

Платформа 2. АДАПТАЦІЯ ВИЩОЇ ОСВІТИ ДО ПОТРЕБ СМАРТ-ЕКОНОМІКИ НА ЗАСАДАХ СУСПІЛЬНИХ ЦІННОСТЕЙ

UDC 330.101.541

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MANAGING THE SHADOW ECONOMY OF UKRAINE IN POST-WAR RECOVERY

The negative impact of the shadow economy is reflected in all stages of social production, and also distorts the foundations of fair competition, reduces revenues to budgets at all levels, and provokes corruption. During the military actions, Ukraine should be especially active in combating tax evasion and speculation, but after the end of the war, the problems of the shadow economy will remain and will require even greater regulation. Currently, for Ukraine, the fight against the shadow economy is a mandatory condition for joining the EU.

The functioning of the shadow economy in Ukraine is traditionally aimed at obtaining the following forms of income:

concealment from taxation;

illegal export of capital and goods;

corruption;

illegal production of goods and services and their implementation;

theft of state property;

fraud in the financial and credit sphere;

criminal activity of economic subjects (drug business, theft and robbery, racketeering, etc.);

artificial underestimation of fixed and regulated prices for goods and services due to the use of "shadow" prices

[1].

During the war the shadow sector makes up approximately 50% of the entire economy of Ukraine, providing people with work and income, as well as performing the role of social support. Attempts to ban and even directly suppress shadow activities did not work in Ukraine. One of the reasons for this is that the traditional "semi-shady" way of conducting business and receiving income of citizens before the war gave the authorities additional leverage over them, in order to ensure political loyalty and economic support of the authorities by the population. This made the authorities not interested in creating a more transparent economic environment [2]. The shadow economy in Ukraine has fundamental prerequisites. First, there are heterogeneous taxation conditions, when some physical and legal entities pay all taxes, while others enjoy benefits. Those enterprises and others, which have to pay taxes in full, try to go into the "shadow" because of the tax burden. As a result, the more economic players move to the shadow economy, the more the tax burden falls on those who continue to work "whitely" and transparently. Secondly, it is a low level of trust in institutions, regulatory pressure and the level of monopolization. In a monopolized economy, smaller businesses move to the shadow economy to minimize taxes and not lose out to monopoly businesses in the market. Accordingly, the first actions after the war to minimize the shadow economy in Ukraine are demonopolization and simplification of regulatory procedures, as well as digitization of the main management processes. At the same time, it is necessary not to raise taxes, but to create a starting equilibrium point of taxation from lower to higher. However, after the war, in order to successfully regulate the shadow economy, the government can raise tax rates, excises, duties and fees, such taxation will fall on those economic entities that can cope with it. This method is more effective in terms of both capital distribution and social solidarity. Currently, the personal income tax in Ukraine is the same for everyone and is 18%. The current military levy (introduced back in 2015) is currently 1.5%. If the government of Ukraine will not be able to introduce progressive taxation in the country, then it is possible to introduce taxes like those, which will be applied only to incomes that reach a certain limit. Such a step may be better accepted by the population in Ukraine. The introduction of higher taxes on luxury goods can also promote progressive taxation. The increase in the tax rate should also be applied to other direct and indirect taxes (for example, excise taxes on alcohol and tobacco). First, VAT and excise taxes are investment friendly. Second, these taxes create fewer distortions in labor supply and production chains. Third, in the Ukrainian context with significant administrative constraints, it is probably easier to enforce VAT because VAT, for example, incentivizes taxpayers to report expenses in order to receive VAT refunds. The National Bank of Ukraine should be the main supervisory body in this area, as the presence of a single regulatory institution not only clearly defines the rules, but also limits bureaucracy and information leaks. For example, the shadow banking sector can be expected to grow and it will be important to have one body to set the rules of the game [3].

In unstable and conflict situations, a large part of the population has no other alternative than informal work in the shadow economy to secure their livelihood. Given the prospect of joining the EU, regulatory efforts should be

made to prevent the widespread spread of shadow employment in Ukraine. Reasons for employment of the population in the shadow economy of Ukraine:

the growth of poverty and economic difficulties in the post-war period will increase the incentives to evade income reporting;

the scale of internal forced migration in Ukraine may cause an increase in the level of shadow employment;

weakening of institutions responsible for solving the problem of employment in the informal sector, as well as changes in priorities for regulation after the war can create a more favorable environment for the shadow economy.

To avoid encouraging job flows into the shadow economy in the post-war recovery, the administrative and tax burden on employment should be as low as possible. A clear link between contributions and social security coverage, particularly pensions and unemployment benefits, is needed to reduce the tax burden on employment in the formal economy [4].

At conferences and in program documents on the post-war reconstruction of Ukraine, special attention is paid to the regulation of such a form of the shadow economy of Ukraine as corruption. The fight against corruption is a common narrative of post-war reconstruction and attempts to promote democracy in Ukraine. However, traditionally, reconstruction aid has historically been used by elites for appropriation purposes and ended up strengthening an uneven system rather than building a sustainable and successful country, despite a wide range of opportunities. In historical perspective, the experience of Western post-war reconstruction efforts shows that too often they have created favorable conditions for corruption among elites in war-torn countries, directly and indirectly, without regulating this phenomenon at all. Analyzing the state of Ukraine's democracy after the start of the war, ambiguous conclusions can be made. The economy is showing improvement after regulation, and at the same time the desire of the current Ukrainian elites to increase their relative power. This phenomenon is explained by the fact that many of the main actors left Ukraine before or during the war, resulting in the weakening of oligarchic groups. Those oligarchic groups that did not flee abroad created new, smaller and nominally pro-European structures. As a result, in the post-war reconstruction of Ukraine, it becomes realistic to finally reach a turning point when corruption can finally be overcome, as there are prospects for Ukraine to join the EU. However, there is also a possibility of a less effective scenario, in which only the relative balance of various anti-reform participants will change, leading to the emergence of a new, more centralized version of corruption that gives a competitive advantage to a smaller circle of people. To combat corruption, the scheme of Western assistance to Ukraine in post-war reconstruction should be based on two key levels: financial flows that direct money to the most economically competitive bidder, rather than to those agents with the best access to political resources, and political the process aimed at the integration of Ukraine into the European Union. Both are interconnected and interdependent, thus both have a significant impact on reducing the level of corruption. There is also a need for an entirely new institution to coordinate and oversee reconstruction efforts in Ukraine (hereafter the Reconstruction Coordination Institute, or RCI). In this case, an exclusively technocratic RCI will become an external key pillar for establishing the right structure of incentives for both Western partners and Kyiv. Institutionalizing relations between Ukraine and Western countries in order to add more channels of interaction can give the impetus needed to distribute money as intended. It would also significantly increase the role of Ukrainian political structures in a system that mostly depended on the political will of Western actors [5].

Directions, tools and regulatory mechanisms for reducing the level of the shadow economy of Ukraine in the post-war period should be characterized by the rational use of scarce financial resources of the state budget and state banks, regulation of tax policy, reduction of the level of corruption, maximization of the attraction of credit and grant assistance from external creditors, regulation of the labor sector, as well as involvement in the financing of funds of the European Union, the International Monetary Fund, the EBRD, another investment funds, etc.

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