. S. Alekseev, the provisions of law should be studied from the perspective of the mechanism of legal regulation, that is, in the provisions of law, legal relations, a legal act, and other phenomena from the dogma of law and jurisprudence, the starting point and unifying source are theoretical provisions on legal regulation, especially its mechanism (Alekseev, 2009). Review of the legal regulation of social relations reveals the importance of the study of the provisions of law.

Therefore, according to A. P. Korenev, analysis of the issues of financial and legal regulation enables to conclude that financial and legal regulation, as well as administrative law, can be implemented in stages, in a certain sequence (Korenev, 1978). The authors of the article argue that financial and legal regulation consists of two stages, namely:

1) establishment of financial and legal provisions;
2) implementation of the provisions of financial law.

Therefore, the first stage is the establishment of the provisions of financial law. This activity consists of the adoption of financial and legal provisions, their improvement, change and cancellation, that is, the publication of legal regulations. It is well-known that lawmaking is a certain system of actions, such as the decision of the body on the need to develop draft legal regulations, the draft text preparation, its preliminary discussion by the relevant body, submission of the draft to the lawmaking body, adoption and approval of the draft, and publication of adopted legal regulations. It should be emphasized that in modern scientific legal literature, this term is understood rather differently. For example, according to A. F. Skakun, lawmaking is a legal form of state activity with the participation of civil society (in cases provided by law), associated with the establishment (authorization), change, cancellation of legal provisions (Skakun, 2001). According to M. S. Kelman, lawmaking is a form of power activity of authorized subjects (initially the state), aimed at creating legal regulations to introduce, change or cancel legal provisions (Kelman, Murashin, 2002). V. S. Nersesiants explains more extensively that lawmaking is a form of state activity aimed at creating legal provisions, as well as at their further improvement, modification, and abolition. This is the process of creating and developing existing law as a single and internally coordinated system of obligatory provisions that regulates social relations; this is a special activity for the establishment of legal regulation with a formal significance. The development and approval of new legal provisions are the main element in lawmaking (Nersesiants, 2006).

Traditionally, scientists consider that in its social essence, lawmaking is transforming state willpower into law, its formalization into various legal regulations, empowering rules of behaviour they contain, with a generally binding nature. Lawmaking is an important part of the whole process of law formation. According to T. M. Radko, lawmaking is the main way for the state to influence the life processes that require resolving. Lawmaking is an important indicator of state activity, its monopoly right (Radko, 2009).

Therefore, lawmaking is the formation of appropriate provisions by adopting appropriate laws and sub-statutory legal regulations (in state financial activities) by the competent authorities, and at the same time, one of the main links in legal regulation of relevant relations (financial and legal), which is a certain bridge in the implementation of financial and legal provisions. Some scholars emphasize that lawmaking generates legal regulation, and law enforcement concretizes it. However, enforcement of the provisions of law is not its development or refinement; it is the creation of a phenomenon of a different nature, on the "pattern" of abstract provisions. The law enforcement only regulates the specific situation in accordance with the will of the legislator.

That is why lawmaking is quite significant to implement financial and legal provisions. I. L. Nevzorov highlights, if laws contradict the needs of society and traditions of the people (the legislator fantasizes and "deceives"), law enforcement loses its essence since it becomes "bare lawlessness". At the same time, if laws meet the actual needs of society, the continuous development and improvement of legislation should take place (Nevzorov, 2002).

According to V. Nersesiants, lawmaking cannot stop at a certain stage but is always in a mobile state of development due to the dynamism of social ties, new needs of public life that require legal regulation (Nersesiants, 2006). Therefore, one of the permanent forms of development and rationalization of the existing legal system is the systematization of legislation. The term "systematization" (composed of parts, related to one another) is directly related to the category "system" and is derived from this word. A system is a set of interrelated elements that create an integrity and unity. Provisions, formulated in laws and other legal regulations, are put into practice, reality if they are implemented in deliberately volitional actions of citizens. In modern legal literature, systematization includes traditionally four independent forms of legal activity. As a rule, these include: (a) collection, elaboration, systematical arrangement, storage, etc. of existing legal regulations by state bodies, enterprises, and other institutions (accounting for regulations); (b) preparation and publication of various collections

of regulations (incorporation of legislation); (c) preparation and adoption of consolidated acts based on joining regulations on individual issues (consolidation of legislation); (d) preparation and adoption of new regulations containing both provisions of the former justified regulations, as well as new regulatory prescriptions (codification of legislation). According to A. Rohach, the systematization of legislation is a generic concept that covers all activities aimed at streamlining legislation. Four independent forms of legislation systematization are codification, incorporation, consolidation, the current making of regulations (Rohach, 2003).

A. V. Demin argues that the higher the level of legislation systematization and orderliness, the fewer opportunities for its unreasonable interpretation, as well as for legal disputes and conflicts (Demin, 2008). According to E. V. Pohorelov, the systematization of legislation is the activity of rationalization and improvement of legislation, however, "rationalization of legislation" is not the aim of external systematization, and "improvement of legislation" is not the aim of internal systematization. Since the systematization of legislation is its improvement by rationalization of the content and form of legislation and consolidation of all existing legal regulations into a coherent, internally and externally agreed system (Pohorelov, 2000).

According to some scientists, the aim of systematization of tax legislation is manifested in the main areas, such as:

1) provision of stability and sustainability to legislation since stability is an integral feature of tax legislation, essential for a permanent system to regulate human relations;

2) increasing the role of tax laws by reducing sub-statutory, in particular, departmental legal regulations, since the priority of the tax law enables to achieve internal consistency and stability of tax regulation;

3) creation of technically flawless, perfect in the form, convenient for use tax legislation. In other words, availability, clarity, compactness of regulations, which are identical in structure, terminology, and writing style, enable to interpret and apply the provisions.

One of the important forms of lawmaking is codification, that is, a critical rethinking of existing legal provisions, elimination of contradictions and discrepancies between them. It is aimed at establishing new provisions that reflect the emerging needs of public life and fill the gaps in legal regulation to replace the obsolete legal regulations by new ones. D. A. Kerimov underlined the differences between codification and lawmaking activities because codification is the preparatory legislative activity of the relevant codification bodies. The scientist argues that such a formulation limits the entire lawmaking to the approval of legal regulations does not correspond to reality and contradicts the understanding of lawmaking. Codification work, as a rule, is not directly related to the current lawmaking activity and is carried out by special bodies, which, however, does not necessitate its separation from lawmaking in general. Even in the formation of legal acts from narrow separate current issues, the codification of relevant legislative material is often carried out by reproducing certain provisions of previously existing legal acts (Kerimov, 1955; Kerimov, 1962).

One of its types is a special codification, which includes regulations of a particular branch, institution, or a uniform complex of legislation. The result of codification is the adoption of codes, fundamentals of legislation, regulations, which always contain new provisions in a systematic way. To be precise, codification means restating regulations by eliminating contradictions, filling gaps, amendments. The common type of codified act is a code. Considering this, it is important to pay attention to the provisions of the domestic tax legislation on the example of the Tax Code of Ukraine.

It is well-known that at the present stage in Ukraine, tax reform is still ongoing. I. V. Belous argues that a clear understanding of rights and obligations by tax process participants, the absence of gaps and contradictions in the relevant legal framework are the basis of the effective functioning of the tax system (Bilous, 2011). Therefore, tax legislation, as well as sub-statutory regulations on taxation, is in a continuous development and improvement. At the same time, A. I. Khudiakov underlines that the legislator, encouraged by the practical needs, is improving existing legislation constantly. On the one hand, the gap between law and constantly changing public relations is reduced (that is, the legal superstructure complies with the economic basis), and on the other, a system of legislation is built enabling to study the system of public relations constantly (Khudiakov, 2010).

The tax legislation of Ukraine consists of the Constitution of Ukraine, the Tax Code, the Customs Code of Ukraine, and other customs laws on the regulation of legal relations arising from the taxation of duties on the movement of goods across the customs border of Ukraine; existing international agreements, agreed to be bound by the Verkhovna Rada of Ukraine, and which regulate the issues of taxation; legal regulations, adopted under and pursuant to the Tax Code of Ukraine and laws on customs matters; decisions of the Verkhovna Rada of the Autonomous Republic of Crimea, local authorities on local taxes and charges, adopted according to the rules established by the Tax Code (Podatkovyi kodeks Ukrainy).

The issue of codification and harmonization of tax legislation that mediate the development of the tax system since the efficiency of the tax system of Ukraine, the Russian Federation, and other countries depends on the uniformity of legal concepts used in the legal regulation of financial, banking, budgetary, tax activities. As noted, currently Ukraine is in need of the preparation of a permanent regulation providing for the

basic principles of relationships arising in levying taxes and charges. The regulation, which to a greater extent should solve the tasks, is the Tax Code of Ukraine. It entered into force on January 1, 2011. Based on the general provisions of this legal regulation, some aspects should be considered.

This is not an exhaustive list of regulatory legal documents, but in future research, a more detailed analysis of this problem (Sevruk, 2017) on the regulation of financial relations should be made. Therefore, the implementation of foreign experience in national legislation will enable to create effective mechanisms (Pavlenko, 2017) of regulation of the tax legislation of Ukraine.

4. Conclusion

Therefore, the current Tax Code in its content and structure should consist of two classical parts: the General and the Special. The absence of such a distinction in the current edition introduces certain difficulties in the law enforcement of the provisions of the said codified regulation of the state. M. P. Kucheriavenko's perspective is extremely important when considering the concept of the Tax Code because he argues that the Tax Code should consist of four logical parts: General, Particular, Special, and Tax Production (Kucheriavenko). This article advocates such an approach to the construction of the Tax Code and clarifies the architectonics of this codified regulation. Consequently, the Tax Code of Ukraine should include the General Part (combining a set of material and procedural provisions having a generalizing character and relevant to each section of the Particular Part) and the Special Part (consisting of narrower sets of material and procedural provisions regulating the collection of each individual tax or charge). In addition, forming the General Part of the Tax Code, it is advisable to divide the provisions, its components, into two sections: the first should cover mainly the material provisions regulating the execution of the tax obligation; the second should contain provisions regulating the process of administering taxes, charges (mandatory payments). At the same time, the section of the Tax Code that regulates the administration of taxes and charges (mandatory payments) has to differentiate provisions into several institutions: a) provisions that regulate the timely and full implementation of tax debt by payers; b) provisions that regulate the grounds and procedures for exercising tax control; c) provisions that regulate the administrative appeal; d) provisions that regulate tax violations and implementation of financial and legal sanctions for the violation of tax legislation.

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MODERN TECHNOLOGIES OF ACQUISITION OF FUNDS OF CITIZENS BY THE FINANCIAL PYRAMID

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Abstract. *The purpose of the article* is to study the criminalistics of the use of the most common technologies of acquisition of funds of citizens, done by the way of the financial pyramid. *The subject of the study* is the content of criminal technology of fraudulent way of the financial pyramid. *Methodology.* The research is based on the use of general scientific and special-scientific methods and methods of scientific knowledge. The historical-legal method allowed determining the genesis of the concepts of "technology of criminal activity" and "financial pyramid", as well as the formation of scientific and theoretical views on problems and methods of combating them. The comparative legal method was used to compare the doctrinal approaches of legislative regulation to counteract fraud committed by the method of the financial pyramid. The system-structural method contributed to the awareness of the technologies of preparing, committing, and concealing the fraud. The methods of grouping and classification were the basis for the author's approach to the differentiation of technologies for the acquisition of funds of citizens, depending on the organizational and legal form, under the cover of which a financial pyramid was created. The statistical method is used in the analysis of investigative and judicial practice for ten years. *The results* of the study showed that the method of financial pyramid used for committing fraud is fully structured and includes criminal technologies for preparing, committing, and concealing the fraud. The combination of separate technologies in the mechanism of the crime is aimed at masking the active phase of criminal activity under civil-law relations, which complicates the timely detection of the signs of the crime both by the victim and by law enforcement agencies. *Practical implications.* The research carried out the typing of fraudulent techniques using the financial pyramid method, which is the basis for developing and improving methods of disclosure and investigation of crimes. *Value/originality.* On the basis of the proposed author's approach to the differentiation of technologies of criminal activity, it is possible to predict the emergence of the new ways of committing fraud in the financial sector.

Key words: fraud, financial pyramid, technology of criminal activity, way of committing a crime.

JEL Classification: F38, P34

1. Problem statement and degree of its scientific development

Currently, the schemes for the acquisition of funds of citizens by the way of the financial pyramid, disclosed by law enforcement agencies of Ukraine, cause special concern of their scale. During 2006-2016, according to the Ministry of Internal Affairs and the National Police, in proceedings of investigators, there were almost 300 criminal cases (proceedings) on crimes in this category, in which more than 200 thousand citizens were found to be victims. The resulting aggregate losses amounted to over 2 billion UAH, of which the victim was compensated no more than a quarter (An analytical note on the state and structure of crime in Ukraine for 2008-2017). All these ways of illegal acquisition of property of citizens distinguish the high level of professionalism of criminals, masking their activities with the help of well-known world brands and economic entities with offshore status, use of modern information technologies, special methods of psychological influence, as well as corruption support from interested officials of all levels.

The problems of proving fraud committed by the method of a financial pyramid are primarily due to the fact that the organizations under the protection of which such a pseudo-organization has been created are usually officially registered and conclude civil-law agreements with victims, and signs of acquisition of property are, as a rule, much later the onset of criminal consequences. Moreover, modern payment systems, primarily different schemes of "on-line" payments, create conditions for obtaining and laundering of proceeds from crime. As a result, property rights and interests of Ukrainian citizens may be affected, as well as the preconditions for

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increasing tension in society (Explanatory note to the draft Resolution of the Verkhovna Rada of Ukraine).

Different aspects of counteraction to fraud, which were done by using financial instruments and psychological effects, were investigated in their works by A. F. Volobuiev, V. I. Haienko, S. V. Holovkin, Ye. V. Dekhtiarov, S. M. Kniazev, O. V. Kravchenko, V. V. Lysenko, Y. M. Meslovskyi, O. L. Musienko, T. V. Okhrimchuk, T. A. Pazynych, I. M. Popova, T. L. Tsenova, V. Yu. Shepitko, and others.

At the same time, in the scientific literature, the peculiarities of the technology of fraudulent actions concerning the acquisition of funds of citizens in the form of a financial pyramid are not disclosed. Therefore, the purpose of this article is to highlight the characteristics of the technology of acquisition of funds of citizens in the way of the financial pyramid in modern conditions.

2. Presenting the main material

Scientists offer different approaches to the definition of a financial pyramid, which collectively form the three main concepts: economic, mathematical, and legal (Cherniavskyi, 2010).

Typically, financial pyramids are recorded as business entities (financial institutions) that attract funds for a particular project. If the real profitability of the project is lower than the income promised to investors or none at all, then a part of the means of new investors is directed to the payment of dividends to the previous one. The logical result of this situation is the inevitable financial failure of the project and the damage of the last investors. Practice shows that after the collapse of the pyramid, no more than 10-15% of attracted funds can return. After all, the funds collected by the organizers of the pyramid do not direct the acquisition of liquid assets but immediately used for payments to the first participants, advertising, and personal enrichment. The longer the pyramid functions, the less is the percentage of possible returns in case of its liquidation (Kardava, 2002).

Financial pyramid as a method of fraud should be distinguished from quite legitimate financial activity on a number of grounds, which indicate the fraud of investors (depositors), which are the basis of the "pyramid":

1) the main task of the organizers of the financial pyramid is the attraction of new investors, whose participation is provided by new project revenues, that is, the amount of funds attracted from investors exceeds the amount of profit value that provides a certain investment project;
2) the presence of active advertising in the media, which promises to pay dividends at an interest rate, the size of which significantly exceeds the average market;
3) the use of technically equipped offices in prestigious areas of cities, holding pathetic presentations, a well-established system of work with clients;
4) the opaque scope of activity, that is, participants in the financial pyramid cannot verify the nature of the investment project and the direction of the attracted funds;
5) the use of several companies that hide the financial pyramid, multiple reorganization, change of organizational forms, legal address, offshore registration of companies;
6) creation of a convincing legend of investments, the illusion of deep analysis and scientific substantiation of investment policy, use of cover documents, in particular, regarding the support of the project by state authorities, powerful financial institutions;
7) payment of dividends and return of borrowed funds at the initial stage of the activity of the financial pyramid (at the stage of "promotion") in order to create confidence in the reliability of the project to investors.

Thus, the financial pyramid should be considered, firstly, as a method of fraud that ensures the realization of the fraudulent intent of fraudsters and, at the same time, as a tool for earning profits by professional managers through the attraction of investors' funds. The fundamental distinction between a financial pyramid as a criminal activity and a real business project is the reality of the commitments undertaken by the organizers to investors, as well as the source of dividend payments.

In science, the technology of criminal activity reflects a set of actions (operations) of the subject to prepare, commit, and conceal the crime in their dynamics and sequences occurring in specific conditions of place and time (Cherniavsky, Kniazev, Tatarov, etc. (2013).

The features of these elements affect the character and location of traces and signs of crime. The financial pyramid as a method of fraud includes a number of technologies of criminal activity aimed at preparing, committing, and concealing the illegal possession of someone else's property by deception and abuse of trust. The study of judicial practice shows that usually at the stage of creating a financial pyramid, criminals use the following technologies:

1) the creation of economic entities or acquiring rights to management established by economic entities;
2) obtaining detailed information on the procedure for conducting individual financial transactions and conducting reconnaissance activities by fraudsters;
3) the use of organizational and technical measures to cover criminal activity;
4) attracting new participants to increase the volume of the financial pyramid;
5) application of psychological influence to impacted victims;
6) additional measures for masking criminal activity.

Consider these technologies in more detail.

1. Creation of business entities or acquiring rights to management established by economic entities at the stage of preparation for committing fraud is aimed at: using their organizational and legal status to simulate

legal financial and economic activity; legalization of a criminal group in a market environment of a certain region (country, city); access to economic and financial instruments (opening bank accounts, concluding commercial agreements, leasing office space, etc.).

Typically, fictitious business entities are used to create a financial pyramid, they are registered on the front men, persons who have lost their passports, are in places of deprivation of liberty, mentally ill or those who have left for permanent residence abroad.

So, for the purpose of realization of the criminal intent, the organizers of the financial pyramid were registered with the NGO "Fund K.". The official founder of this organization has become a citizen of retirement age A., who never worked and agreed to give his personal data for the reward. Wronging with the intentions of the organizers, immediately after registration A. transferred to unidentified persons received registration documents, seal and facsimile of his signature (Cherniavskyi, Vozniuk, Zapototskyi, etc. (2016).

In the name of such organizations, for the most part, lay the idea of quickly obtaining extra profits ("Your chance"; "Fast money"); use of advanced business technologies and affiliation with world innovations ("Business Capital", "Elite-Centre"); patronage of the mythical forces ("Mercury"; "Hermes"); international relations ("Golden Circle International"; "Global System of Trainings"); noble motives to help low-income groups of the population ("Averter"). In some cases, in the name of these organizations, in violation of the current legislation, there is a reference to affiliation with financial institutions, as well as well-known foreign companies.

2. Getting detailed information on the procedure for conducting certain financial transactions, keeping proper records, the situation of the financial market, studying the possibilities and effectiveness of control by law enforcement agencies, the rules for drawing up documents for conducting financial transactions, the order of their filling and passing from the executor to the addressee, the order of application of search and information systems by fraudsters. This information organizers and members of a group of scammers who create a financial pyramid, use it from personal experience, as well as acquire by means of observations, consultations with specialists, studying of special literature. Having enough information, fraudsters in many cases make a model of committing a crime. Subsequently, this model is embodied in plans, schemes, calculations, charts, etc. At the same time, the role and place of each participant in the future criminal scheme are modelled (planned).

For example, during the six months, P. was searching for employees for the newly created LLC "Bank Ukraine" as financial advisers. For the purpose of carrying out the criminal activity, three people – experts of the financial market who carried out seminars with participants of the criminal group, which talked about the latest stock and trades activities, as well as prospects for future activities of the company, were involved. During the seminars, members of the criminal group were trained to work with clients while preparing them for work as financial advisers (according to the Main Investigation Department of the Ministry of Internal Affairs of Ukraine, 2011).

The use of reconnaissance activities is aimed at finding and establishing contacts with the heads of business entities, banks, and other financial institutions in order to create an appropriate image, in particular, through advertising in mass media (Internet), with representatives of control and law enforcement agencies to ensure corruption coverage of their activities with persons who have special knowledge of certain technological processes of financial transactions, in particular, in computer networks, flow of documents to use them as support consultants.

3. Organizational and technical measures for the coverage of criminal activities are aimed at leasing offices, hiring staff, providing business attributes, distributing wide-ranging advertising to create a false representation of citizens about conditions of the participation in the organization, the production of necessary documents (forms, standard contracts, business cards, certificates, licenses), the purchase of the necessary equipment, computer and office equipment, and other measures for the technical maintenance of actions at all stages of the commission a crime.

4. Involvement of new participants in the financial pyramid is realized, as a rule, through meetings (workshops, trainings, lectures) conducted by organizers of fraud with potential victims (private investors) on the basis of leased premises (assembly rooms of state institutions, cinemas, hotels, etc.). The typical scheme of these meetings consists of several stages:

- participants of the gathering are collected by distributing on behalf of the organization of invitations (guests are often invited together with "partners", whose role is played by members of the criminal group, with the aim of psychological pressure from their side to unprepared citizens);
- the organizer personally meets the invited guests and invites them to get acquainted with the organization's colour brochures illustrating its "achievements" and authority in the respective circles;
- for a public performance, the organizer, as a rule, goes out to the improvised scene for music and, for example, appears to be the marketing director of a virtually non-existent internationally renowned company (for more convincing, he gives the floor to his accomplices who act as "wealthy" through participation in the organization);
- with reference to the rules of the organization, the organizer states that he has the right to raise funds and to distribute them for the benefit of the members of the organization;

- during the meeting, participants receive forms of confidential agreements with the organization, applications, and other documents that create the illusion of involvement in a serious business project;
- among the sources of income from participation in the organization they promise to victims, firstly, the opportunity to obtain "crazy interest" (usually from 40 to 100%) through the participation in financial, trading, and stock markets; secondly, to earn "big money" as a result of their ability to invest in a "serious innovation project", usually abroad (offer to use for a quick enrichment initially small amounts of funds, in particular, borrowed);
- at the end of the workshop with novices, personal conversations are conducted, during which, in view of a particular psychological state of the person, the organizers convince the latter of the veracity of their words;
- numerous demands for the return of savings correspond to the fact that this is not foreseen by the "club rules" but the only way to return the money is to attract as many new participants as possible.

So, in preparation for committing crimes in order to mislead the public, F. held seminars at the business centre in Kyiv, where they told invited citizens about the utility of investing money in instruments of the financial markets of the world, in particular, the international company, he is the representative of the territory of Ukraine and Eastern Europe. At the workshops, F. told citizens about the profits that can be obtained from investing money into financial market instruments. During the preparation for committing crimes, F. and other members of the criminal group developed promotional leaflets for further distribution to future clients of the company. To the indicated booklets on the instructions, F. introduced false information about the history and activities of the non-existing international group of companies, positioned in booklets as a world-renowned and reliable asset management company, represented in 33 countries of the world. At the same time, citizens were encouraged to invest money in accordance with the investment programs of the company that provided the profits (up to 5% per month and 54% per annum). Financial advisers of the company, not being aware of the criminal intentions of F., persuaded the clients in the profitability of investing funds (according to the materials of the Main Investigation Department of the National Police of Ukraine, 2016).

5. A characteristic feature of the activities of financial pyramids is the involvement of new participants using psychological influences or methods of neuro-linguistic programming (NLP). The basis of NLP is the use of so-called "anchors" – shaped stimuli that cause a certain reaction. NLP receptions are increasingly used in advertising, management, counselling, training for advanced training, etc. to achieve more effective communication, individual development, and accelerating the development of certain skills. Getting into the club, the person does not even assume that it is imperceptibly influenced by psychological pressure and hypnosis.

Hidden instructions and commands, the feature of which is the incentive to make unconscious decisions, are built to the structure of the expressions of "moderators". The lyrics contain no contradictions and controversies in the arguments; the neutrality of the material presentation is maintained. The examples presented did not affect any of the present, so the listeners did not have any doubts or negative associations. Thanks to these techniques in the classroom, there was a sense of agreement, sympathy for the leader, and his messages were evaluated as correct and logical.

At the final stage of such a "workshop", there are so-called "individual interviews", combined with additional psychological influence, aimed at ultimately suppressing the will of the victims for their predilection to the transfer of money to fraudsters. On the stage in the centre of the hall lay tables, for which all the same "managers" sat down. Central illumination is usually turned off. The entire "interview" process is accompanied by loud music. Creating convenient conditions for communication, "managers", follow the instructions of the organizers, persuading citizens to join the "company", demanding to immediately give consent and to confirm their words to make appropriate monetary payments.

In several proceedings, the experts analysed the musical accompaniment of "workshop" to the existing sound recordings of musical compositions, testimonies of victims and witnesses. Found that there was a targeted use of specially selected rhythms that performed a polyfunctional role in the mechanism of psychological impact on victims. The peculiarities of musical compositions, their rhythm and rapid pace (120-140 beats per minute) destabilized the emotional state of the victims, deprived them of their ability to concentrate attention, caused the inhibition of mental activity, the weakening of logical thinking, which in the decision-making situation led to surface judgments, hasty actions, dependence on external stimuli.

6. There is now a clear tendency to mask financial pyramids through three outwardly legal areas of work. The first direction is the creation of "elite clubs", whose members expect to receive high revenues from joint activities. The most striking example of the creation of such clubs is the network created by the organizers of financial pyramids in a number of our cases. It was based on elite closed clubs, whose members were bound to have an extremely respectable appearance, to pay high contributions (at least $1,000) for the right to enter and visit the club. Clubs were extremely cautious in choosing future members, given their financial status, suggestiveness, willingness to believe unreliable statements, etc., and immediately warned novices about

the need for the quickest involvement of new entrants, otherwise, dividends would not be paid. At the same time, members of the club did not officially buy any shares or bonds but made contributions as donations of some amount of one private person – to another.

The second direction is the division of the "pyramid" into several specialized divisions, most of which deal with outwardly legal activities and is an officially recognized source of profit. An example of this structure is the activities of the Club Foundation K., which, in place of one company, created a whole system of organizations (18 business entities), engaged in investments, financial transactions, and purely trading activities in Ukraine and abroad.

An important feature of modern financial pyramids is their strong religious slant, in particular, in the field of eastern mysticism. The heads of "affiliates" and the most responsible officials in religious organizations that are used to create a financial pyramid were appointed only from the closest students of the founder, who formally only engaged in spiritual education. However, the financial basis of these organizations is the usual pyramid of payment of bonuses to participants who joined earlier due to the contributions of beginners.

Realization of the analysed technologies of misappropriation funds of citizens in the way of the financial pyramid takes place taking into account the organizational and legal form, under the cover of which the financial pyramid was created, in particular:

1) in the activities of credit unions;
2) in the field of investment activity (in the form of providing services or investing in a profitable project);
3) under cover of insurance organizations;
4) under the guise of attracting funds from citizens to construction;
5) through the tools of providing financial services on the Internet.

The first two groups are the so-called "classical pyramids", whose organizers are covered only by external attributes and promises of profits in the future. The last three types of the financial pyramid are used economic substantiation of investments (in construction, insurance, in the virtual financial markets) as masking of criminal acts.

3. Conclusions

We described the modern criminal technologies of acquisition of funds of citizens in the form of a financial pyramid and the distinctive features (characteristic features) inherent in various types of "financial pyramids". The method of financial pyramid used for committing fraud is full-fledged and includes criminal technologies for preparing, committing, and concealing of someone else's property. The combination of these technologies in the mechanism of the crime is aimed at masking the active phase of criminal activity under civil-law relations, which complicates the timely detection of the signs of the crime both by the victim and law enforcement agencies. The scientific generalization and typification of fraudulent techniques in the form of a financial pyramid is the basis for developing and refining methods for the disclosure and investigation of these crimes, and for forecasting the emergence of new ways of criminal activity.

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FEATURES OF FOREIGN INVESTORS' PROTECTION IN ADMINISTRATIVE LEGAL PROCEEDINGS OF UKRAINE

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Abstract. In a difficult economic situation in Ukraine, the attracting of foreign investment is the priority direction of economic development. In practice, there are often cases of violation of the foreign investors' rights by officials. Therefore, an important issue of the present is the study of the foreign investors' rights protection mechanism since they are important economic entities. Ukraine has an outflow of foreign investment. This is due to the imperfection of the current legislation, economic instability, corruption, unfairness of counterparties, unlawful actions of state bodies, and the absence of an effective mechanism to protect the rights of foreign investors. Therefore, *the objective* of the article is to study the peculiarities of administrative legal proceedings of foreign investors protecting, to analyse the current state of protection of foreign investors in Ukraine by administrative courts, and to analyse the problems that arise in practice. It should be noted that the researchers did not investigate the peculiarities of administrative legal proceedings of foreign investors' protection. A considerable attention is paid to protecting foreign investors in the context of economic legal proceedings. Therefore, the issue deserves special attention. *Methodology.* The authors substantiated the necessity to improve the current legislation concerning the protection of foreign investors in the administrative legal proceedings. Based on the analysis of the current legislation norms, one can conclude that most norms are only declarative. Therefore, the authors provide appropriate proposals for improving domestic legislation using positive foreign experience. *Results.* The article reveals the peculiarities of the appeal of decisions, actions and inactivity of the subjects of authority by foreign investors, the relevant judicial practice is analysed there, the European experience is investigated in order to implement it in domestic legislation. The authors discuss the current state of protection of foreign investors in Ukraine by administrative courts and the problems that arise in practice. Particular attention is paid to the lack of proper legal protection of foreign investors. In this regard, the appropriate proposals are provided by the authors that will contribute to improving the investment climate in Ukraine. *Practical implications.* Foreign investment has a positive effect on the economic situation of any state. In order to achieve investment attractiveness, Ukraine needs to provide it with adequate judicial protection. *Value/originality.* The urgent question of the present is the protection of foreign investors in the form of administrative legal proceedings. The necessary step is the implementation of positive international experience on this issue in domestic legislation.

Key words: economic development, economic transformation, foreign investor; administrative proceeding, subject of authority, judicial protection.

JEL Classification: D63, K40, K41

1. Introduction

Foreign investment is the engine of economic transformation in any country. In Ukraine, for the sake of economic change, foreign investments are needed. However, every foreign investor who puts his funds in the economy of another country should have guarantees of his rights protection. One of the most effective forms of such activities protection is judicial protection.

In practice, we often see that the subjects of authority, for example, tax authorities, customs authorities violate the rights of foreign investors. Ineffective judicial protection of domestic courts leads to the fact that foreign investors appeal to international courts and this is not a positive indicator for Ukraine.

2. Statement of the article's task

In this regard, the study of the peculiarities of administrative legal proceedings of foreign investors protecting is relevant. Analysis of the issues that arise in

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practice in appealing of decisions, actions, the inaction of authority subjects, providing the suggestions for improving the current legislation based on the study of positive European experience are important issues today. This is the objective of our study.

Our task is to analyse the current legislation of Ukraine that regulates the actions of authority subjects appealing proceeding, relevant judicial practice, to identify the existing problems related to the protection of foreign investors in administrative proceedings, and to indicate the ways of its solution.

3. Review of the literature

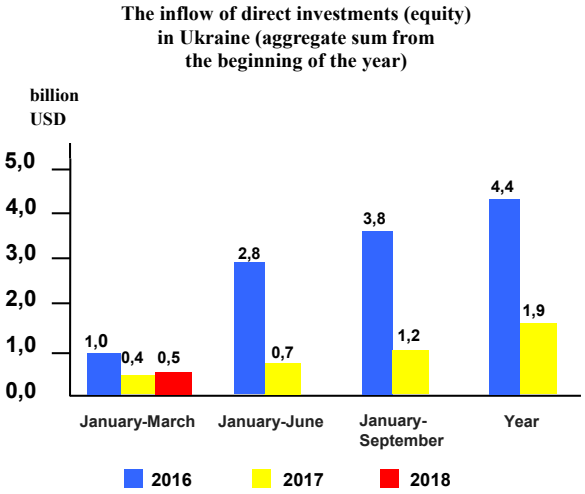
The scholars did not pay enough attention to the study of administrative legal proceedings of the rights and interests of foreign investors' protecting. This issue is considered in general as a way of protecting the rights of investors and their protection in the context of economic legal proceedings. Therefore, the issue under investigation deserves special attention.

The following scholars, such as: O. Zeldina, O. Okhotnikova, O. Podtserkovny, O. Polyak, D. Prytyka, O. Semerak, O. Khrimly, and others, were engaged in the protection of investors' rights. However, there are some problems related to the rights of foreign investors' protection through administrative proceedings that remain unresolved.

4. Analysis of the investment climate in Ukraine

Negative trends in the development of the Ukrainian economy, the annexation by the Russian Federation of the Autonomous Republic of Crimea, the war in the East of Ukraine, the instability of Ukrainian legislation lead to low investment position of Ukraine.

The Hamburg Institute of the World Economy (HWWI) together with the independent audit and consulting company BDO International Business Compass ranked the investment attractiveness of the countries (from 2016). According to it, at the end of 2008, Ukraine occupied the 18th place, in 2015 it went down to 89 positions, in 2016 – the 130th place in this ranking. Consequently, from 2008 to 2016, Ukraine managed to make very adverse developments (International Business Compass, 2016). If we analyse the chart below, then it can be seen that in 2017 and in the first quarter of 2018, the inflow of direct investment in Ukraine is also not high (Official site of the State Statistics Service of Ukraine, 2018).



The economic growth is impossible without the involvement of foreign investors who will invest their money in the Ukrainian economy. However, every investor seeks to have a guarantee that in a foreign country he will receive the effective legal protection of his legitimate rights and interests. Therefore, the priority task for our state is to create favourable conditions for the activity of foreign investors. This will be facilitated by the effective judicial protection of foreign investors from illegal decisions, actions or inaction of the state, its bureaucracy, which, unfortunately, remain the main "raiders" in the country. The administrative courts protect the foreign investors from the arbitrariness of officials.

5. Protection of foreign investor by the administrative court

The authorities and local self-government have repeatedly stressed the need to attract foreign investments into the Ukrainian economy and create favourable conditions for investors. However, recently, de facto, the outflow of foreign investment has been observed in Ukraine. Because of this, our country does not properly protect foreign investors.

In accordance with the Law of Ukraine "On the Regime of Foreign Investment", the legal guarantees of foreign investments protection are divided into:

- guarantees from changes in legislation;
- guarantees from forced removal, as well as illegal actions of state authorities and its officials;
- compensation and indemnification to foreign investors;
- guarantees in case of termination of investment activity;
- guarantees of income transfer, profits, and other amounts in connection with foreign investments (rada.gov, 1996).

As to judicial protection, G. P. Timchenko notes: 1) the judicial form of protection is the activity of judges who are the bearers of the judiciary in accordance with the Constitution; 2) the judicial form of protection is as much as possible adapted to the resolution of disputes related to the violation or the possibility of violating subjective rights and legitimate interests since the activity of courts for resolving disputes takes place in a special

procedural form; 3) the judicial form of protection is universal since any subjective right and legitimate interest may be defended in court (O. Xrimli, 2016).

One of the ways of protecting the rights of investors is the recognition by the court of invalid acts of the authorities. Beside this, there is guarantees compensation to investors caused by unlawful actions or inactivity of the authorities, as well as guarantees compensation to investors in case of adoption by the bodies of state power or local self-government acts that violate the rights of investors.

In accordance with Art. 7 of the Law of Ukraine "On the Judiciary and Status of Judges" everyone is guaranteed the protection of his rights, freedoms, and interests within a reasonable time by an independent, impartial, and fair court established by law (rada.gov, 2016).

In order to protect its violated right, the foreign investor, first of all, must apply to the court with the claim. The claim provides the investor with the opportunity to exercise his right to protection. It is advisable to distinguish the following of the foreign investor protection mechanism: 1) the appeal of a foreign investor to court with a claim; 2) consideration of this claim in court; 3) the decision by the court; 4) execution of the court decision in case of claims' satisfaction.

Therefore, in order to protect his violated rights, the foreign investor, first, must apply to the national court with the corresponding claim that is the most effective means of the subjective law protection. A claim is a public legal instrument that is used to bring proceedings; it is a kind of "starter" of a competitive judicial mechanism. The significance of the claim form is its universality and engagement of those who are interested in restoring property relations and law and order by the subjects of the court (Kolesov, 2004).

If we analyse the court practice in Ukraine, we can conclude that foreign investors to the customs authorities file most claims.

As for example, let us analyse the case No. 2a-4168/09/2670 of August 20, 2009. The District Administrative Court of Kyiv considered the claim of the Ukrainian-Hungarian Limited Liability Company "Intercomtrans" to the State Customs Service of Ukraine for the recognition of the tax clarification such that does not comply with the law. It had been established that the plaintiff, in this case, is the enterprise with foreign investments, and accordingly, such enterprises have privileges on the import duty. The customs authority has ordered to pay import duties in connection with the fact that corporate rights have been sold to another non-resident. The court refused to comply with this claim. At present, many cases are dealt with in administrative courts, where foreign investors are claimants (Osoblyvosti sudovogho zakhystu inozemnykh investoriv v Ukrajini, 2018).

The actual issues of the present are tax disputes. Investigating this category of cases lawyers come to the idea that administrative courts protect the tax authorities themselves, not taxpayers. Very often the burden of proof lies with the taxpayer, although in accordance with the legislation of Ukraine should be the opposite.

In 2017, the procedural legislation of Ukraine has undergone significant changes. On October 03, 2017, the Verkhovna Rada of Ukraine adopted the Law of Ukraine "On Amendments to the Commercial Procedural Code of Ukraine, the Civil Procedural Code of Ukraine, the Code of Administrative Legal Proceedings of Ukraine and other legislative acts". In accordance with the Code of Administrative Legal Proceedings of Ukraine, the jurisdiction of administrative courts extends to the cases in public legal disputes.

It should be noted that in practice, there are problems of power separation between economic and administrative courts. In accordance with the Code of Administrative Proceedings of Ukraine, administrative courts consider public legal disputes. These are the disputes, in which the subject of authority is obligatory one (Code of Administrative Legal Proceedings of Ukraine: Law of Ukraine № 2747-IV of July 6, 2005)

It is necessary to pay attention to certain categories of disputes that could not be divided between courts of different jurisdictions. Thus, the permanent dilemma between economic and administrative courts was resolved in the new edition of the Civil Code of Ukraine, and it was determined that the cases concerning the appeal of acts (decisions) of business entities and their bodies, officials in the field of organization and implementation of business activity fall under the jurisdiction of economic courts. An exception is made in relation to acts (decisions) of the subjects of power authorities taken for the fulfilment of their power management functions, and disputes of which the individual is a non-entrepreneur. These disputes fall under the jurisdiction of the administrative court (Zeljdina, 2018).

By the way, in France, the Conflict Tribunal was created. This is the specialized court for disputes over jurisdiction. Such an institution also should be introduced in Ukraine.

It should be noted that, according to the CALP, administrative courts do not consider the claims that are derived from the claims of private legal disputes. There is no need to appeal to the courts of different jurisdictions for solving the single controversial situation. A foreign investor, when appealing to an administrative court with a public legal claim, may also combine it with a claim for damages to him.

When filing a claim to a court, a foreign investor must ask the court to apply measures to secure a claim in order to guarantee the execution of a court decision. Indeed, in practice, there are the cases when the court decision has come into force, but it is impossible to execute it, and it remains only a sheet of paper.

In Ukraine, there is a need to create the judicial body that would deal with issues of protecting the property

rights of foreign investors and ensuring their unrestricted investment activity. It is advisable, in conjunction with the Supreme Court of Intellectual Property, Supreme Anti-Corruption Court, to establish the Supreme Court on Foreign Investment. One of the categories of cases that would have the right to consider this court would be the disputes of foreign investors with the state authorities of Ukraine.

One of the peculiarities of the judicial protection of a foreign investor is the issue of the real execution of the decision. Enforcement proceeding is the final stage of the trial. Without the execution of court decision, the meaning of justice is lost. The decision of the administrative courts is quite a complicated category of enforcement proceedings since the party of the trial is the state and the decisions are executed by the state executive service.

In practice, the problematic issue is the court control of its decisions' implementation. In accordance with Art. 382 of the CALP of Ukraine, a court that has passed a judicial resolution in an administrative case may oblige a subject of authority that is not in favour of a decision to file a report on the execution of a court decision in a court order. As a result of consideration of the report of the authority subject on the execution of a court decision, or in the absence of such a report, the judge may decide to set a new term for filing a report, impose a fine on the responsible subject of authority in amount from twenty to forty subsistence minimum for able-bodied persons (Code of Administrative Legal Proceedings of Ukraine: Law of Ukraine № 2747-IV of July 6, 2005).

Thus, based on the foregoing, one can see that such a control consists of the court right to require an official to report on the execution of the relevant court decision. That is, to oblige officials to submit the report is the right of the court and not its duty.

In practice, there are cases where the plaintiff applies the court with a statement to obligate the defendant to submit a report on the implementation of the decision, but the court refuses to comply with such an application, in fact, ignoring the claims of the plaintiff. We believe that such a gap in the legislation will enable unfair subjects of authority to refrain from executing judicial decisions in favour of foreign investors. It is necessary for the legislator to amend the current legislation and to consolidate the duty of the court to oblige officials who "lost" the case in the court to submit a report on the execution of the court decision in time determined by the court.

6. Conclusions of the study and prospects for further exploration in this direction

In order to improve the economic situation in Ukraine, it is necessary to attract foreign investors. To do this, it is necessary to form clearly the policy of economic development. In order to increase the flow of foreign investment, it is necessary to improve the investment climate by reducing administrative barriers, tax pressure on business, and guarantee effective judicial protection.

The important issue today is the overcoming of corruption in the government that actually frustrates foreign investors, generates an outflow of foreign investments from the country. The Ukrainian government should ensure legal protection of foreign investment. In addition, a foreign investor must have proper judicial protection in our country.

The judicial protection form is universal and takes precedence over other forms of protection. It is effective because the court decision finally resolves the case. Other forms of protection acquire this character only at the request of the conflicting parties.

The administrative courts protect the rights, freedoms, and interests of individuals, the rights and interests of legal entities from violations of authorities' subjects. In practice, the cases of the rights, freedoms, and interests of foreign investors' violations by officials are often encountered. Therefore, these economic entities must apply to the court in the procedure of administrative legal proceedings, that is, an appropriate requirement to protect their rights and interests.

In Ukraine, the problem is that practically many norms of law have only declarative character, and the courts do not fully protect the foreign investors, which promotes the outflow of foreign investment from our state and negatively affects the economic situation in Ukraine. Actual issues of the present are the real implementation of administrative courts' decisions because without its execution such a judicial decision remains a simple sheet of paper. It is important to provide an effective mechanism for the execution of such court decisions.

When analysing the CALP of Ukraine, one can come to the conclusion that it is aimed at increasing the level of the protection of foreign investors' rights in Ukraine. However, a number of issues remain unresolved and impede the effective investment to the Ukrainian economy. Therefore, the legislator should take into account the positive foreign experience, in particular, the European Union countries to address the relevant issues.

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DEVELOPING A METHODOLOGY TO ASSESS THE ENVIRONMENTAL AND ECONOMIC PERFORMANCE INDEX BASED ON INTERNATIONAL RESEARCH TO RESOLVE THE ECONOMIC AND ENVIRONMENTAL PROBLEMS OF UKRAINE

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Abstract. *The urgency of the research.* Developing a new approach to economic and environmental problems grounded on the need to form new awareness and responsibility makes it necessary to conduct an in-depth study of the causes and nature of such problems at the current stage of the national economic development. The problem of developing and substantiating indices in countries such as the United Kingdom, Canada, the United States, is decided by special institutes. At the international level, numerous agencies, organizations, and committees such as WHO, UN, UNESCO, OECD, the World Bank, the European Commission, the Committee on Environmental Modelling (ISEM) are addressing this issue. For a comprehensive assessment of the sustainability of development, take into account the socio-economic and environmental indicators, as well as separate a group of institutional indicators. But for Ukraine, it is impossible to identify the links that require more attention and material support for raising the level of development both nationally and globally. Consequently, the method of calculating the index of sustainable development, taking into account the peculiarities of the functioning of the national economy, needs to be reconsidered and improved. *Target setting.* Both the state and the enterprises ignored the issues of environmental pollution, which gradually led to a threatening situation for the economy and the environment. Meanwhile, in the current context, economic and environmental problems remain unresolved and are increasingly deepening. Uninvestigated parts of general matters defining. Analysis of the resource potential revealed the urgent need to develop a clear and functioning mechanism of economic and environmental development, shaping the ecological awareness of the nation as a whole, managers and policy-makers, improving and transforming the existing regulatory framework and environmental legislation, as well as the corporate environmental management systems, in particular, based on the environmental performance index. *The research objective.* The goal of this article is to study the nature of economic and environmental problems of the industrial enterprises and to develop a model of the regional environmental and economic performance index aimed at reducing the environmental costs of the economic growth, ensuring the environmental sustainability of the region, and mitigating the harms in terms of public health. *The statement of basic materials.* There is evidence proving that the economic problems are mainly caused by the lack of attention to environmental issues. It is proved that to resolve the abovementioned problems, first, there is a need to develop the national economic and environmental awareness based on the national context, using international standards and introducing the best practices of international organizations. *Conclusions.* Thus, the strategic approach to ensure the sustainable socio-economic development of the country from the standpoint of the economic and environmental model is a transition from the implementation of separate measures to the development and implementation of an economic and environmental concept of the comprehensive public production rationalization.

Key words: economic and environmental problems, ecological regulation, environmental and economic performance index, economic and environmental awareness, mechanism of economic and environmental development.

JEL Classification: Q50, Q57, Q51, Q56

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1. Introduction

The world community is showing increasing interest in ways to achieve sustainable development of countries and regions, as well as protect the interests of the population. In this context, sustainable development is considered, on the one hand, in the context of changing the relationship between man and nature in order to expand the opportunities for economic growth, and on the other – as a coordinated global strategy for the survival of mankind.

Consequently, the current issue is the question of combining the ecological and economic and social components of development so that in the transition from generation to generation promoted safety and quality of life, the state of the environment, improved and society's needs were determined by the progressive social development.

During the crisis and especially in the post-crisis period, the issues of environmental pollution and its impact on the economic situation of the country are particularly important for Ukraine. A negative legacy of the previous economic system is negligence to the problem of environmental pollution, in particular, in the industrial regions where a lot of resources are concentrated. Both the state and the industrial enterprises that were under its strict control ignored the issues of environmental pollution, which gradually led to a threatening situation for the environment and the economy. Therefore, the problems, which had not been resolved in the past, gradually accumulated, deepened, and thus created a threat of economic and environmental crisis in Ukraine.

Most researchers and practitioners deemed it possible to resolve such problems by developing measures to eliminate the negative consequences caused by the activities of industrial enterprises. It was suggested to introduce fees for the use of natural resources and for environmental pollution. However, those fees were so small that it was much more cost-effective for companies to continue polluting the environment and pay fines. The second way to resolve such problems is to install pollution control and treatment facilities, which is very costly for enterprises and requires significant investments. As the domestic companies have a weak investment base, there is a need to attract foreign capital, but since foreign funds are provided at high-interest rates and only for short periods, it is not cost-effective to invest money in environmental measures and innovative technologies. All this leads to further deterioration of the economic and environmental situation in our country. In our opinion, one of the effective ways to improve the economic and environmental situation in Ukraine is to develop economic and environmental awareness – an eco-economic paradigm, which will help to resolve complex problems at the national, regional, and local levels, will allow to develop the algorithms to create an economic mechanism to achieve the resource potential, and to make complex decisions, harmoniously combining the rational use of natural resources with the concept of socio-economic development of the country. Developing a new approach to economic and environmental problems grounded on the need to form economic and environmental awareness and responsibility for decision-making, makes it necessary to conduct an in-depth study of the causes and nature of economic and environmental problems at the current stage of national economic development by introducing a new methodology to assess the environmental and economic performance index of the regions of Ukraine. Both the state and the industrial enterprises that were under its strict control ignored the issues of environmental pollution, which gradually led to a threatening situation for the economy and the environment. Therefore, the problems, which had not been resolved in the past, gradually accumulated, deepened, and thus created a threat of economic and environmental crisis in Ukraine.

2. Actual scientific researches and issues analysis and the research objective

Current realities reaffirm the urgency and the need for scientists and practitioners to study the nature of environmental problems and their impact on the economic situation both on an economic entity and on the country as a whole. This problem has been widely studied in many scientific publications of national and international scientists. It should be noted that the environmental aspects in the activities of industrial enterprises were studied by such scientists as O. Amosha, O. Balatskyi, P. Barna, A. Zhulavskyi, Ye. Lapin, L. Melnik, Ye. Pozacheniuk, O. Syromiatnykova, V. Feshchenko, etc. (Barna, 2009; Melnyk, 2006; Pozacheniuk, 2008; Feshchenko, 2009; Syromiatnykova, 2008). The theoretic foundations to study the linkage between the economy and the environment and the problem of sustainable eco-economic development of the industrial enterprises has been laid by such scientists as B. Burkynskyi, T. Halushkin, L. Hranych, B. Danylyshyn, M. Dolishnii, T. Domina, V. Yevtushevskyi, Yu. Lysenko, A. Sadekov, and V. Shevchuk (Dolishniy, 2006; Domin, 2003; Lysenko, 2003; Shevchuk, Satalkin, Bilyavskyy, 2004). Publications of the following economists were aimed at solving the problems of improving the economic and environmental management of the enterprises: N. Bondarenko, O. Veklych, H. Hryhorian, V. Hrynova, M. Kyzym, V. Lukianykhina, A. Nyz, V. Ponomarenko, I. Semeniak, V. Trehobchuk, L. Ukrainska, V. Khesle, M. Khokhlov, and V. Shepa (Lukianykhina, 2002; Veklych, 2000). Research studies of the following foreign authors have been of great importance to attain the current level of the environmentally sustainable economy: R. Welford, G. Winter, A. Gouldson, K. Gofman, A. Gusev, T. Dyllick,

Ye. Korotkov, G. Motkin, D. Ottman, N. Pakhomova, K. Peattie, M. Porter, I. Potravnyi, C. Richter, N. Reimers, P. Roberts, G. Serov, W. Hopfenbeck, S. Schmidheiny, etc. Meanwhile, economic and environmental problems remain unresolved and are increasingly deepening in the context of current activities of the national industrial enterprises.

Uninvestigated parts of general matters defining. Analysis of the resource potential revealed the urgent need to develop a clear and functioning mechanism of economic and environmental development, shaping the ecological awareness of the nation as a whole, managers and policy-makers, improving and transforming the existing regulatory framework and environmental legislation, as well as the corporate environmental management systems, in particular, based on the environmental performance index.

The goal of this article is to study the nature of economic and environmental problems of the industrial enterprises and to develop a model of the regional environmental and economic performance index aimed at reducing the environmental costs of the economic growth, ensuring the environmental sustainability of the region and mitigating the harms in terms of public health.

3. Analysis of the indicators of national production ecologization

One of the most important factors in ensuring the transition of a society to the sustainable development model is the increased economic and ecological efficiency of the economic activities at the regional level. Ukrainian economy faces the need to undergo deep restructuring and renewal to create conditions for the accelerated modernization of production processes and to ensure the competitiveness of the national products while reducing the negative environmental impacts. The economic policy can only be effective if the environment is preserved and should stipulate introduction of a conceptual framework for a strategy in the area of environmental management and protection, as well as its implementation to ensure sustainable economic, ecological, and social development of the region. The role of production ecologization can be revealed through the following functions: reproductive, spatial, and socio-ecological. The reproductive function is based on the possibility to create optimal conditions for preservation and reproduction of the environmental assets in order for the future generations to effectively use them. The spatial function is determined by the scientifically grounded system of eco-zoning, development of the territorial nature management patterns, and identification of the discrepancies within the eco-economic areas. It helps to optimize the location of production facilities and rationalize the environmental management and protection. The main goal of this function is to find a balance between human activities and nature. The socio-ecological function is related to environmental education, as well as good production practices.

It should be noted that the issue of making the national production more eco-friendly stems from the growth of technological environmental impact. According to the State Statistics Service of Ukraine, harmful emissions into the atmosphere increased in 2011-2014. Whereas in 2011 this indicator amounted to 4,373.6 thousand tons with a decreasing trend, in 2014 it grew up to 5,186.6 thousand tons (by 18.6 percentage points). Water pollution considerably decreased in 2014 as compared to 2011 – by 42.7% (Figure 1).

Thus, there is a paradox, when in spite of the production decline due to the economic recession negative impact on the environment is growing. In their turn, negative environmental trends lead to the need of additional financial expenditures or funding redistribution to support and improve the efficiency of the existing economic structure and develop a new structure based on the sustainable development concept.

Thus, we would like to analyse the dynamics of capital investments and current expenditures on environmental protection and rational use of the natural resources in Ukraine in 2011-2014 (Table 1).

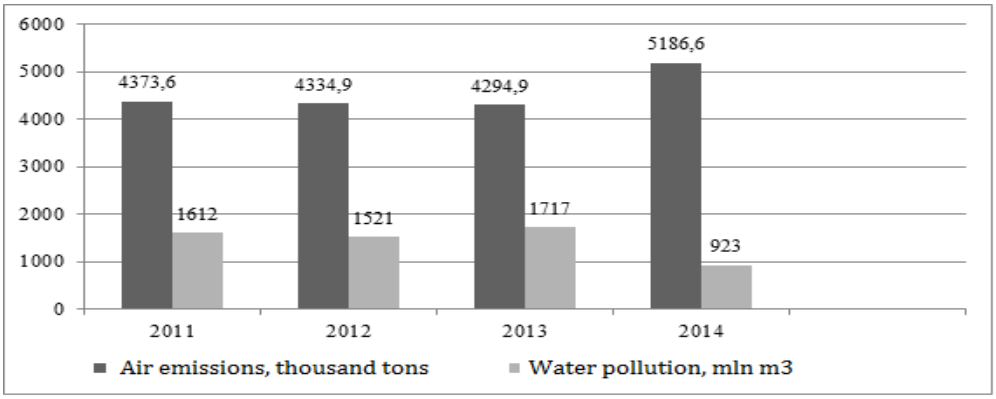

Figure 1. Dynamics in air emissions and water pollution in Ukraine

Table 1

Dynamics of capital investments and current expenditures on environmental protection and rational use of the natural resources by environmental management activities, million UAH

Environmental management activities	2011	2012	Rate of change in 2012 as compared to 2011, %	2013	Rate of change in 2013 as compared to 2012, %	2014	Rate of change in 2014 as compared to 2013, %
Capital investments and current expenditures, total	12,039.65	6,589.3	54.73%	6,038.8	91.65%	7,959.9	131.81%
Protection of the atmosphere and climate change issues	1,475.3	2,462.7	166.93%	2,411.9	97.94%	1,915.1	79.40%
Wastewater treatment	5,388.33	846.9	15.72%	834.1	98.49%	1,222.2	146.53%
Waste management	3,865.89	730.5	18.90%	713.9	97.73%	784.0	109.82%
Environmental research (R&D) activities	49.9	6.1	12.22%	6.2	101.64%	6.2	100.00%

Table 2

The volume of emissions per employee by types of economic activities, 2014

Economic activities	Volume of emissions, thousand tons		Number of employees, thousand people	Emissions per one employee, tons	
	pollutants	carbon dioxide		pollutants	carbon dioxide
Agriculture, forestry and fisheries	89.9	974.1	3,091.4	0.09	0.32
Industrial production	5,100.8	261,064.2	2,898.2	0.02	90.08
Transport, warehousing, postal and courier services	166.5	4,332.6	1,113.4	0.04	3.89

The data presented in Table 1 clearly demonstrates that in 2014, the capital investment growth rate increased as compared to 2013 (31.8%), while in 2011-2013 there was a decreasing trend in this indicator.

Investments in resolving the issues of atmosphere protection and climate change are going down. The level of investment in such areas of environmental activities as wastewater treatment and waste management is increasing.

Worryingly, the scope of capital investments in the rational use of natural resources, as well as in environmental research decreases every year (Figure 2).

To identify the types of economic activities, which are the major polluters, we will analyse some of them (Table 2).

The biggest pollutants in terms of pollutant emissions are agriculture, forestry, and fisheries (0.09 tons per employee), and the smallest – industrial producers (0.02 tons per employee). As for the carbon dioxide emissions, the indisputable leader is the industry (90.08 tons per employee), with agriculture accounting for the smallest amount of carbon dioxide emissions (0.32 tons per employee).

Analysis of the indicators of national production ecologization shows that the environmental situation remains challenging and poses significant threats in terms of human existence and activities. It is supported by the fact that in 2014 Ukraine ranked 95th out of 178 countries in the international ranking based on the Environmental Performance Index calculated by the Yale University scientists using 25 indicators. In 2012, it ranked 102nd among 132 countries. Going up in the rating most likely occurred due to the increase in the number of countries analysed, with the least

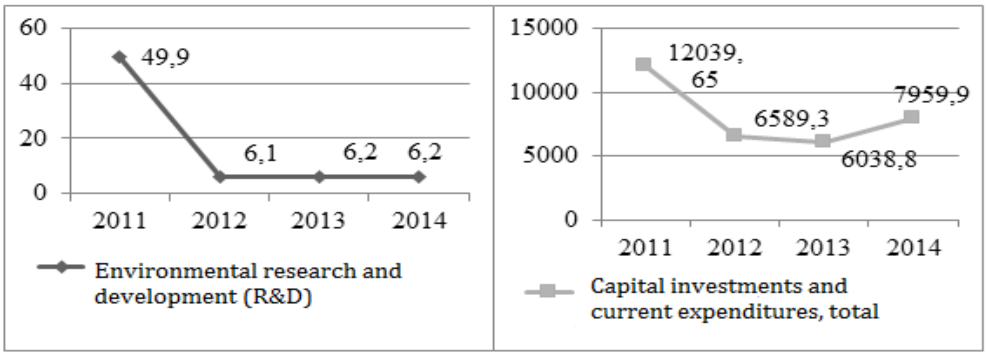

Figure 2. Dynamics of capital investments in environmental protection and rational use of natural resources, as well as environmental research

developed African countries ranking lower in the rating.

Currently, there is a danger of deterioration of the environmental situation in Ukraine, which can be explained by the impact of economic, political, cultural, and other factors. It should be noted that the environmental situation can be stabilized by forming new values, revising the structure of people's needs, goals, priorities, and activities.

Experience of the countries with developed market economies confirms that strengthening market relations and competition involves a significant increase in the technical and technological level of the national production, enhancement of the resource and energy conservation, and structural transformation of the economy to reduce the environmental pollution.

In Ukraine, the situation is exacerbated by the fact that the economic reforms do not reflect all complexity of the economic processes, and in the context of crisis, the society is not aware of the new environmental problems. This confirms that resolving the issues of rational resource management, environmental protection and safety significantly influences the parameters of economic dynamics. Usually, when resolving environmental problems, the focus was on technical and technological aspects. However, at this stage, along with raising environmental requirements to the management and production technologies, ecological safety comes to the fore and becomes a decisive factor in the economy, determining its further effective development.

4. Environmental problems

Let us give a more detailed consideration to the environmental problems, which may be resolved using an integrated approach through the joint efforts of as many countries as possible. In recent years, the negative impact on the environment is growing and the number of global environmental problems is increasing. The environmental problems are not unified or isolated. These problems are relevant to all countries of the world and branches of production and have a significant impact on the economy both at the national and international levels. An indisputable proof of the linkage between the economy and the environment is the existence of a number of urgent problems to be resolved at all levels of the economy (Figure 3).

It should be noted that the economic problems are mainly caused by the lack of attention to the environmental issues. The main reason for careless attitude to the natural resources and their irrational use is the lack of economic and environmental awareness at the level of an individual, an enterprise, and at the country level. The impact of human activities ultimately leads to increased human involvement in the natural processes, which is accelerating and intensifying. That is why in recent years more and more referrals are made to issues related to the economic and environmental security both at the national and international levels. Current developments have caused the need to realize a significant number of problems related to the negative environmental impact, indicating the onset and start of the economic and environmental awareness formation. The most important environmental problems, which directly or indirectly affect the country's socio-economic development, are: environmental pollution, ozone layer depletion, waste management, reduction in the number of species, demographic crisis, anthropogenic landscape changes, deforestation, irrational use of the natural resources, chemical and biological pollution, freshwater shortages, dangerous diseases, epidemics, etc. Unresolved environmental problems lead to negative consequences for both social (poverty, low level of human development) and economic (low competitiveness, labour productivity) development.

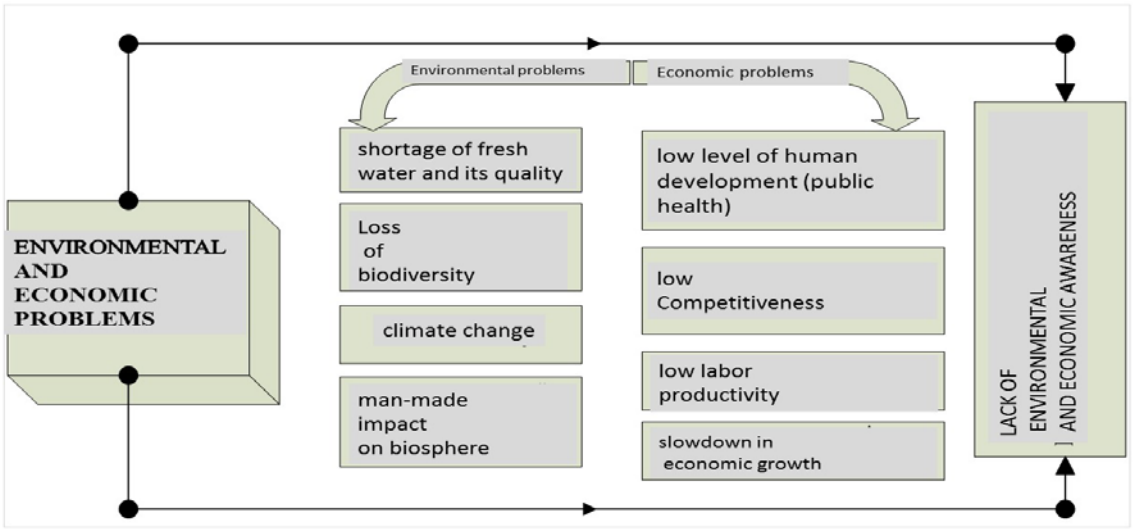

Figure 3. Economic and environmental problems

First and foremost, solving this problem requires a reasonable and balanced policy to regulate and control the efficiency and rationality in using the national resources by limiting the anthropogenic impact, establishing monetary liability for violation of the sanitary regulations, and strict control over their implementation.

It should be noted that industrial enterprises are the main source of environmental pollution. The negative impact of industrial enterprises is revealed in the increased volume of harmful emissions into the atmosphere, determining the future trends of demographic and socio-economic development of the society. The increase of the negative environmental impact can be explained by the lack of economic and environmental awareness as a result of low responsibility at the micro- and macro-levels. One of the most popular methods to resolve the problem of environmental pollution by industrial enterprises is to increase fines. However, this method is inefficient and ineffective as the amount of such fines is so small that companies prefer to pay the fines rather than reduce the emissions, considering that their benefits significantly exceed the costs they incur.

Human needs are constantly growing, making it necessary to expand the scope of economic activities and to change the proportions of the world economy, production capacities, technologies, range of products, as well as industrial and personal consumption. Production and consumption models, which shaped in the world, no longer meet the requirements to ensure harmonious coexistence of humans and nature. The global environmental and closely related to it socioeconomic crisis which currently became a threat to the human existence was caused by two "explosions" – population explosion, i.e. a sharp population increase in the last century together with the formation of the "consumerism" economy, on the one hand, and rapid industrial and energy development – on the other. Most scientists believe that it was the uncontrolled population growth, which was the main reason for the global environmental crisis, leading to other consequences. However, in our opinion, the reason of the unsatisfactory ecological and economic development level is the lack of understanding of the need for sound environmental management to ensure sustainability and stability for future generations; hence the decisive factor is not the amount of resources but the rationality and efficiency of their use. The complexity of the current economic processes makes it necessary to develop a sustainable development concept.

The global economic development agenda within the UN Millennium Declaration approved on 08.09.2009 (Resolution A/RES/52/2) stipulates that all countries are to ensure environmental sustainability in the context of anthropogenic impact. In line with this agenda, researchers from the Yale and Columbia Universities together with the World Economic Forum developed an international Environmental Performance Index (EPI), which is openly published every two years since 2006. This index is based on two strategic goals: reducing environmental stresses on human health; promoting ecosystem vitality, and sound natural resource management.

5. Using EPI: advantages and disadvantages

Using EPI as a basic indicator characterizing the level of environmental security of Ukraine for comparison with other countries has both advantages and significant disadvantages when making management decisions at the level of the country and its regions.

The advantages of using EPI:

1. The index allows comparing the position of Ukraine with other countries of the world.

2. EPI components allow defining the strengths and weaknesses of Ukraine in terms of environmental protection and sustainability.

3. The EPI assessment methodology is publicly available and accessible, which allows assessing the impact of different management decisions on its value to a certain extent.

4. The level of expertise, the accuracy of inputs, and the lack of subjectivity when calculating EPI make it trustworthy.

On the other hand, practical use of the environmental performance index as an indicator of the national economy's development is associated with certain objective challenges, which significantly narrows the area of its application:

1. The methodology of EPI calculation has been constantly changing in 2006-2018. Every single report was different from the previous one in terms of the range of assessment indicators and the number of countries covered with the research. The most recent changes in the EPI assessment methodology took place in 2018 report: currently, it contains 24 indicators and is calculated for 180 countries of the world. Thus, constant changes in the calculation methodology and the number of countries covered and used as the comparison base do not allow using this indicator to analyse the dynamics of the indicator for a particular country.

2. Certain indicators included into EPI, such as the group of indicators "Biodiversity and habitat" may not be calculated based on the public data of the State Statistics Service of Ukraine. As for the researchers of the Yale and Columbia Universities, they receive the inputs from international agencies, world research institutions, and governmental bodies. The following methods are used for data collection: remote sensing; observations from the monitoring stations; surveys; academic studies; national industry reports; state statistics, etc. The indicators, which may not be received through continuous or sampling observations, are calculated based on the statistical

models developed. That is why for the purposes of this study we can only use the calculated indicators with two-year observation periods for our analysis. However, it is hardly possible to make similar calculations for regular monitoring of the situation.

3. The environmental performance index is calculated for every country as a whole. However, natural and climatic conditions of different regions of Ukraine, as well as their industrial and agricultural development, vary. Every region has its peculiarities in terms of economic capacity, social development, natural resources, and environmental pollution level. Therefore, it is not enough to assess EPI at the national level for the effective environmental management of Ukraine. There is a need to make such assessments for all regions of the country.

Thus, taking into account the abovementioned drawbacks, within this study, it is offered to develop an alternative methodology to assess the environmental and economic performance index for the regions of Ukraine. This index should cover three strategic goals as shown in Figure 4.

6. Strategic goals

Let us review each of the strategic goals in more detail:

1. Reducing the environmental costs of economic growth.

Any economic growth is associated with the increasing negative anthropogenic impact due to the growing environmental pollution. We may say that for the society, there are certain environmental costs it has to pay for every percent of the economic growth. The regions of Ukraine vary greatly in terms of their industrial structure. For example, the biggest air polluters in Dnipro and Donetsk regions are primary production, processing industry, and electric power supply, in Vinnytsia and Chernihiv regions – agriculture, forestry, and electric power supply, etc. Every industry has its average added-value standard and level of pollution.

The indicators of this group are relative performance indicators, which allow comparing the environmental harms and economic performance.

The harms are calculated in terms of the scope of air pollution, use and discharge of sewage waters, mineralization of sown areas, use of pesticides, accumulation of solid wastes, and deforestation. As for the economic performance, it is calculated as the gross regional product or the manufacture of agricultural and forestry products:

$$i_{EP} = \frac{EH}{GRP}, \quad (1)$$

where i_{EP} – environmental performance index of the economic growth; EH – environmental harms; GRP – gross (or industrial) regional product, c.u.

2. Ensuring environmental sustainability of the region.

Environmental sustainability of the region directly depends on the intensity of environmental harm caused. Calculation of the environmental harm intensity stipulates assessment of the rate of expansion, i.e. attribution of harms to the territory of the region. That is why the indicators of this group are based on the following formula:

$$i_{EL} = \frac{EH}{RA}, \quad (2)$$

where i_{EL} – regional environmental load indicator; RA – region area, ha.

3. Mitigating the harms in terms of public health in regions. Practical statistics widely uses relative indicators, which compare the harm caused and the population size. For example, air emissions per one person. However, in our opinion such indicators, which are based on the population size for comparison purposes, yield little information due to the following reasons:

– If the emissions on a certain territory remain on the same level, while the population grows, this indicator is reducing. However, the health of each individual will be influenced by the same scope of emissions.

– If the population of a territory with persistently high environmental load grows, it means that a higher percentage of people face negative manifestations of the anthropogenic impact.

That is why we would like to offer using a multiplicative model to calculate environmental harms in terms of public health:

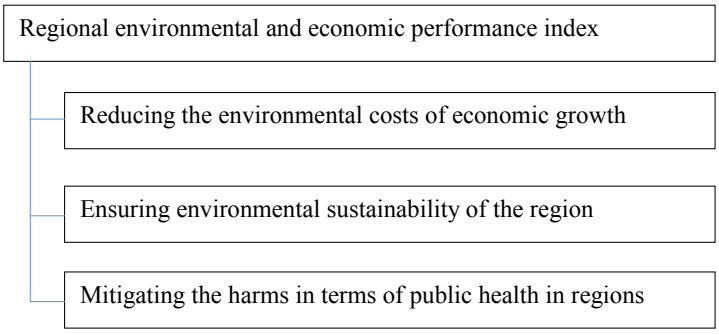

Figure 4. Functions of the regional environmental and economic performance index

$$i_H = EH_N \times P_N, \quad (3)$$

where i_H – indicator of the environmental harm caused to human health; EH_N – normalized environmental harm; P_N – normalized population size.

Each of the factors presented in the model (3) varies in the range from 0 to 1. Thus, the resulting indicator i_H will also take values in the same range [0; 1]. Reducing the scope of environmental harms or reduction in the population size of the region will lead to the minimization of EH_N and P_N indicators. In turn, it will make the i_H indicator approach zero. Vice versa, the increase of the normalized factors within the accepted values will automatically bring the i_H indicator closer to 1.

Normalization procedure is used to bring the indicator values to a consistent format using a formula:

$$i_{norm} = \frac{i - i_{worst}}{i_{best} - i_{worst}}, \quad (4)$$

where i_{norm} – the normalized value of the environmental and economic performance index; i – entry value of the index; i_{best} – the best possible value of the index which should be approached; i_{worst} – the worst value of the index.

The i_{best} and i_{worst} values are selected based on the i values calculated for all regions. To allow monitoring of the resulting index dynamics, i_{best} and i_{worst} values were defined based on the 2014-2016 data. If the indicator was to be maximized, then i_{best} was equal to the maximum value for all regions in recent years and i_{worst} was equal to the minimum value. If the indicator was to be, vice versa, minimized, then i_{best} was equal to the minimum value and i_{worst} – to the maximum.

The above indicators are converted to the regional environmental and economic performance indicator (RI) using the additive and multiplicative model:

$$RI = \alpha_1 I_{EP} + \alpha_2 E_{EL} + \alpha_3 I_H \rightarrow \max, \quad (5)$$

where I_{EP}, I_{EL}, I_H are, correspondingly, group indices for the first, second, and third strategic goal; α_1, α_2, α_3 – weight coefficients to measure the weight of every strategic goal.

Weight coefficients α_1, α_2, α_3 may take values from 0 to 1, with their sum equal to 1. In the regional index, every strategic goal should have equal impact on the *RI*. It is possible provided that the mean square deviations of each component should be equal to one another, i.e.

$$\sigma(\alpha_1 I_{EP}) = \sigma(\alpha_2 I_{EL}) = \sigma(\alpha_3 I_H).$$

To ensure the above equation, it is sufficient to resolve the following optimization problem in relation to the unknown weight coefficients α_1, α_2 and α_3, using numerical methods:

$$\left[\sigma(\alpha_1 I_{EP}) - \sigma(\alpha_2 I_{EL})\right]^2 + \left[\sigma(\alpha_2 I_{EL}) - \sigma(\alpha_3 I_H)\right]^2 \rightarrow \min(TF), \quad (6)$$

$$\alpha_1 + \alpha_2 + \alpha_3 = 1;$$

$$\alpha_1 \le 1, \alpha_2 \le 1, \alpha_3 \le 1;$$

$$\alpha_1 \ge 0, \alpha_2 \ge 0, \alpha_3 \ge 0.$$

Group indices for each strategic goal were calculated based on the corresponding normalized values of the indicators using the following formulas:

$$I_{EP} = \frac{\sum_{k=1}^{n_1} i_{EP,norm,k}}{n_1}; \quad I_{EL} = \frac{\sum_{k=1}^{n_2} i_{EL,norm,k}}{n_2}; \quad I_H = \frac{\sum_{k=1}^{n_3} i_{H,norm,k}}{n_3} \quad (7)$$

where n_1, n_2, n_3 is the number of indicators for the first, second, and third strategic goal, respectively.

The formulas (7) stipulated using the indicators with equal weight coefficients. If the expert decision-making has different preference patterns, such formulas take an additive and multiplicative format.

7. Conclusions

The issue of environmental management efficiency, overcoming the environmental crisis and improving the relations between industrial production and nature requires resolving environmental contradictions in the current environmental management. Focus exclusively on technical and economic growth with no linkage to the environment led to depletion, exhaustion, and the degradation of natural resources, environmental deterioration and negative social consequences. Thus, the strategic approach to ensure sustainable socio-economic development of the country from the standpoint of the economic and environmental model of the natural resource management reform implies transition from implementation of separate measures aimed at the resource conservation to the development and implementation of an economic and environmental concept of the comprehensive public production rationalization and ensuring its sustainable operation. To consider environmental factors and criteria, norms, and restrictions, it is necessary to establish effective control over the environmental conditions, as well as functional leverages to regulate environmental and economic relations.

We developed a model of the regional environmental and economic performance index aimed at reducing the environmental costs of the economic growth, ensuring the environmental sustainability of the region, and mitigating the harms in terms of public health. This index takes into account drawbacks of the practical application of the international index – EPI: it is fully based on the official data of the State Statistics Service of Ukraine, which are publicly available; allows monitoring such developments in dynamics and by regions.

Besides, it is worth mentioning that the problem of interaction between the environment and the economy may not be resolved without the formation of economic and environmental awareness, taking into account the national context, to raise the level of both individual and collective responsibility for the consequences of irresponsible actions in the future.

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INTERACTION OF NATIONAL POLICE WITH OTHER SUBJECTS OF ENSURING STATE FINANCIAL SECURITY

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Abstract. *The aim of the article* is to provide scientific substantiation of the theoretical bases of financial security of Ukraine, to reveal the essence of its elements, principles, and functions, to determine the place of the National Police of Ukraine in this mechanism, to outline principles and the content of the interaction of the National Police with other subjects of ensuring the financial security of the state, in particular, law enforcement bodies. *The subject of the study* is the interaction of the National Police with other subjects of ensuring the financial security of the state. *Methodology.* The study is based on the elucidation of the essence and specificities of the interaction of the National Police with other subjects of ensuring the financial security of the state. The analysis of the specificities of the authorities of the subjects of ensuring the financial security of the state enabled to determine the areas of improvement of the interaction of state bodies in the sphere. *Relevance/originality.* The study of the interaction of the National Police with other subjects of ensuring the financial security of the state is the basis for developing the most promising areas for the improvement of domestic legislation in this sphere.

Key words: interaction, law enforcement bodies, National Police, financial security.

JEL Classification: P34, P43

1. The relevance of the topic

The construction of an efficient and competitive national economy implies a systemic reform of public finance management as a part of the public administration system as a whole, the problems and inconsistencies of which constitute a serious risk to the restoration of economic growth. Effective public finance management system is the basis for implementing state policy and achieving strategic development goals by ensuring a compliance with the general budget discipline, strategic allocation of budget funds and effective provision of public services (Cabinet of Ministers of Ukraine. Pro skhvalennia Stratehii reformuvannia systemy upravlinnia derzhavnymy finansamy na 2017-2020 roky).

The problem of organizational interaction of power structures and state institutions in various spheres of state-management activity is the subject of the analysis of many domestic scientists and practitioners.

2. Literature review

Among the recent publications devoted to this topic, it is worth mentioning the developments of V. D. Bakumenko, V. A. Derets, M. M. Izhi, T. I. Pashova, Ya. O. Riznikova, V. S. Shcherbin, and other researchers. In the mentioned publications, in particular, the essence, principles, and mechanisms of organizational interaction of the authorized authorities are clarified, provided that they have significant internal-functional and inter-level differentiation.

3. The main material

However, procedures and rules for the interaction of state institutions are determined not only by the factors mentioned in them. Important in this case are also legal rules that outline the competence of a particular authority and the specifics of the implementation of its managerial functions. This aspect of the analysis to ensure the coordination of efforts of various state structures, in essence, still remains poorly investigated in the national professional literature.

The financial security of the state is a structural element of the economic security of the state, defined as the state of the financial system, which creates the necessary financial conditions for a stable socio-economic development of the country, ensures its stability to the financial shocks of those imbalances, creates the conditions for preserving the integrity and unity of the financial system of the country. It consists of the following elements: banking security; security of the non-banking financial sector; debt security;

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fiscal security; currency security; monetary security (Ministry of Economic Development and Trade of Ukraine).

Thus, financial security is directly related to the protection of the system of the main national and financial interests of the country. At each specific historical stage of its development, financial security requires the use of special methods and tools, the application of specific mechanisms, and the existence of a system of special state bodies.

The state of national security in the financial sphere depends on the phenomena and factors of both the internal and external financial and credit policy of the state, the political situation in the state, the perfection of legislative provision of the functioning of the financial system, as well as the international obligations of the state (Cabinet of Ministers of Ukraine. Pro skhvalennia Kontseptsii zabezpechennia natsionalnoi bezpeky u finansovii sferi).

Ensuring financial and economic security of the state is entrusted to a complex of subjects, including the law-enforcement system.

The subjects that provide financial security include: President of Ukraine, Verkhovna Rada of Ukraine, Cabinet of Ministers of Ukraine; National Security and Defence Council of Ukraine, ministries and other central executive authorities, National Bank of Ukraine, State Fiscal Service of Ukraine, courts of general jurisdiction, Prosecutor's Office of Ukraine, local state administrations and local self-government bodies, Security Service of Ukraine, State Border Guard Service of Ukraine, citizens of Ukraine and their associations (Bryhinets, 2016).

Administrative and criminal offenses in the sphere of finance constitute an actual threat to the financial security of the country, causing significant damage to the state, therefore, the struggle against them is carried out by various law enforcement agencies, including the National Police, as well as other executive authorities.

Today, law enforcement agencies have a decisive influence on the policy-making of each state, in particular, Ukraine and its financial and economic security.

Given the list of law enforcement agencies, enshrined in Art. 2 of the Law of Ukraine "On State Protection of Court and Law-Enforcement Bodies Staff", it may be noted that the law-enforcement bodies as subjects of ensuring the financial and economic security of the state should include the organs of the National Police of Ukraine, the Security Service of Ukraine, units of the Tax Police of the State Fiscal Service of Ukraine and the National Anti-Corruption Bureau of Ukraine, as evidenced by their tasks and functions (Rieznik, 2017).

In resolving the task of ensuring the financial security of Ukraine, protecting the economy and other vital security objects, the National Police should not duplicate the activities of other structures of the country's security system but act in the light of coordination and interaction. Therefore, the effective and efficient activity of the police authorities in the implementation of administrative and legal control over the implementation of legislation in the field of finance is possible only if they are closely interacting with the executive authorities that have control and supervisory functions in this area.

The interaction of police authorities with executive authorities is understood as regulated by law and by-laws of the joint concerted activity, based on the use of each of the parties inherent in it forms, methods, forces, and means of combating the offenses, participation in the development and implementation of comprehensive measures aimed at ensuring the implementation of the law and prevention of unlawful manifestations in this area.

Legal principles of interaction of state bodies in the process of securing financial security are enshrined in the Constitution of Ukraine. According to the norms of the last Cabinet of Ministers of Ukraine, it ensures state sovereignty and economic independence of Ukraine, ensures financial, pricing, investment, and tax policy, directs and coordinates the work of ministries and other bodies of executive power (Konstytutsiia Ukrainy).

According to Art. 5 of the Law of Ukraine "On National Police", the police, in the course of its activities, interacts with the law enforcement agencies and other state authorities, as well as local self-government bodies in accordance with the law and other statutory legal acts (Pro Natsionalnu politsiiu).

A similar provision contains the Provisions on the National Police, according to which the National Police interacts with other state bodies, subsidiary bodies and services created by the President of Ukraine, temporary consultative, advisory and other subsidiary bodies formed by the Cabinet of Ministers of Ukraine, while exercising the tasks assigned to it by local self-government, association of citizens, public unions, trade unions and employers' organizations, relevant bodies of foreign states and international day-to-day organizations, as well as enterprises, institutions, and organizations (Cabinet of Ministers of Ukraine. Pro zatverdzhennia Polozhennia pro Natsionalnu politsiiu).

The considerable amount of work of the National Police together with other state bodies is carried out in the process of revealing and documenting administrative offenses in the field of trade, catering, services, in the field of finance and entrepreneurship, the responsibility for which is provided for in chapter 12 of the Code of Ukraine on Administrative Offenses.

Police have wide jurisdictional powers in this area. In particular, the police have the right to draw up protocols on the following administrative offenses: violation of the rules of trade and the provision of

services by trade, catering and service providers, citizens engaged in entrepreneurial activity; buyer or customer fraud; violation of the rules of trade in beer, alcohol, low alcohol and tobacco products; violation of the legislation on the protection of consumer rights; violation of the established order of industrial processing, storage, transportation or destruction of confiscated alcohol, alcoholic beverages or tobacco products; violation of the rules of trade in the markets; handouts in unidentified places; violation of the rules on currency transactions; avoidance of the return of foreign currency earnings; illegal opening or use of foreign currency accounts outside Ukraine; violation of rules for the delivery of precious metals and precious stones; violation of the order of economic activity; violation of the procedure for submitting a declaration of income and keeping records of incomes and expenses of violation of financial legislation; unfair competition; late delivery of revenue; storing or transporting alcoholic beverages or tobacco products that do not have a stamp of excise duty collection; demonstration and distribution of films without state certification for the right to distribute and display films; violation of the conditions for the distribution and demonstration of films provided for by the state license for the right to distribute and display films; non-observance of the quota for displaying national films when using national screen time; illegal distribution of copies of audio-visual works, phonograms, videograms, computer programs, databases; violation of the legislation regulating the operation of scrap metal; violation of budget legislation; concealment of persistent financial insolvency; occupation of prohibited types of economic activity; violation of the legislation on the collection and registration of a single contribution to the compulsory state social insurance and compulsory state pension insurance; violation of the order of formation and application of prices and tariffs; non-compliance by a person with mandatory conditions for the privatization of state, communal property or enterprises and their subsequent use; illegal actions against privatization papers; illegal actions in case of bankruptcy; fictitious bankruptcy; forcing anticompetitive concerted action (Kodeks Ukrainy pro administratyvni pravoporushennia).

At the same time, the competence of the bodies of the National Police intersects with the competence of other law enforcement and controlling bodies – subjects of ensuring the financial security of Ukraine.

For example, authorized officers of the bodies and units of the National Police who have special titles have the right to consider cases of illegal release or purchase of gasoline or other fuel and lubricants. At the same time, the police interact with the officials of the authorities that control the use of petroleum products in industry and agriculture, who have the right to draw up protocols on relevant administrative offenses.

Today, such a body is the Ministry of Energy and Coal Industry of Ukraine, which is the main body in the system of central bodies of executive power, which ensures the formation and implementation of state policy in the electricity, nuclear, industrial, coal-mining, peat, oil and gas and oil and gas processing complexes, and also ensures the formation of state policy in the field of supervision (control) in the fields of electricity and heat supply (Cabinet of Ministers of Ukraine. Pro zatverdzhennia Polozhennia Ministerstvo enerhetyky ta vuhilnoi promyslovosti Ukrainy).

The leading unit in the system of the National Police of Ukraine, which is called to provide financial security, is the Department of Economic Protection.

By the Resolution of the Cabinet of Ministers of Ukraine dated October 13, 2015, the Department for the Protection of the Economy of the National Police of Ukraine was formed as an interregional territorial body of the Verkhovna Rada of the National Police, which has the functions of combating crime in the economy.

The main function of the Department is to directly carry out operational and investigative measures regarding the documentation and disclosure of crimes in the economic sphere.

For the effective counteraction to the offense in the field of financial security of the state, the following tasks are assigned to the economic protection units:

- participation in the formation and implementation of state policy in the field of combating crime, protection of the economy and objects of property rights;
- detection, prevention, and suppression of economic crimes, in particular, committed by socially dangerous organized groups and criminal organizations that affect the socio-economic and criminal situation in certain regions and the state as a whole;
- the fight against corruption and bribery in areas of strategic importance for the state's economy, as well as officials of state authorities and self-government;
- counteracting corruption offenses and offenses related to corruption;
- establishing the causes and conditions for the commission of offenses in the field of economy, as well as taking measures to eliminate them (Viazmikin, 2016).

As already noted, in the process of ensuring the financial security of Ukraine, the National Police interacts with a wide range of subjects, which are not considered possible within the framework of specific scientific work. Consider the features of interaction with some of them.

For example, interaction with the Accounting Chamber. The annual report on the activities of the Accounting Chamber should contain information on its control measures with the obligatory indication of the measures taken to the law enforcement agencies, including the National Police, on the revealed signs of criminal or administrative offenses and the measures

taken by the law enforcement agencies to respond (Pro Rakhunkovu palatu).

In cooperation with the Security Service of Ukraine, the National Police can be involved in conducting inspections, audits, and examinations initiated by the Security Service of Ukraine (Pro Sluzhbu bezpeky Ukrainy).

Certain features have interaction with the bodies of state financial control. In accordance with the Law of Ukraine "On the Basic Principles of the Implementation of the State Financial Control in Ukraine", the state financial control authority coordinates its activities with local self-government bodies and executive authorities, financial bodies, revenue and fee bodies, other controlling bodies, prosecutor's offices, the National Police, security services (Pro osnovni zasady zdiisnennia derzhavnoho finansovoho kontroliu v Ukraini).

In particular, in case of receipt of an order to carry out audits in the supervised institutions from the Cabinet of Ministers of Ukraine, bodies of the public prosecutor's office, revenue and assembly bodies, the National Police, the Security Service of Ukraine, the National Anti-Corruption Bureau of Ukraine, which contains evidence that violations of the laws of Ukraine by the institutions, whose verification of compliance is legally attributed to the competence of the state financial control bodies, there is a basis for an unscheduled outbound audit.

Also, law enforcement officers are obligated to assist officials of the state financial control body in the performance of their duties. In case of preventing the employees of the state financial control body to the territory of the enterprise, institution, organization, refusals to submit documents for audit and any other illegal actions, the bodies of the National Police shall, upon the request of these persons, immediately take appropriate measures to put an end to such an action, to ensure normal carrying out the audit, guarding the employees of the state financial control body, documents and materials that are being audited, as well as taking measures to bring the perpetrators to the established responsibility.

To date, the state financial control body is the State Audit Office of Ukraine, which takes measures in accordance with the established procedure to eliminate violations of legislation detected during the state financial control and prosecution of perpetrators, in particular, transfers, in accordance with established procedure, to law-enforcement bodies materials on the results of the state financial control in case of detection of violations of the law, for which criminal liability is provided or which contain signs of corruption actions (Cabinet of Ministers of Ukraine. Pro zatverdzhennia Polozhennia pro Derzhavnu audytorsku sluzhbu Ukrainy).

A significant amount of interaction is between the National Police and the State Financial Monitoring Service of Ukraine.

The State Financial Monitoring Service of Ukraine in the process of fulfilling the tasks assigned to it interacts in accordance with the established procedure with other executive authorities, subsidiary bodies and services formed by the President of Ukraine, local self-government bodies, citizens associations, trade unions and employers' organizations, relevant bodies of foreign states and international organizations, enterprises, institutions, organizations.

The State Financial Monitoring Service of Ukraine interacts with law enforcement agencies, including with the National Police, in the following main areas:

- if there are sufficient grounds to believe that a financial transaction or a set of related financial transactions may be related to the legalization (laundering) of proceeds from crime or terrorist financing, it shall submit to the law enforcement authorities authorized to make a decision in a accordance with the criminal procedure law, corresponding generalized and additional materials and receives from them information about the course of their consideration;
- if there are sufficient grounds to suspect that a financial transaction or a client is connected with the commission of an act defined by the Criminal Code of Ukraine, which is not related to the legalization (laundering) of the proceeds from crime or terrorist financing, shall submit information to the relevant law enforcement body in the form of generalized materials;
- develops regulatory legal acts in the field of prevention and counteraction to legalization (laundering) of proceeds from crime or terrorist financing on the procedure for notification of subjects of initial financial monitoring of the fact of opening of criminal proceedings (or the fact of closing criminal proceedings in the course of pre-trial investigation) by their reports and providing information on the decisions taken in such criminal cases to the subjects of financial monitoring;
- provides coordination of activities of state bodies in the field of prevention and counteraction to the legalization (laundering) of proceeds from crime and terrorist financing (President of Ukraine. Pro Polozhennia pro Derzhavnu sluzhbu finansovoho monitorynhu Ukrainy).

4. Conclusions

The foregoing suggests that the process of securing Ukraine's financial security should be complex in view of the complexity and versatility of the relevant social relations, interests, and values. Financial offenses such as non-payment of taxes, misuse of budget funds, legalization (laundering) of proceeds from crime, bank violations, etc., are closely linked and mutually determine each other. Therefore, in our view, the goals, task, and order of interaction for all entities of financial security should be united and coordinated.

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THE ECONOMIC, SOCIAL, AND SPIRITUAL EFFICIENCY OF THE ECONOMIC SYSTEM: APPROACHES TO ASSESSMENT

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Abstract. The article considers the categories of social, economic, and spiritual efficiency. The emphasis is made on the crisis of modern economic processes. *The subject* of the article is the contradictions arising in the process of increasing economic efficiency. Existing methodological approaches to the study of these categories are critically reviewed. The main *goal* of the article is to create the author's concept of overcoming the contradictions between the growth of economic and social efficiency in the conditions of modern economic organizations. The concept is based on the conflict paradigm. *The methodological basis* of the study consists of the concepts of foreign and domestic researchers dealing with the effectiveness of social reproduction. The main theoretical concept is neo-Marxism. The *purpose* of the article is to determine the methodology for reconciling contradictions arising in the process of managing the economic efficiency of an economic system. The thesis of P. Drucker on the inevitability of aggravating the economic crisis is considered as the cause of the conflict. In combination with the totality of such general scientific and special methods of cognition as dialectic, systemic, descriptive, theoretical modelling, the article reveals the main contradictions in the assessment of the growth of the economic and social efficiency of the economic system. *The main conclusion of the article* is the need to abandon the use of single-factor methods for evaluating the effectiveness of the functioning of economic systems. The main problem is the fact that the growth of economic efficiency most often has a non-linear effect on the change in social and spiritual efficiency. Therefore, it is necessary to use at the same time changes in all three specified directions of efficiency, so one can determine the general vector of changes in the economic system. As *a final conclusion*, it was proposed to apply the efficiency rule proposed by Pareto to this assessment, according to which the system state is optimal when the value of each particular criterion describing the system state cannot be changed without deteriorating other system indicators. The article presents a table, in which the contradictory changes that are the result of a number of managerial influences are demonstrated for economic and social efficiency. A logical formula for determining the effectiveness of changes in the efficiency of the economic system, based on the indices of changes in individual quantitative indicators, is proposed. Criteria are defined that make it possible to quantify each of the blocks determining efficiency: economic, social, and spiritual. An assessment of possible indicators at the macroeconomic and microeconomic level is given. The article formulates a model for establishing the balance (optimum) of individual indicators of the total efficiency of the economic system. This model is based on the balance of economic interests of employers (owners) and social interests of workers, coordinated through culture, which is defined as one of the priorities of spirituality. A formula is proposed that enables the analytical establishment of the optimal (balance) state of the efficiency of the economic system. On the basis of the conducted research, it becomes possible to talk about a fair (reasonable) distribution of value added. In fact, at the theoretical level, an economic model for managing the socio-economic efficiency of the economic system is proposed, which creates the prerequisites for the effective management of the socio-economic development of an organization in a permanent crisis environment.

Key words: efficiency, factor, productivity, economic, social, balance of interests, contradictions.

JEL Classification: P47, C52

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1. Introduction

The process of development of social reproduction at the present stage is constantly confronted with inextricably linked and, at the same time, contradictory processes. On the one hand, there is the need to constantly increase labour productivity and, on the other, the need to stimulate consumption. The relevance of the topic is related to the fact that despite the existing research results, the majority of business systems consider economic efficiency as the main indicator of the effectiveness of an economic entity. Such an approach in modern conditions invariably leads to a violation of either the social efficiency of the system itself (for example, a decrease in the social well-being of workers), or a decrease in the social efficiency of systems of another level (the release of workers leads to an increase in unemployment, a decrease in aggregate demand, etc.). This said, the growth of economic efficiency is a task related to the goals of social development, which is why it is the most important task of any economic system. The aforesaid, in our opinion, gives rise to a scientific problem to be grasped. *The novelty of the topic* is that in the conditions of the current crisis economy, the categories "economic", "social", and "spiritual efficiency" were not considered in unity.

At the beginning of theorizing, we suggest specifying a thesaurus. In particular, efficiency is one of the basic characteristics of the economy and an indicator of its success. Starting with the works of K. Marx, "the degree of wealth is not measured by the absolute value of the product but by the relative value of the surplus product" (Marx, 1973). In other words, efficiency is the ratio of results to costs incurred to achieve them (Gavrilishin, 2000). At the same time, modern economics often uses the term productivity as a final indicator of system efficiency.

In accordance with the definition of the Modern Economic Dictionary, productivity is a quantity that characterizes the amount of a useful product obtained from a certain source (Rajzberg, 2006). However, in relation to economic systems, these concepts, in our opinion, are almost identical. Thus, the Great Soviet Encyclopaedia, speaking of economic efficiency, examines the relationship between the results of production – production and material services, on the one hand, and labour costs and means of production – on the other (Bolshaja sovetskaja entsiklopedija, 1969). It should be noted that in most modern economic sources, the subject of obtaining an increase in productivity is not specified. Considering this process on the example of the transformation of Marxism, it can be stated that K. Marx noted: "The value of labour-power is determined by the value of the necessaries of life habitually required by the average labourer. The quantity of these necessaries is known at any given epoch of a given society, and can therefore be treated as a constant magnitude" (Marx, 1973). In other words, an increase in employee income due to an increase in his productivity was not considered. The representative of neo-Marxism, Jürgen Habermas, has already seen this problem somewhat differently. In his opinion: "The role of employee loses its debilitating proletarian features with the continuous rise in the standard of living, however differentiated by stratification" (Habermas, 1985). Considering this phrase in the context of his article, it can be stated that it is about the fact that part of the increase in living standards occurs due to an increase in the part of the value added in the employee's wages. This very situation is often associated with an increase in social efficiency (in relation to an employee). At the same time, with respect to social efficiency in relation to the organization as a whole, the growth of employee income is rarely considered. However, the relevance of P. Drucker's thesis in 2002 did not diminish in 16 years: "It is futile, for instance, to try to ignore the changes and to pretend that tomorrow will be like yesterday, only more so. This, however, is the position that existing institutions tend to adopt in such a period – businesses as well as nonbusinesses" (Drucker, 2000).

2. The problem statement of research

The above processes form a special relevance of conducting such a study for **the purpose** of clarifying the nature of the relationship between social, economic, and spiritual efficiency. Achieving the purpose requires the simultaneous implementation of **a number of tasks**, in particular: study the transformation of scientific ideas about the category of "efficiency" in the modern economy; analyse the relationship of social and economic effect; formulate a mechanism for determining the equilibrium parameters of economic and social efficiency.

In this regard, we consider it expedient to get ahead of the logical mechanism for reconciling the contradictions between the growth of economic productivity and changes in social and spiritual efficiency in relation to the labour process, taking into account the predicted permanent economic crisis.

3. Social and economic effect: unity and contradictions

Developing the idea of the permanence of the economic crisis, a modern worker, acting as a reproductive resource, also acts as an object of the economy. In the course of such activities, the economic effect is directly opposed to the social effect. At the same time, the Russian author L. Isaeva considers the social effect as a function of using the economic effect. According to her, "the increase in the economic effect directly depends on the social effect" (Isaeva, 2012). Thus, we come to the idea of the mutual transition of

the economic effect into the social one and vice versa. Herewith, in the first approximation, cooperation (readiness for cooperation) can be considered a sign of a social effect, while the conflict is a sign of an economic effect (as a factor in the aggravation of contradictions). Nevertheless, as practice shows, these categories in relation to the labour process are also capable of mutual transformation.

Considering the relations arising in the labour process, B. Genkin identifies two main types of human interaction: competition and cooperation (Genkin, 2003). At the same time, these relations can be modified depending on the situation. In particular, in a normal production process, the relationship between workers is of cooperation nature, and in the process of production changes (increased productivity, reduction) is transformed into the competition. Under the conditions of replacing manual labour with an automated one, on the one hand, the amount of manual labour of workers decreases (cooperation with the administration), which transforms into competition not only among workers, but also between workers and equipment (the cost of human labour versus depreciation costs). In the context of interaction between the employee and the employer (shareholder), in accordance with the theory of conflict of K. Marx, the relationship is based on conflict (value added distribution), but in a crisis, cooperation may arise in the process of preserving jobs (business).

In our opinion, the relationship between economic and social efficiency is objective, however, its character depends on the vector of the proposed changes and on the state of spirituality in a particular society. So, as a result of a unilateral increase in economic efficiency, the social effect of labour activity will worsen in two cases:
- the employee acts as an object of immediate savings (he/she is laid off or his/her wages are reduced, his/her productivity is increased while the level of income remains the same),
- living labour acts as an alternative to material resources (the use of which may be more economically viable). Herewith, such an activity worsens both the social condition (well-being) of a particular subject of labour relations and the macro-social parameters of social reproduction (total employment, use of labour resources, etc.).

In this context, the idea of B. Salikhov looks interesting. He notes that the core of the modern socio-economic theory is property theory, and the theory of property transformation, which studies the laws of appropriation, serves as a tool for resolving contradictions between the ethics of a competitive market and the ethics of society (Salikhov, 2006). In this vein, we are talking about the possibility of establishing the relationship between economic and social efficiency, based on the laws of appropriation.

Speaking about efficiency (both social and economic), we should recall the rule of efficiency proposed by V. Pareto. According to this rule, the optimal state of the system is that the value of each particular criterion describing the state of the system cannot be improved without deteriorating the position of other elements (Blyumin, 1962).

Consequently, based on the logic of optimal equilibria, we can assume the possibility of describing an equilibrium-optimal model of social and economic efficiency based on modern appropriation laws. Since social efficiency is the correspondence of the results of economic activities to the basic social needs of society (Pokropivnii, 2001), it is possible to ascertain the effect of this balance on the efficiency of the entire social system.

Approaching the definition of the logic of equilibrium (balance) of antagonistic indicators characterizing the labour process, it is advisable to dwell on the essence of contradictions, which are displayed in Table 1.

Consequently, any measures aimed at organizational changes in order to increase labour productivity cannot be considered as such unequivocally. We associate the latter with the fact that their social consequences may have a demotivating (or directly opposite) effect. Thus, the growth of productivity, leading to an increase in value added, while worsening the social parameters of the organization does not lead to a general increase in the efficiency of the economic system.

Such a situation can be also considered in a macroeconomic context. Thus, the introduction of new technology in production processes, being a significant factor in increasing productivity, which leads to a reduction in the production cycle. Consequently, the intensity of labour increases, as well as, as a rule, there is an improvement in working conditions. However, on the one hand, there is a release of individual workers, and on the other, responsibility increases (the psychological burden of the operator). In other words: productive employment decreases at the macroeconomic level, and mental stress increases at the level of the worker. All of the above suggests that the overall efficiency of the economic system can be represented by the expression (1)

$$Эф \Leftrightarrow Эк_{эф} + Соц_{эф} + Дух_{эф} \leq 1 \quad (1)$$

At the same time, it should be noted that for practical use of such logic, it is necessary to solve the problem of quantitative measurement of the proposed indicators. As parameters, we propose to use the indicators given in Table 2. It is proposed to determine their quantitative value in the form of coefficients of the ratio of the base period of analysis to the actual one.

In Table 2, we selected indicators that, in our opinion, can have a quantitative expression, and accordingly presented in an index form can characterize the changes taking place. On this basis, we assume that in the case of a general increase in efficiency, the value of $Эф$ (1) should exceed 1. Other indicators can also be used as alternative indicators while having an unambiguous quantitative assessment.

Table 1

The contradictory achievement of social and economic effect

Economic act	Economic effect		Social effect	
	positive	negative	positive	negative
Improving the level of education of workers	The possibility of increasing labour productivity in the future; Improving the quality of work; Reducing the loss of working time (with the expansion of areas of responsibility).	Cost increase; Loss of working time over the diversion of workers to education; Weak predictability of the result.	Improving the image of the enterprise; Increasing employee loyalty; Improving the competitiveness of the organization.	Increasing the competitiveness of workers in the labour market; The growth of social expectations of the employee; The possibility of disclosure of trade secrets as a result of step out.
Reducing physical stress on workers	Salary reduction; Staff reduction; Labour productivity growth.	Costs for production modernization; The need to reassign (dismiss) workers; Increase in depreciation costs.	Reducing risks associated with staff; The growth of internal competition of personnel; Reducing employee fatigue.	The growth of social tension in the team; The possibility of disclosure of trade secrets; The growth of the psychological burden on staff.
Improving the environmental situation	Reduction in the tax burden (fines); Reduction in environmental restoration costs Reduction in employee benefits for working conditions; Possible expansion of the range due to recycled products.	The cost of equipment and training of personnel; Increase in production costs; The cost of staff development; Organization of sales of by-products.	Reduction in the man-made burden on workers and residents; Improving the image of the enterprise; Improving the health of workers and the public.	Possible change in requirements for staff; Possible increase in social tension due to changes in staff structure.
Improving working conditions	Reduction in the cost of social insurance (disability payments); Reduction in the cost of compensation to staff; Tax (fines) cuts.	Costs associated with changes in working conditions; Costs of staff development; Costs for maintaining improved working conditions.	Improving employee health; Improving the image of the enterprise; Reducing physical requirements for employees.	Decreased loyalty as a result of reduced social benefits; Lower wages over the improved working conditions.
Organization of rest (food) of workers	Reducing disability benefits (gastrointestinal problems); Reduction in the loss of working time (due to the precise regulation of time for rest and personal needs); Increasing productivity.	Cost increase; The distraction of leadership to perform secondary tasks; Organization and maintenance of the service system.	Improving the image of the enterprise; Increase in employee loyalty; Improving employee health; Income growth is possible as a result of increased productivity.	Increased fatigue due to greater productivity; Reducing loyalty due to a lack of understanding of advantages; Decreased loyalty over the impression of increased control.
Rise of income	Increased productivity as a result of reduced staff turnover; Growing purchasing power; Possible increase in labour activity (innovations, etc.).	Cost increase; Change in cost structure.	Increased employee interest; The influx of the most qualified and productive workers; Improving the image of the organization.	Reduction in the motivational effect of the additional amount of money; Increasing competition; The deterioration of the social environment as a result of possible reductions (caused by productivity growth); Restrictionism is possible.
Increase in salary differentiation	The growth of motivation and productivity; Improving the efficiency of the use of payroll budget; Possible savings on payments to unproductive workers.	Possible cost increase; There may be problems with trade unions (employees, including the judicial ones); Possible increase in staff turnover.	Increased employee interest; The influx of the most pay-oriented workers; Reducing the value component in the internal relations.	Increased number of conflicts in the staff; Increased emotional stress; Possible deterioration of the image of the organization. Changing the social structure of the staff.
Increase in social satisfaction	Increase productivity by changing attitudes to work.	Increase in expenses; Increasing complexity of the forms and methods of working with staff.	Image enhancement; Increased staff loyalty; Improving the social climate in the organization.	Lack of desire (mood) for change; Increasing social demands and social expectations.

Table 2
Indicators for quantitative estimation of the change in productivity

№ з/п	Economic effect	Social effect	Spiritual effect
1	Return on investment	Working conditions	Labour discipline
2	Labour intensity	Number of sick lists	Satisfaction with the organization
3	Labour productivity	Professional development of employees (advancement)	The number of undesirable actions of employees (by type of action)
4	Gross income	Accident frequency rate	Opportunities for personal growth (number of participants in non-production activities and competitions)
5	Production (labour) cycle duration	Continuity of personnel	The number of decisions made based on employees' recommendations

According to the results of the theoretical analysis, it can be stated that social and economic effects have not only contradictions among themselves but also internal ambivalence. Because of this, conducting a parametric (quantitative) analysis of these indicators is an important task of economics.

4. Equilibrium parameters of economic and social efficiency

Since the quantitative measurement of indicators of economic efficiency in modern literature is sufficiently developed, it is advisable to pay attention to the identification of possible indicators of social efficiency. In this case, indicators that give an idea of the quantitative side of achieved social goals (social results) can serve as criteria. In this case, these indicators should be considered at two levels: micro and macro. At the micro level, such indicators can be the saving of working time (provided that employment and income security are preserved), improvement of working and living conditions, provision of additional social services, housing. At the macro level, social indicators include changes in the consumer price index, improvement of the environment, increased general safety of life, reducing unemployment, an increase in the birth rate, and an increase in the index of social well-being. We attribute the change in the level of income of workers to economic efficiency indicators.

Speaking about economic efficiency, it is necessary to pay attention to the principles of efficiency formulated by Harrington Emerson: precisely set goals; common sense; competent counsel; discipline; fair deal with staff; fast, reliable, complete, accurate, and constant accounting; despatching; standards and schedules; standardized conditions; standardized operations; standard instructions; efficiency reward (Emerson, 1992). Almost all of the above principles are related to the activities of the staff, their competence, common sense, remuneration (that is, the categories disclosed in the framework of assessing social and spiritual effectiveness). We consider possible to use the principles proposed by H. Emerson for reconciling contradictions within the establishment of social and economic efficiency. "Spiritual efficiency, being inextricably linked with the material basis and steadily expanding it, nevertheless, manifests its true essence in the area of the spirit, ..., and not in the material wealth surrounding it, although one does not deny the other, and the first is impossible without the second" (Bokachev, 2000). In our opinion, the culture will occupy a special place in the system of spiritual efficiency. Therefore, it can be assumed that contradictions in the system of social efficiency and economic productivity can be resolved in the process of cultural evolution, provided that they meet the criteria of spiritual efficiency.

Thus, we consider possible to formulate a model to establish a balance (optimum) for individual indicators of aggregate efficiency. The principal model of achieving a balance in the productivity of the production system aimed at maximizing profits and social efficiency criteria is shown in Figure 1.

In our opinion, the main limitation of achieving a balance of economic and social efficiency will be the fact that each specific subject of interaction, seeking to maximize its own interests, is not interested in maintaining the principles of balance. This rule is valid under the condition of ignoring the criteria of spiritual efficiency (first of all, culture).

In this context, attention should be paid to the principle of establishing quantitative indicators of the optimum, which characterizes the optimal (equilibrium) state of the system being analysed. In our opinion, the basis of this balance may be the expression (2).

$$\frac{\Delta C}{\Delta t} \equiv \frac{\Delta R}{\Delta t}, \quad (2)$$

where C – capitalized social effect; R – resulting indicator of economic activity; t – time during which this result was obtained.

According to the results of the analysis, it is possible to formulate the main task of the analysis – to identify changes associated with the violation of the state of optimal balance (equilibrium) between the parameters of economic and social efficiency. Moreover, such a deviation, in our opinion, is undesirable to any of the parties since this, in any case, will adversely affect the parameters of aggregate efficiency.

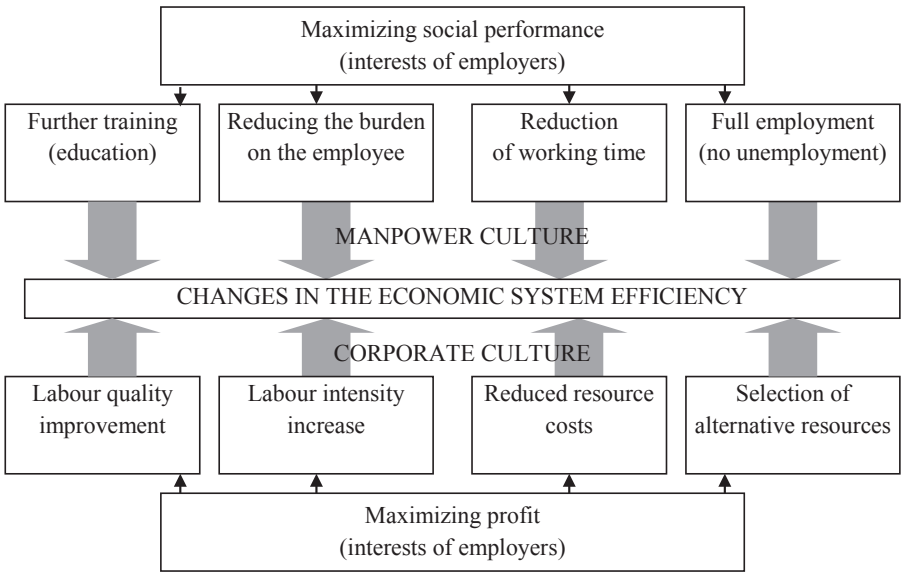

Figure 1. The model of balance (optimality) of interests within the economic system

5. Conclusions

Thus, after evaluating the change in efficiency and determining the optimality level of these changes, it becomes possible to talk about a fair (reasonable) distribution of value added. In a down economy, it is possible to change the parameters of social and economic efficiency in a balanced manner without compromising the interests of one of the groups of participants in the reproduction process.

In the framework of this paper, the logic for assessing the total efficiency of the economic system is proposed. The possibility of determining the balance of interests of subjects interested in increasing labour productivity and subjects focused on increasing its social efficiency is also considered. At the same time, any model should be based on the principle of evaluating a modern economic system by the criterion of aggregate efficiency gains. The use of separate criteria for solving these goals, in our opinion, not only does not correspond to the logic of efficiency but can also lead to violations of the principles of optimality of the entire managerial impact. The resolution of these contradictions is based on the principles of the preservation of spirituality (spiritual efficiency). Such an approach, in our view, is an important way of the entire crisis management system, which has yet to be built under a permanent economic crisis.

As specific management indicators, it is possible to use a parametric deviation of an indicator that reveals the economic interests of employers (owners) and social interests of employees. Parameters of culture (personal, corporate) are an integral element in achieving such a balance. Thus, work in the direction of enhancing the spiritual efficiency of activity is also seen by us as an important managerial task.

As the main applied result, we consider the formulation of an empirical basis for obtaining quantitative data on efficiency parameters. The study contains a formula enabling the analytical determination of the optimal (equilibrium) state of the efficiency parameters of the economic system. It is the monitoring of this indicator that we consider necessary to ensure a fair (reasonable) distribution of value added. The main scientific result of this study is the economic model of monitoring the socio-economic efficiency of the economic system. The formulated model creates the prerequisites for improving (maintaining) the effectiveness of managing the socio-economic development of an organization in terms of permanent economic crisis.

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