Deregulation of economic activities: Domestic realities and foreign experience

Desregulación de las actividades económicas: realidades domésticas y experiencia extranjera.

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ABSTRACT:
The article is devoted to the study of peculiarities of the process of deregulation in Ukraine and the study of foreign experience in the field of deregulation. The relevance of the study of deregulation as one of the most priority directions of the reform of the national economic system is substantiated. The results of deregulation in Ukraine in recent years have been analyzed, the areas covered by deregulation processes and problems in the sphere of deregulation that are in need of an urgent solution are identified. The experience of foreign countries in the field of deregulation and the possibilities of its application in domestic conditions is researched.

Keywords: economic system, state, entrepreneurship, economic activity, regulation, deregulation, decentralization.

RESUMEN:
El artículo está dedicado al estudio de las peculiaridades del proceso de desregulación en Ucrania y al estudio de la experiencia extranjera en el campo de la desregulación. La relevancia del estudio de la desregulación como una de las direcciones más prioritarias de la reforma del sistema económico nacional está justificada. Se analizaron los resultados de la desregulación en Ucrania en los últimos años, se identificaron las áreas cubiertas por los procesos de desregulación y los problemas en la esfera de la desregulación que necesitan una solución urgente. Se investiga la experiencia de países extranjeros en el campo de la desregulación y las posibilidades de su aplicación en condiciones domésticas.

Palabras clave: sistema económico, estado, emprendimiento, actividad económica, regulación, desregulación, descentralización.

1. Introduction

Recently, deregulation has been recognized as one of the priority directions in reforming the national economic system, especially in view of its focus on creating the financial and self-sustainable institution of the local self-government, and ensuring favorable conditions for the dynamic development of the entrepreneurship and, consequently, the decent standard of living for the population of the country.
Despite the emphasis on deregulation of economic activities as the priority direction of reforming the economy, problems in this area remain unresolved, mainly due to inconsistency of the legislation and absence of effective mechanisms for the transfer of powers. In addition, the financial support for implementation of functions that were delegated as a result of deregulation of economic activities remains rather limited. The availability of these problems and other ones actualizes studying peculiarities of deregulation processes in Ukraine, as well as surveys on the leading foreign experience in the field of deregulation with the aim of its subsequent implementation in domestic conditions. This is exactly the assessment of domestic tendencies of deregulation and studying foreign experience of its implementation with a view of its further application in Ukraine that is the purpose of this research.

2. Theoretical basis and methodology

In order to study the essence of deregulation, the methods of formal logic and generalization have been applied, which allowed to reveal the main areas of its application and features of using in the modern conceptual and categorical framework, in the field of regulating economic processes.

The phenomenon of deregulation is studied in the works of many modern researchers. The majority part of them shares one view that it is directly connected with the reform of decentralization of power, which involves expanding freedoms and eliminating barriers for the self-development of territorial communities, districts and regions, and the entrepreneurship, while considering that deregulation can be deemed to be the process of reducing negative impacts of state regulation of the economy aimed at ensuring the decent standard of living for the population, and creating conditions for the sustainable socio-economic development of the country on the basis of eliminating the development barriers (Ivanova O.Yu., & Chechetova-Terashvili T.M., 2016).

The paper [2] substantiates the importance of deregulation as a factor for ensuring the economic security. At the same time, the authors of the paper consider the reduction in (cancellation, termination or abolition of) state regulation of any activities (as a rule – entrepreneurial) as deregulation. They substantiate the necessity of deregulation by the fact that the excessive management centralization and bureaucratization as makings of the State’s excessive interference in activities of business entities (Varnali Z.S., & Panasyuk O.V., 2015) can be considered as causes of critical internal threats to the economic security (corruption, underground economy, capital outflow).

The similar position is stated in the paper [3], the authors of which argue that the reform in the field of deregulation and development of the entrepreneurship involves eliminating excessive regulation of the relationship between the State and business, and excessive control over entrepreneurial activities (Lesko O.Yo., Glushchenko L.D., & Meshcheriakova T.K., 2016). Upon that, the main task of deregulation measures is to reduce the regulatory pressure of the State on business by simplifying procedures, reducing supervisory authorities and frequency of inspections, as well as cancelling unnecessary permissions and licenses, etc.

In the paper [4], the author binds deregulation with operation of the private law regime, under which the business entity can decide, at its sole discretion, on whether to use its rights, or to refrain from actions authorized, that is, it has the right to demonstrate independence of its will and private initiative. The author states that subject to deregulation, one can speak of the existence of a general and permissible type of regulating property and personal non-property relations, based on the legal equality, free expression of will, and property independence of their participants (Sokolova I.O., 2016).

The interesting thing is the study [5], within the framework of which it was established that deregulation could be considered as the refusal (cancellation, weakening, reduction in) of state regulation, decrease (weakening) of state control, reduction in (cancellation of) state regulation of entrepreneurial activities, and creation of the most favorable conditions for the effective functioning of the economy, regulated freedom, and cancellation of barriers for the
In order to identify domestic realities of deregulation processes and to study the leading experience of foreign countries in this area, the methods of the analytical assessment and systematization have been applied that allowed to reveal the main problems of deregulation in Ukraine and to highlight possible directions for their solution.

3. Results

3.1. Domestic realities of deregulation processes in Ukraine

According to the conclusions of experts of the State Regulatory Service (DRS) in Ukraine [6; 7], the wide range of spheres / industries is covered by deregulation processes (Fig. 1). Thus, according to the Order of the Cabinet of Ministers of Ukraine dd. August 23, 2016 № 615-p, the Action Plan for Deregulation of Economic Activities envisaged to take a number of measures until February 20, 2019, connected with simplification of conditions for conducting entrepreneurial activities in the agrarian sector, simplification of administrative procedures for regulating economic activities, and simplification of conditions for conducting entrepreneurial activities in the construction industry, improvement of the procedure for the state supervision (control) over regulation of economic activities, expansion of capacities of business entities to participate in the provision of public services, simplification of conditions for conducting entrepreneurial activities in the oil and gas industry, and using subsoil and electricity, simplification of customs and tax procedures for regulating economic activities and submission of reporting, simplification of conditions for conducting entrepreneurial activities in the areas of information technology and telecommunications, improvement of procedures for the technical regulation of economic activities, and simplification of conditions for conducting entrepreneurial activities in the food industry [8].

According to the analysis of the status of implementing the Action Plan with regard to deregulation of economic activities, as of February 20, 2019, the measures were only partially implemented in the above-listed areas [8].
The State Regulatory Service analyzed the implementation of the Action Plan for Deregulation of Economic Activities in 2018 (Table 1).

<table>
<thead>
<tr>
<th>Responsible authority</th>
<th>Measures</th>
<th>Percentage of implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Planned</td>
<td>Implemented</td>
</tr>
<tr>
<td>State Property Fund of Ukraine</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Ministry of Education and Science</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Ministry of Energy and Coal Mining</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>National Commission for State Regulation of Energy and Public Utilities</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>National Commission for State Regulation of Communications and Informatization</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Anti-Monopoly Committee</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>State Service of Special Communication and Information Protection of Ukraine</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Ministry of Social Policy</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>Ministry of Regional Development</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>Ministry of Finance</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Ministry of Infrastructure</td>
<td>6</td>
<td>0</td>
</tr>
<tr>
<td>Ministry of Interior</td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td>Ministry of Natural Resources</td>
<td>10</td>
<td>9</td>
</tr>
<tr>
<td>Ministry of Agrarian Policy</td>
<td>10</td>
<td>9</td>
</tr>
<tr>
<td>Ministry of Health</td>
<td>11</td>
<td>5</td>
</tr>
<tr>
<td>Ministry of Economic Development</td>
<td>12</td>
<td>9</td>
</tr>
</tbody>
</table>

Note: built by the authors on the basis of [6]

That is, the leaders in terms of the number of deregulation measures implemented in 2018 can be deemed to be the Ministry of Economic Development and Ministry of Agrarian Policy, while the leaders regarding the percentage of the implementation of the planned measures are the State Property Fund of Ukraine, Ministry of Education and Science, Ministry of Energy and Coal Mining, National Commission for State Regulation of Energy and Public Utilities, National Commission for State Regulation of Communications and Informatization,
State Service of Special Communication and Information Protection of Ukraine and Ministry of Finance. The total percentage of the implementation of measures related to deregulation of economic activities is 65.4%, which cannot be considered as a high indicator. At the same time, one can note some improvement in this area; thus, in 2017, the percentage of implementing measures for deregulation of economic activities did not exceed 50%.

In 2018, a number of strategic decisions in the field of deregulation were adopted, in particular:

- The legislation in the sphere of state supervision (control) has been improved (amendments to the Law of Ukraine “On Basic Principles of State Supervision (Control)’’);
- Business entities have been provided access to the market of services in the field of education by introducing the principle “money follow you” (Law of Ukraine “On Education’’);
- Private companies have received possibility to carry out the certification of organic products and exercise control over such products (Law of Ukraine “On Basic Principles and Requirements for Organic Production, Circulation and Marking of Organic Products’’);
- The necessity to register facilities of the oil and gas construction as facilities of the urban development was cancelled (amendments to certain laws of Ukraine concerning the simplification of some aspects of the oil and gas industry);
- The Rules for the provision of access to the infrastructure of telecommunication cable channels have been simplified (the Resolution of the Cabinet of Ministers of Ukraine dd. 04.04.2018 № 253);
- The Rules for the provision of access to the infrastructure of an electricity generation facility were approved (the Resolution of the Cabinet of Ministers of Ukraine dd. 18.07.2018 № 853) [6].

In the previous year, the following results of the implementation of measures with regard to deregulation of economic activities were obtained at the legislative level:

- The mechanism for filing an application in electronic form in order to carry out the state registration of proprietary rights to immovable property by all entities has been settled (the Law of Ukraine “On State Registration of Proprietary Rights to Immovable Property and Their Encumbrances’’);
- The ways for the settlement of issues towards construction facilities have been defined (amendments to the Law of Ukraine “On Regulation of Urban Development’’);
- The conditions for the development and functioning of the area of electronic trust services have been created (the Law of Ukraine “On Electronic Trust Services’’);
- The development of the information society in Ukraine has been ensured (the Law of Ukraine “On Access to Transport and Electric-Power Industry Construction Facilities for the Development of Telecommunication Networks’’);
- The exclusive list of grounds for the cancellation of urban development conditions and restrictions has been determined (the Law of Ukraine “On Amendments to Certain Legislative Acts of Ukraine with Regard to Improvement of the Urban Development Legislation’’);
- The relations arising in the process of provision and consumption of housing and utilities services have been settled (the Law of Ukraine “On Housing and Utilities Services’’) [7].

In the analytical report for 2018, it is stated that the State Regulatory Service of Ukraine prevented the introduction of almost UAH 43.5 billion of the additional burden on business for the year [6]. At the same time, the specialists of the State Regulatory Service concluded that despite the significant value of benefits expected from deregulation, deregulation processes in 2018 were moving at a rather slow pace, while in 2017, among the draft regulatory acts agreed by the State Regulatory Service, each 7th project was aimed at deregulation of economic activities and liberalization of business climate [7].

This can be explained by the presence of a number of problems, among which the main ones are deemed to be the lack of a comprehensive approach to justifying the need for the adoption of regulatory acts, as well as the lack of practice to apply mitigating measures for the micro-entrepreneurship in the introduction of new regulations.

The main obstacles working against deregulation are related to the high level of corruption in power and size of the underground economy, uncontrolled volumes of the capital outflow abroad, proliferation of raider mechanisms for the appropriation of enterprises, bureaucratization of economic activities and their overloading with procedures, and vulnerability of property rights. All these problems hinder deregulation processes and require
the urgent resolution. In view of this, it is interesting to study the leading experience of foreign countries in the field of deregulation with the aim of its further application in Ukraine.

3.2. Foreign experience of deregulation of economic activities

In the paper [9], the general consistent patterns of the evolution of economic processes in the world and changing the role of the State in relation to economic processes have been considered (Ksenofontov M.M., & Ivanko A.V., 2015). Based on the results of the analysis, the table was built.

<table>
<thead>
<tr>
<th>Stage of development</th>
<th>Characteristic</th>
<th>Scientific base</th>
</tr>
</thead>
<tbody>
<tr>
<td>From the XVIII-th century, the Industrial Revolution in England, to the Great Depression of the 1930s of the XX-th century</td>
<td>Free development of the market and, accordingly, the liberal policy of the State with regard to the economic development</td>
<td>The classical economic theory</td>
</tr>
<tr>
<td>From the 1930s to the 1950s</td>
<td>Strengthening of the State’s role in influencing on socio-economic processes and transition to the regulated market, when in different countries the models of the managed market had been practiced</td>
<td>The Keynesian economic theory</td>
</tr>
<tr>
<td>From the 1950s to the 1980s of the XX-th century</td>
<td>Consideration of particularities of using limited resources in the economy and order of distribution of the benefits created</td>
<td>The theory of social welfare, the theory of the general economic equilibrium, and the theory of the social market economy</td>
</tr>
<tr>
<td>From the 1980s of the XX-th century to this day</td>
<td>Awareness of the States’ impossibility to fully perform their assumed social obligations to their citizens; the transfer of a part of their powers through deregulation</td>
<td>The neoclassical direction of the economic theory</td>
</tr>
</tbody>
</table>

As we can see from Table, recently in the economic circles one holds opinions in regard to feasibility of deregulation of the economy. This is due to the controversial nature of consequences of state regulation of the economy, the cyclical nature of the economic development, and the change in political sentiments in society.

At the same time, the theoretical basis of deregulation is the neoclassical direction of the economic theory, which proves the low efficiency and even the harmfulness of state regulation of socio-economic processes, allowing it only if it is the single way to solve the problem and if it is limited in time and not used for political purposes.

Ukraine began its road to building the social market economy with deregulation, which was conditioned by the need for dismantling the command and administrative system. In this case, the desire to take into account experience of foreign countries, adapting it to current realities of the functioning of the domestic economic system, is quite logical. The first steps on this path are made at the state level.

Thus, in 2018, the delegation of the State Regulatory Service of Ukraine took part in the
meeting of the European Better Regulation Network (BRN), which was held in Austria. BRN is the European Network consisting of 87 members from 28 countries, including Ukraine. It was established to share knowledge and experience among its members in the field of better regulation. The members of the Network are representatives of the executive bodies of European countries, who are experts in the field of better regulation [10].

BRN makes its contribution to the European regulatory cooperation by: ensuring a platform for the ongoing dialogue in matters of better regulation; promotion of comparing approaches and practices; providing the member countries with flexible mechanisms for the identification of and adaptation to new and prospective areas and issues related to regulation; assistance in developing a single “language” in matters of better regulation; development of the European legislation and policies.

The State Regulatory Service was invited as a member of the Network to the West, aiming at the search for practical methods and ways to identify the regulatory / administrative burden on business. The key point of speeches was that the problem could be solved only by including in the process of its identification and finding a solution for the parties concerned, first of all – business. In part, the recommendation to take into account the interests of business was introduced in the domestic regulatory practice, since in Ukraine as in Austria it is required to conduct the M-test (the analogue of the Austrian SME-test) when introducing new regulations [10].

In most countries, deregulation is coupled with decentralization. As specified in the paper [11], the basic tendencies and main features of the local self-government reform in the countries of the South and South-Eastern Europe are as follows: in these countries, there is a high risk of the unforeseen side effects; given the multi-nationality of the majority part of these countries, decentralization is often deemed to be a means for reducing the interethnic tension, which does not work in practice; decentralization takes place under the conditions of a chronic crisis of the power legitimacy, absence of the division between the public and private spheres, and “the nominal of the State”, that is, the absence of even the minimal connection between the constitutionally established State and socio-economic and political reality (Kulchitska N.Ye., 2016).

The peculiarity of reforms in the countries of the Central and Eastern Europe is that many small local communities and self-government bodies in the countryside just cannot perform all necessary functions. Sometimes, this problem is solved through strengthening the top level of the local self-government (for example, in Hungary). In addition, the political decentralization sometimes sharply changes the balance of interests of ethnic groups, affecting human rights (as in Russia) (Kulchitska N.Ye., 2016). In view of this, one can conclude that decentralization, and hence, deregulation helps to democratize society, but exclusively in case of its legitimacy, that is, acceptability by all segments of the population.

Taking into account Ukraine’s aspirations for the integration with the European Union, it is expedient to analyze, how deregulation processes in the leading European countries took place.

As specified in the paper [12], the reforms in France concerned to some extent the expansion of the sub-national autonomy, reduction in functions of the central government, weakening of the role of prefects and creation of the autonomous regional level. France, the most centralized state in the past, the number of self-governing units (communes) of which currently reaches 36 thousand, ranks 4th in the world for the economic potential (Kononyuk A.V., & Kiyko N.M., 2012).

This state of affairs is considered by the majority of scientists as regularity. Thus, in the paper [11], the author argues just in principle the following: the richer the country becomes, the more responsibility and resources it transfers to places (Kulchitska N.Ye., 2016).

In general, the public policy of France in the sphere of the local self-government organization is implemented in two main areas: deconcentration – the wider delegation by the State of its administrative functions on the spot, as well as deconcentralization – the transfer by the State of a part of its authoritative powers to local self-government bodies (Kononyuk A.V., & Kiyko N.M., 2012).
Spain is an example of the so-called regional decentralization, when the main results of decentralization are concentrated in the area of transferring powers from the central government to the governments of the autonomous regions. At present, expenses of the autonomous regions make up 35% of the total amount of public expenses of Spain, while only 13% of expenditures are funded through the municipalities (Danylyshyn B.M., & Pylypiv V.V., 2016).

In the United Kingdom, at a certain time, the policy of waiving the state guarantees and the general liberalization for the sake of the spirit of competition, which became to be called by the name of the Head of the Executive at that time – “Thatcherism”, was pursued. Margaret Thatcher was a consistent supporter of the ideas of F.Hayek – one of the main ideologists of libertarianism, and defended his main values: privatization of the state property, minimal state, freedom of competition, and hard monetarism (Romanovskaya O. V., 2018).

The reforms implemented in Poland made it possible to form the holistic system of public administration based on the broad decentralization. Thus, all three levels of the administrative-territorial structure of the State are represented by the bodies of the territorial self-government: bodies of the local and regional self-government. The discrete role was allotted to decentralization of power as an “important component of the political reform owing to the role it can play in control of the inflationary pressure and increasing the rates of economic growth and counteracting corruption” (Kononyuk A.V., & Kiyko N.M., 2012).

Generally, in most EU member countries, over the past few decades, the processes of strengthening the subnational management levels occurred, but under different schemes. For example, in Denmark, since 2007, the local self-government system has been further strengthened by consolidating territorial communities and attaching the reliable sources of revenues to them. The reform of enhancing the municipal level has also been implemented in Finland, but for the account of voluntary community associations (Danylyshyn B.M., & Pylypiv V.V., 2016).

Latvia started the process of reforming the local self-government on the basis of decentralization of power immediately after the restoration of independence; however, the issue arose towards the fragmentation of the administrative-territorial units, which hampered the transfer of powers from the center to the local level. That is why in 1993, the concept of the self-government reform was adopted, which identified three major reforms of the spheres that are tangent to the comprehensive reform of the local self-government: legal reform, financial reform, and administrative-territorial reform (Lushagina T., & Solovyova A., 2016).

The cessation of the excessive state regulation has become the main trend in the development of organizing the public power in Russia in the last 10 years. Since the announcement of the administrative reform in 2003, the State has been engaged in the search for excessive functions and refusal to perform them (Romanovskaya O.V., 2018).

In Table 3, the information is provided about the areas covered by deregulation in some countries.

<table>
<thead>
<tr>
<th>Country</th>
<th>Areas covered by deregulation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Russia</td>
<td>Areas of the economy, except for those that require the increased attention on the part of regulation (education, banking sector, healthcare, etc.).</td>
</tr>
<tr>
<td>Austria, Poland</td>
<td>Various areas of the economic life, except for the banking and insurance market, the investment market, the lending market, the area of electronic money circulation, and leasing.</td>
</tr>
<tr>
<td>France</td>
<td>Financial area, provision of separate joint services, establishment of an inter-municipal</td>
</tr>
</tbody>
</table>
As the study of deregulation peculiarities in different countries has shown, Finland has the most extensive list of applying deregulation in the social area, and in the financial one, France has. In Latvia, Denmark and Spain, deregulation focuses mainly on the administrative-territorial structure and regional policy. In further research, it will be interesting to study the development rates exactly in these areas and in these countries, namely to establish the fact, whether these areas show the most effective development in implementing deregulation, which will indicate its significance and expediency.

Thus, both in Ukraine and other countries of the world, deregulation is applied in various areas of life and, if it is reasonably applied, it can contribute to improving conditions for the functioning of the economy as a whole.

### 4. Conclusions

Based on the analysis of foreign experience, it is possible to distinguish the main ways of implementing deregulation reforms in Ukraine:

- the division of powers, rights and obligations of different levels of government, in accordance with the essence of the legal and democratic State and civil society, which will allow to achieve a balance of interests in the system of public relations;
- development and implementation of the effective regional policy aimed at ensuring the uniform local and regional development;
- ensuring the implementation of the principle of subsidiarity as a way of overcoming the conflict of interests between local executive authorities and local self-government bodies;
- implementation of the administrative-territorial reform with ensuring the preservation of the State’s integrity and its unitary system;
- ensuring the empowerment of territorial communities in solving problems of their life sustenance;
- implementation of the budget reform taking into account the national and local interests.

### References


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