

V. Yefremenko,
PhD (Public Administration),
Donbas National Academy of Civil Engineering and Architecture, Kramatorsk,
ORCID 0000-0003-4407-0767,

O. Gavrysh,
PhD (Pedagogy),
Donbas State Pedagogical University, Sloviansk,
ORCID 0000-0003-3468-2583

MAIN PRINCIPLES OF POST-CONFLICT RESTORATION OF THE ECONOMIC STATUS OF DONBAS

Introduction. For the restoration of the Ukrainian economy, the country must overcome the military situation and Russian aggression. In order to do this, one must adhere to the principles of non-use of force and threat of force, territorial integrity of the state, the inviolability of state borders, the end of the war, and the ways to establish peace and stability in the Donbas region must be sought. It is very difficult, but it is a prerequisite for restoring Donbas and rebuilding the national economy on the European basis.

For establishing of relations with foreign investors and international organizations, it is necessary to put an end to hostilities as soon as possible in order to attract investments in the native economy and receive preferential loans for housing, industry and communications renewal. In order to expand cooperation with international organizations, it is necessary to have clear actions of the Ukrainian authorities giving guarantees to foreign investors.

Analysis of recent researches. Such scholars as Volinchuk U.V., Kryvyazyuk I.V., Lyashenko O.M., Maslak O.I., Talover V.A., Chernova O.V. and others have engaged in research on economic recovery and analysis of macroeconomic indicators that demonstrate Ukrainian position in international rankings.

The objective of the article is to analyze the main macroeconomic indicators that show the state of Ukrainian development and determine the basic principles of post-conflict restoration of the economic status of Donbas.

Presentation of the main research material. Unfortunately, now most of Donbas enterprises are not competitive, have an outdated technological base, therefore foreign investors are unlikely to invest their capital in such businesses. It is necessary to restore the Donbas economy through the modernization and reconstruction of surviving profitable enterprises and the construction of new businesses on the up-to-date base. Under such conditions, international financial assistance can be obtained, which may be the impetus for a large-scale diversification of the regional economy.

But there are no grounds to overcome quickly the systemic crisis, as demonstrated by, for example, the

former Yugoslav states, as well as states that, in the post-war period, showed the phenomenon of the «economical miracle». The reason is the ideological position and the internal state of those people in power who are not interested in changing the «rules of the game» at the Ukrainian market and the transition to EU standards, which will create conditions under which the oligarchic business will become uncompetitive.

To do this, it is necessary to destroy the oligarchic systems, to build new ones based on the trust relations between the authorities and the developed civil society in the political, legal and economic spheres.

Nowadays this task is difficult to implement. One can destroy the oligarchic business by creating the competitive market environment, which is possible through the attraction of foreign direct investment. Such investments will rebuild outdated resource and energy-intensive production technologies and start technological and innovative modernization of the industry.

Thus, the new Strategy for the Development of Ukraine («Strategy 2020») provides for appropriate measures, in particular, it is planned to increase the inflow of direct foreign investments to \$ 40 billion within five years, which is on average \$ 4-5 billion a year [5].

So, since independence, Ukraine has been expected to undergo major transformations and trials. First of all, it is the counteraction to the military conflict and its end, the transparency and de-bureaucratization of the economy. An important role is played by the democratic renewal of society, the integral parts of which are the observance of basic human rights and freedoms guaranteed by the Constitution of Ukraine, legality, the fight against corruption, and ensuring of social justice.

The dynamics of macroindicators in Ukraine after 2014 corresponds to the general trends of the behavior of the national economy in the context of responding to the military conflict [8]. We consider and analyze the position of Ukraine in international ratings (Table 1) [6; 7].

Having analyzed the Table 1 it is possible to draw the following conclusions. Global Competitiveness Index is a large-scale scientific research carried out by the World Economic Forum. The result of this research

is the ranking of countries in terms of economic competitiveness. The position of Ukraine in the Global Competitiveness Index in 2017-2018 is 81st among 137 countries [7]. Switzerland, Singapore, and the United

States hold leadership in the world ranking according to the Competitiveness Index for 2017-2018. The closest neighbours of Ukraine are Cyprus, Namibia, Greece, Honduras.

Table 1

The position of Ukraine in international ratings

Name of the rating	Place of Ukraine in the ratings							
	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
Global Competitiveness Index	89	82	73	84	76	79	85	81
Index of doing business	147	149	152	137	112	96	83	76
Index of Economic Freedom	162	164	163	161	155	162	166	150
Investment attractiveness Index	2,57	3,28	2,18	2,12	1,87	2,57	2,88	3,15

In 2017, our country took the 150th place in the ranking of the Index of Economic Freedom among 180 countries and recognized as a country with the suppressed economy. In other words, Ukraine is on the last place among 43 European countries. The mean score of Ukraine is lower than the average in the world and, according to the classification, belongs to the group of countries with the «non-free economy». It should be noted that, besides Ukraine, this list includes 25 countries, including such post-Soviet countries as Belarus, Uzbekistan, Turkmenistan. Among the components of the Index of Economic Freedom, only one indicator of «financial freedom» showed positive dynamics, while the remaining indicators were marked by a negative trend.

The most significant changes, compared to 2005, were recorded in terms of freedom of business, freedom of trade and monetary freedom, and the index of freedom from corruption improved to a small extent. Among the indicators that led to the deterioration of the index are tax freedom, public expenses, freedom of investment, financial freedom, protection of property rights and freedom of labour relations [2].

Also the important indicator is the Investment Attractiveness Index, which means an assessment of the investment attractiveness of Ukraine conducted by the European Business Association and is based on the characterization of the investment climate as a set of political, economic, legislative, regulatory and other factors, which ultimately determine the degree of risk of capital investment and the possibility their effective use [3]. The level of investment attractiveness of Ukraine according to this index is on the lowest positions in the history of the research. Based on data from Table 1, from 2010 to 2017, the highest level of investment attractiveness index is observed in 2011 – 3.28, the lowest is, of course, in 2014 – 1,87, but in 2017 the index was 3.15.

The specificity of the war on the territory of Ukraine, which has signs of an interstate conflict with the support of one of the state of armed formations in the territory of another state, allows us to conclude that

in Ukraine it is possible to increase the inflow of foreign direct investment. For example, export figures for 2016 did not increase, although their growth should have been observed.

In order to overcome the consequences of the war, the investment climate and the level of investment and ownership must be reformed in the economic sector. The government should pay attention to the risks of post-conflict trade imbalances when imports show growth and exports are falling (the case of Sierra Leone, Rwanda). This was demonstrated by Ukraine in 2016 [4].

But the focus on the restoration of the Donbas at the level of the standards of the pre-conflict period is fundamentally unacceptable. The level of post-conflict reconstruction of the region should be achievable and consistent with the material, technical, financial and personnel capabilities of the state. The reconstruction and development of the Donbas region should become the national project for the modernization of the state infrastructure and economy.

In the first stages, the restoration of public funds should be directed at the reconstruction of infrastructure and life support systems. The main priorities in the renovation and reconstruction of the housing stock are the efficiency of investments and the reasonable minimization of costs depending on the degree of damage.

First of all, it is necessary to restore damaged and destroyed water supply and sewage systems, which is the main priority of ensuring the ecological safety of Donbas and the needs of drinking water supply. The main task for the transport and communications restoration of the region is the reconstruction and building of highways and provision of broadcasting on the territory of the Donbas region.

Building up of the up-to-date industry involves focusing on the neo-industrial modernization of enterprises of the traditional branches of the regional specialization: fuel and energy complex, ferrous metallurgy, chemical industry, mechanical engineering, etc.

Suppliers and consumers of coal fuel should become partners of economic networks. Precisely to this

fact apply the theoretical and practical achievements of Elinor Ostrom, Nobel Prize winner in economics. Thus, coal-fired consumers who are unable to do without state-owned coal mines must take on investment obligations with regard to their modernization and sustainable development. The experience of Japanese power engineers and coal mines can be seen after the accident at the Fukushima NPP in Japan, there was a need to re-open the coal TPP. Fuel had been found in the closest coal companies on Sakhalin Island, so the Japanese agreed to invest in local mines to get the required fuel.

Also, the restoration of the Donbas territories should take place under conditions of fiscal decentralization, which should ensure the effectiveness of the mechanism of budgetary regulation of the socio-economic development of Donbas and the expansion of the rights of local authorities, strengthening their budgetary autonomy and responsibility.

We study the main principles of post-conflict recovery, which allows determining the world experience in resolving the problems of restoring the territory that was damaged after military operations [1]:

1) it is necessary to minimize costs efficiently, but resource savings should not exceed the priorities of post-war recovery;

2) on the basis of the investment efficiency criterion, to combine the construction of new buildings and the reconstruction of old objects;

3) before construction of new buildings it is necessary to plan the territories of settlements comfortably;

4) it is necessary to maintain the pace of improvement of post-war rehabilitation programs;

5) it is necessary to have co-operation of government and independent experts, to support the partnership of local self-government with public organizations and international financial organizations.

Conclusions and perspectives of further research. The interaction of external and internal factors leads to the collapse of the Ukrainian economy. The main external factors of the negative influence are the war on the territory of the state, among the internal ones there is the lack of a comprehensive approach of the government to improving macroeconomic indicators, the combination and mutual reinforcement of which leads to negative effects of economic development. As a result, there is a sharp drop in GDP and accelerating the pace of inflation. Reducing production volumes against the background of inflationary and devaluation processes have a negative impact on the export dynamics. The domestic political problems and tensions in the region also aggravate the investment climate. Total corruption and inappropriate business conditions lead to an outflow of investments. In the absence of measures to stabilize the situation, further decline in industrial production will continue, while GDP will reduce more than expected scenario.

Considering the broad program of necessary reforms, the key issue remains the ability of the government to implement all necessary reforms quickly and correctly. To make the economy work, it is necessary to increase the purchasing power of Ukrainians and to focus on domestic consumption, providing work places and raising wages. As opposed to, «imitative» economic reforms are limited to fulfilling the IMF and the political requirements of donor countries, as well as to raising tariffs in order to obtain another credit tranche.

So, Ukraine faces many obstacles and challenges towards improving economic indicators. The state will have to solve a wide range of urgent problems related to the development of the effective model of crisis management of economic relations in order to mitigate as far as possible the effects of the negative impacts and imbalances of economic policy-making mechanisms.

The world experience of restoring territories after a military conflict shows that in the in the initial period of rehabilitation, most of the public spending will be sent to the restoration and reconstruction of infrastructure and life support systems.

The Donbas Recovery and Development Program should become a national project for the comprehensive modernization of the economy and the restoration of Ukraine's infrastructure. For its successful implementation should be involved not only public funds and international assistance, but also mobilized resources of Ukrainian business.

Literature

1. **Державна** стратегія регіонального розвитку на період до 2020 року: Постанова Кабінету Міністрів України від 6 серпня 2014 року № 385. URL: <https://zakon.rada.gov.ua/laws/show/385-2014-п>.
2. **Крив'язюк І.В.**, Волинчук Ю.В. Україна в міжнародних економічних рейтингах: посткризові синдроми чи апокаліпсис? *Актуальні проблеми економіки*. 2014. № 10 (160). С. 56-62.
3. **Маслак О.І.**, Таловер В.А. Комплексна оцінка інвестиційної привабливості країни. *Економічний форум*. 2016. № 3. С. 51-59.
4. **Оцінка** відновлення та розбудови миру, аналіз впливу кризи та потреб на східній Україні у 2015 році. URL: http://www.un.org.ua/images/RPA_V1_Ukr.pdf.
5. **Стратегія** розвитку Донецької області на період до 2020 року. URL: http://dn.gov.ua/wp-content/uploads/3_Strategiya-2020.pdf.
6. **Сушко К.В.**, **Чернова О.В.** Місце України у глобальних економічних рейтингах. *Економіка і суспільство*. 2017. Вип. №9. С. 110-114.
7. **Україна** в глобальних рейтингах. URL: <https://www.prawda.com.ua>.
8. **Як** військові конфлікти впливають на економіку. URL: <https://mind.ua/openmind/20173685-yak-vijskovi-konflikti-vplivayut-na-ekonomiku>.

References

1. Derzhavna stratehiia rehionalnoho rozvytku na period do 2020 roku: Postanova Kabinetu Ministriv Ukrainy vid 6 serpnia 2014 roku № 385 [State Strategy of Regional Development for the Period till 2020: Resolution

of the Cabinet of Ministers of Ukraine dated August 6, 2014 No. 385]. (n.d.). *zakon.rada.gov.ua*. Retrieved from <https://zakon.rada.gov.ua/laws/show/385-2014-p> [in Ukrainian].

2. Kryviziuk I.V., Volynchuk Yu.V. (2014). Ukraina v mizhnarodnykh ekonomichnykh reitynhakh: postkryzovi syndromy chy apokalipsys? [Ukraine in international economic rankings: post-crisis syndromes or apocalypse?]. *Aktualni problemy ekonomiky – Actual problems of the economy*, 10 (160). pp. 56-62 [in Ukrainian].

3. Maslak O.I., Talover V.A. (2016). Kompleksna otsinka investytsiinoi pryvabylosti krainy [Comprehensive assessment of the investment attractiveness of the country]. *Ekonomichni forum – Economic forum*, 3, pp. 51-59 [in Ukrainian].

4. Otsinka vidnovlennia ta rozbudovy myru, analiz vplyvu kryzy ta potreb na skhidni Ukraini u 2015 rotsi [Assessing the recovery and build-up of peace, analysis of the impact of the crisis and needs in eastern Ukraine in 2015]. (n.d.). *www.un.org.ua*. Retrieved from http://www.un.org.ua/images/RPA_V1_Ukr.pdf [in Ukrainian].

5. Stratehiia rozvytku Donetskoï oblasti na period do 2020 roku [Strategy of development of the Donetsk region for the period till 2020]. (n.d.). *dn.gov.ua*. Retrieved from http://dn.gov.ua/wp-content/uploads/3_Strategiya-2020.pdf [in Ukrainian].

6. Sushko K.V., Chernova O.V. (2017). Mistse Ukrainy u hlobalnykh ekonomichnykh reitynhakh [Ukraine's place in global economic ratings]. *Ekonomika i suspilstvo – Economics and Society*, issue 9, pp. 110-114 [in Ukrainian].

7. Ukraina v hlobalnykh reitynhakh [Ukraine v hlobalnykh reitynhakh]. (n.d.). *pravda.com.ua*. Retrieved from <https://www.ppravda.com.ua> [in Ukrainian].

8. Yak viiskovi konflikty vplyvaiut na ekonomiku [Yak viiskovi konflikty vplyvaiut na ekonomiku]. (n.d.). *mind.ua*. Retrieved from <https://mind.ua/openmind/20173685-yak-viiskovi-konflikty-vplyvaiut-na-ekonomiku> [in Ukrainian].

Ефременко В. В., Гавриш О. Г. Основні принципи постконфліктного відновлення економічного стану Донбасу

Визначено основні принципи постконфліктного відновлення економічного стану Донбасу, проаналізо-

вано деякі макроекономічні показники (індекс глобальної конкурентоспроможності, індекс ведення бізнесу, індекс економічної свободи, індекс інвестиційної привабливості), які демонструють позицію України в міжнародних рейтингах за останні роки, надано пропозиції щодо вирішення проблем відновлення постконфліктних територій.

Ключові слова: воєнний конфлікт, відновлення, економічний стан, міжнародний рейтинг, інвестиційна привабливість, Донбас.

Ефременко В. В., Гавриш Е. Г. Основные принципы постконфликтного восстановления экономического состояния Донбасса

Определены основные принципы постконфликтного восстановления экономического состояния Донбасса, проанализированы некоторые макроэкономические показатели (индекс глобальной конкурентоспособности, индекс ведения бизнеса, индекс экономической свободы, индекс инвестиционной привлекательности), которые демонстрируют позицию Украины в международных рейтингах за последние годы, даны предложения по решению проблем восстановления постконфликтных территорий.

Ключевые слова: военный конфликт, восстановление, экономическое состояние, международный рейтинг, инвестиционная привлекательность, Донбасс.

Yefremenko V., Gavrysh O. Main principles of post-conflict restoration of the economic status of Donbas

In the article main principles of post-conflict restoration of the economic status of Donbas are defined; some macroeconomic indicators are analyzed (Global Competitiveness Index, Index of doing business, Index of Economic Freedom, Investment attractiveness Index) which demonstrate the position of Ukraine in international ratings in recent years; proposals are made to resolve the problems of restoring post-conflict areas.

Keywords: military conflict, restoration, economic status, international ratings, investment attractiveness, Donbas.

Received by the editors: 20.08.2018
and final form 14.12.2018