

## GOVERNANCE BY NATIONAL ECONOMY

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### DEVELOPMENT OF COMPETITIVE ECONOMY AS THE BASIS OF STRENGTHENING THE SUSTAINABILITY OF DEMOCRACY IN UKRAINE

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#### Abstract

The article analyzes the current stage of socio-economic and political development of Ukraine, which is due to the full-scale invasion of Russia. It is shown that the damage caused by the war requires a systematic approach and the formation of a unified strategy for the economic development of the state, aimed at restoring the economy and infrastructure, attracting investment for such recovery and economic development. It is substantiated that it is the development of a competitive economy that is the basis for overcoming the existing economic problems, and their gradual solution will contribute to political development and strengthening the stability of democracy in Ukraine.

The aim of the article is to analyze the development of a competitive economy as a basis for strengthening the stability of democracy. A single Reform Plan until 2027, developed by the government, which provides for the creation of a new roadmap for reforms based on the Concept of Strengthening the Resilience of Democracy proposed by the President of Ukraine, is analyzed.

The Investment Map of Ukraine is analyzed. Developed by the European Business Association and Global Business for Ukraine to attract large-scale investments, which provides information about the regions and projects available in them with a description of the initiators, the amount of funding and investment opportunities.

It is shown that the key to the economic development of Ukraine in the conditions of war is a set of measures to implement such strategic tasks as restoring the economy and infrastructure with the involvement of citizens and increasing wages for the performance of socially useful works; a systematic approach to the formation and presentation of a map of investment projects for potential investors (including for attracting foreign investment); focusing on the development of the latest technologies and the creation of industrial parks, which can become a catalyst for the development of regions and the country as a whole. The successful implementation of these steps will contribute to the strengthening of the Ukrainian state and the strengthening of the resilience of democracy.

**Keywords:** economic development, economic recovery, competitive economy, resilience of democracy.

**JEL:** O52, H61.

## **Introduction**

The current stage of socio-economic and political development of Ukraine is due to the full-scale invasion of Russia. The damage caused by the war requires a systematic approach and the formation of a unified strategy for the economic development of the state aimed at restoring the economy and infrastructure, attracting investment for such recovery and economic development. It is the development of a competitive economy that is the basis for overcoming existing economic problems. And the gradual solution of the latter will contribute to political development and strengthening the resilience of democracy in Ukraine.

The purpose of the scientific article is to analyze the development of a competitive economy as a basis for strengthening the stability of democracy.

## **Research methodology**

The methodological basis of the study is a systematic approach, analysis of documents and mechanisms for the development of a competitive economy of Ukraine in modern conditions. The factual basis of the study is information on the development of a competitive economy, state programs and projects aimed at achieving such goals as recovery and economic development.

## **Statement of the main material**

The Roadmap of Reforms adopted by the Cabinet of Ministers of Ukraine in peacetime provided for economic development as one of the main areas of reforms. The latter, in turn, included 10 vectors: improving the business climate; efficient state-owned enterprises; energy security; infrastructure reform; land reform; reform and development of the financial sector; environmental policy; subsoil use reform; development of the military-industrial complex and support small and medium-sized enterprises (Cabinet of Ministers of Ukraine, 2023a). In the conditions of war and the need to protect our state, the key priorities for the development of Ukraine have become: national security, social security and reconstruction of the country, for which the state budget for 2023 provides the largest amount of funding (Verkhovna Rada of Ukraine, 2022). In particular, state and defense spending in 2023 increased 57 times compared to 2014 (Word and Deed, 2022) and by 37.4% compared to 2022. In the budget for 2023, spending on national security and defense amounted to almost 50%.

On November 2, 2023, the Cabinet of Ministers approved the draft Law "On the State Budget of Ukraine for 2024" for the second reading (Accountant.ua, 2023). As stated in the document "Indicators of the State Budget for 2025-2026", posted on the official website of the Ministry of Finance of Ukraine, "in the medium term, the state's resources will primarily be directed to strengthening defense capabilities, restoring the territorial integrity of Ukraine, as well as rebuilding regions and territories affected by armed aggression against Ukraine" (Ministry of Finance of Ukraine, 2023). As the main condition for stimulating the socio-economic development of the regions of Ukraine, the document notes the restoration of social and critical infrastructure, as well as public and residential facilities destroyed as a result of Russia's armed aggression.

According to the Prime Minister of Ukraine, Denys Shmyhal, the Government has started work on a single Reform Plan until 2027 (Cabinet of Ministers of Ukraine, 2023h), which envisages the creation of a new roadmap for reforms based on the Concept of Strengthening the Resilience of Democracy developed at the initiative of President of Ukraine Volodymyr Zelenskyy (Cabinet of Ministers of Ukraine, 2023d).

The main goals of the future Reform Plan, according to D. Shmyhal, are: "development of state institutions, development of a competitive economy and strengthening of interaction between the state, business environment and civil society" (Cabinet of Ministers of Ukraine, 2023h). According to the Prime

Minister, reforms should become the foundation of Ukraine's victory and the key to successful recovery and growth. This statement is certainly worth agreeing with. In our opinion, it is the development of a competitive economy that will become the basis for strengthening the stability of democracy in Ukraine.

In order to attract large-scale investments, the European Business Association and Global Business for Ukraine, together with Ukraine Invest, launched the Investment map of Ukraine (<https://investmentmap.com.ua/ua/main-ua/>). The map is an interactive platform showing a wide range of investment projects in various sectors that will facilitate investment in Ukraine. The map provides information about the regions and the projects available in them with a description of the initiators, the amount of funding and investment opportunities.

According to A. Derevyanko, EBA Executive Director and co-founder of GB4U, "Ukraine's investment potential is enormous, although temporarily weakened by the war. Even in such difficult conditions, we see that the country's economy continues to work, there is an interest of existing and new investors in a number of sectors. Yes, I understand, perhaps not every investor is ready to invest, nevertheless, it is already necessary to study potential opportunities, look for partners to work with, etc. To do this, in fact, we launched the Investment Map – a convenient tool for selecting relevant investment projects. After all, we should think about the future now, because after the Victory of Ukraine, there will be much more people willing to invest, and the financial threshold for entry will be much higher!" (European Business Association, 2023).

The map shows 140 projects with a total value of \$4.7 billion. USD.

Projects on the site are placed in two categories: by region and by sector of the economy. In particular, according to the second criterion, the following groups of startups are distinguished: agriculture (14 projects); administrative and support services (14 projects); construction (9 projects); development and education (6 projects); mining (7 projects); food and processing industry (9 projects); fuel and energy (16 projects); health care (5 projects); heavy industry (12 projects); industrial park (9 projects); light industry (1 project); tourism (5 projects); transport and logistics (6 projects); waste management (4 projects); IT (1 project).

A separate section on the site highlights projects that provide for the reconstruction of Ukraine. It is on them that it is necessary to focus the attention of future investors.

During the Government meeting on October 27, 2023, a number of important decisions were adopted, the implementation of which will allow the implementation of the policy of economic recovery and development and financing of key budget expenditures.

In particular, it was decided to attract USD 1.2 billion from the International Bank for Reconstruction and Development to support the social sphere. Prime Minister Denys Shmyhal notes: "These are funds guaranteed by the Government of Japan, which we will direct to the social protection of Ukrainian families and children, social protection of people with disabilities and other important social programs" (Cabinet of Ministers of Ukraine, 2023b).

The Government also envisages an effective policy of involving Ukrainians in the reconstruction of the country. Thus, within the framework of the "Army of Restoration" project, the remuneration for the performance of community service was increased by one and a half times – up to UAH 10,050.

According to Yuliia Svyrydenko, First Deputy Prime Minister of Ukraine and Minister of Economy, "The Recovery Army is a project that we launched last fall in order to financially support people who have temporarily lost their jobs. We provide them with the opportunity to join the performance of community service and receive payment from the state in the amount of the minimum wage. For almost a year of this project, more than 62,000 unemployed people in 19 regions have been involved in such work" (Cabinet of Ministers of Ukraine, 2023c).

A further increase in remuneration for such work is envisaged – from January 1, 2024 to UAH 10,650, and from April 1, 2024 – to UAH 12,000. In our opinion, such measures will contribute to the intensification of citizens' participation in recovery projects, help reduce unemployment and contribute to the economic recovery of the war-affected regions and thereby equalize the economic development of the regions.

An important aspect of such a program is that the types of community service depend on the needs of a particular region. It is the leadership of the regions that determines their list and the scope of the need for workers and transfers them to the Employment Center.

The most popular types of work include: restoration of residential buildings, transport routes, railways and dismantling of rubble, arrangement of basements for shelters, construction of protective structures, ensuring the livelihood of citizens affected by hostilities, weaving camouflage nets, assistance in caring for wounded servicemen, packaging and delivery of humanitarian aid, harvesting firewood for the needs of the army and civilians, etc.

For the period of work, a fixed-term employment contract is concluded with employees, which provides guarantees of their labor rights.

One of the important problems for the restoration of territories and the development of agriculture is mined areas. As of October 2023, according to the Deputy Minister of Internal Affairs of Ukraine Bohdan Drapiaty: "approximately 174 thousand hectares were potentially contaminated with explosive objects, including 14 thousand km<sup>2</sup> of water areas of rivers, reservoirs and reservoirs of Ukraine, coastal waters of the Azov and Black Seas, i.e. 30% of the territory of Ukraine" (ZN.ua, 2023).

Demining of such areas, according to Time, may take about 757 years (Time, 2023).

An important step towards solving this problem is the work of Ukrainian inventors, who developed and manufactured the first machine for preparing the soil for demining, which is certified and was presented on October 27, 2023, on the basis of the Interregional Center for Humanitarian Demining and Rapid Response of the State Emergency Service.

The equipment was purchased at the expense of the regional budget of the Kharkiv region and handed over to the sappers of the State Emergency Service of the Kharkiv region. By the end of November, the regional leadership plans to purchase another such machine.

According to Yuliia Svyrydenko, First Deputy Prime Minister of Ukraine, Minister of Economy of Ukraine: "This is a good example for all domestic inventors and manufacturers. An example of the fact that the interaction of state, local authorities, and manufacturers gives a quick result. An example of the fact that the state is interested in developing and scaling up the production of Ukrainian machinery and equipment for demining. We will contribute in every possible way to such development, as well as the localization of the production of foreign equipment on the basis of Ukrainian enterprises" (Cabinet of Ministers of Ukraine, 2023f). This statement is certainly worth agreeing with.

In our opinion, industrial parks are also of strategic importance for economic recovery and development.

The Cabinet of Ministers of Ukraine has formed the Register of Industrial Parks of Ukraine, which currently includes 70 parks, the potential of which is difficult to overestimate, they provide for the creation of a significant number of jobs and the restoration of industry, which is extremely important in today's conditions. Thus, on October 27, 2023, by the decision of the Government, the VinIndustry Industrial Park, the creation of which was initiated by the Vinnytsia City Council, was included in this register. On an area of 13 thousand hectares. hectares should operate enterprises of the processing industry (in the areas of waste recycling, information and electronic communications, scientific and technical activities). The initiators of the creation of the park predict the formation of 800 jobs thanks to the park (Cabinet of Ministers of Ukraine, 2023e). The main task of VinIndustry is to attract companies with the latest processing technologies.

## Conclusions

Thus, the key to the economic development of Ukraine in the conditions of war is a set of measures to implement such strategic tasks as restoring the economy and infrastructure with the involvement of citizens and increasing wages for the performance of socially useful works; a systematic approach to the formation and presentation of a map of investment projects for potential investors (including for attracting foreign investment); focusing on the development of the latest technologies and the creation of industrial parks that can become a catalyst for the development of regions and the country as a whole. The successful implementation of these steps will contribute to the strengthening of the Ukrainian state and the strengthening of the resilience of democracy.

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