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# Public administration of de-shadowing of the economic system in the conditions of globalization

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**Abstract.** The article proposes to consider a complex process of implementation of the state management measures of de-shadowing of the economic system in the conditions of globalization. The stages of the state policy of de-shadowing of the economic system in the conditions of globalization are substantiated: 1. Construction of the strategy of counteraction to the shadow economy. 2. Organization of legal and legislative bases of the process of counteracting the shadow economy. 3. Implementation of comprehensive measures to reduce the shadow sector. 4. Formation of motives and incentives for work in the legal sector of the economy. 5. Adding the shadow capital to priority sectors of the economy. 6. The growth of the legal sector of the economy. 7. Limiting the scale of the shadow economy. It is noted that the state policy to eliminate the shadowing of the economic system should be based on a systematic approach to the selection of the country's methods of influence on processes, which are implemented in this area, as well as approval and application of the effective instruments to implement the planned measures in practice (direct and indirect). The program of realization of the mechanisms of the state policy of de-shadowing of the economic activity in the conditions of globalization as a dynamic uniform environment is suggested which gives the chance to influence the growth of indicators of the legal sector of economy and unites a complex of operating subsystems.

## 1 Introduction

The development of a national market economy, gradual integration into the modern European Economic Area and international communities requires our country to adapt to international standards of domestic law, the existing system of government and public policy in general. Among the key strategic directions of the state policy in the context of

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globalization there are, first of all, counteraction to the development of the shadow economy, the formation and provision of an effective state policy to manage the processes of de-shadowing of the economic relations.

The dynamic growth of the shadow economic relations directly leads to the severance of established ties between business and government officials. First of all, this is manifested in the influence of the shadow operations on the implementation of re-forms of socio-economic development of the country: the generation of innovative mechanisms for the allocation of resources and power; specific feature of communication of workers with the means of production; features of establishing distributive relations in the economy.

The analysis of the scientific approaches to presenting the content of the state policy of de-shadowing of the economic relations gives grounds to emphasize that the key among them are primarily a set of macro - and micro-level organizational-economic, institutional-administrative, technical-technological, legislative measures of the state, focused on the neutralization of the shadow processes. The formation of favourable conditions for attracting shadow capital to the legal economy and the gradual increase in national wealth, promoting sustainable social and economic development through the implementation of market regulation, tax reform and intensification of tools to counteract corruption are becoming relevant.

Generalizing the economic thought on the research, we propose to define de-shadowing of the economic relations as a complex process of removing corrupt (illegal) activities of the economic entities from the "shadow" by forming and implementing an effective public policy aimed at neutralizing the causes and manifestations of shadowing the economic relations. This approach involves the creation of favourable conditions for the functioning of legal activities, the implementation of tax reform and overcoming measures that contribute to the emergence of sources of shadowing of the economic relations. A set of instruments of the state policy of de-shadowing of the economic relations in the conditions of globalization is systematized [1-3]:

- Effective state control over the targeted use of the available budget funds;
- Motivation of all representatives of various branches of government in support of intentions to legalize the shadow flows;
- Promoting the effective functioning of the judicial system, the relevant regulatory authorities of Ukraine;
- Revision and practical consideration of scientifically regulated measures to de-shadow the economic relations for a certain period of time;
- Growth of production and exports of domestic industrial products that meet European quality standards;
- The appropriate level of employment and the amount of official wages, social insurance and occupational safety;
- Implementation of a transparent system on the relationship between government officials and society in the context of globalization, personnel policy, public defense, electoral system, etc.

Therefore, the aim of the proposed study is to analyse the transformation and effectiveness of the public policy to address de-shadowing of the economic relations in the context of globalization.

## 2 Materials and methods

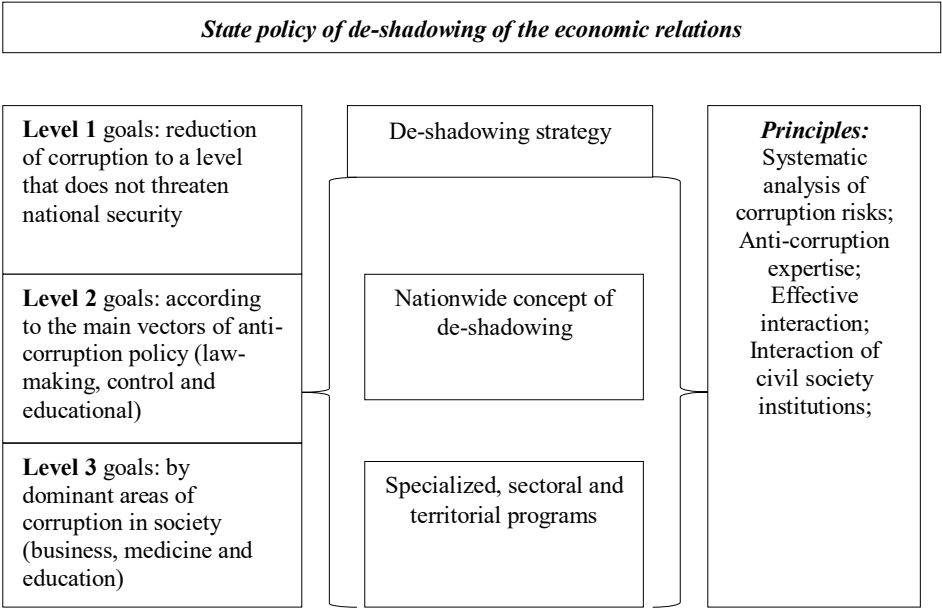
The state strategy of de-shadowing is based on the theoretical and methodological principles of the economic theory, based on the study of objective economic standards, needs, interests and objectives of various economic representatives. The main elements of the state system of de-shadowing are financial and credit, budgetary, scientific, technical and structural, social, investment and agricultural, regional and foreign economic policy. The implementation of the state policy of destroying the shadowing of the economic relations is studied in terms of the relationship between the problems of society and the state. In the first period of implementation of the state policy of de-shadowing the country outlines these problems, in the second - forms a strategy and plan for their solution, as well as legally establishes (legitimizes) policy, in the third stage - takes measures to solve these problems, and in the final stage - evaluates the results and approves the vectors of future actions.

The state policy to eliminate the shadowing of the economic relations can be considered as a process of using regulatory factors to meet national interests. This policy consists of the two main aspects - theoretical and practical. The theoretical aspect of the policy of de-shadowing of the state economic relations includes a dynamic scientific study of methods, functions and measures aimed at ensuring and supporting the most appropriate development of the domestic economy, as well as the formation of economic thinking. The practical aspect of the state policy to minimize the shadowing of the economic relations is characterized by the construction of a system of specific methods for public administration of the economy, which leads to the disclosure of the essence of the process of formation and implementation of the state de-shadowing of the economic relations.

Therefore, the mechanism of creation and implementation of the state policy of de-shadowing of the economic relations is planned to be carried out in four phases [4]:

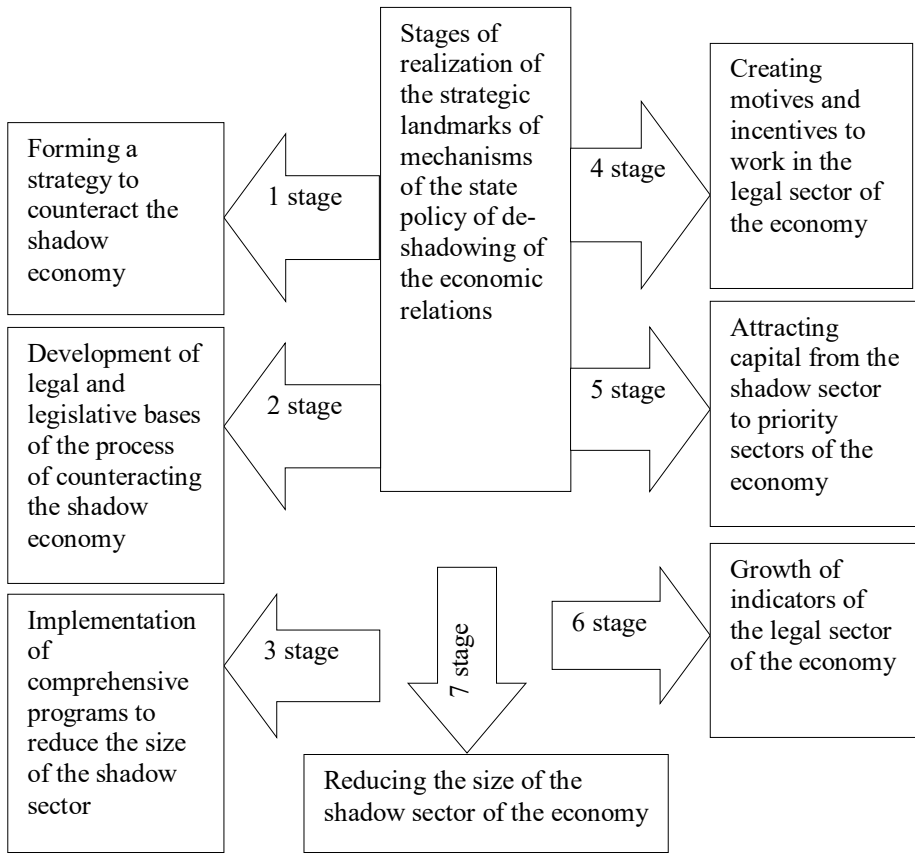
Phase 1 - goal setting (outlining social problems and policy measures) (policy initiation); Phase 2 - policy building (formation and legalization of the state policy of de-shadowing); Phase 3 - compliance with the policy (implementation and control of the state policy of de-shadowing); Phase 4 - control (evaluation and management of the state policy of de-shadowing).

It should be noted that all components of the state policy of de-shadowing of the economy must be rationally directed so that the positive action of one of them directs the action of others and vice versa (Fig. 1).



**Fig. 1.** The process of formation of the state policy to de-shadow the economic relations. Source: systematized by the authors.

Studying systematically the strategic vectors of the mechanisms of the state policy to de-shadow the economic relations, it is necessary to outline the stages of the control influences, Fig.2.



**Fig. 2.** Stages of implementation of mechanisms of the state policy of de-shadowing of the economic relations.

Public policy must be implemented on the basis of a systematic approach to the choice of means of the state action on the processes taking place in this area, as well as finding and applying appropriate tools to implement the planned measures in practice. The use of tools in conjunction with the processes of the state policy to de-shadow the economy, while highlighting their effective symbiosis makes it possible to obtain high results in the eradication of the shadow processes in the national economy [5].

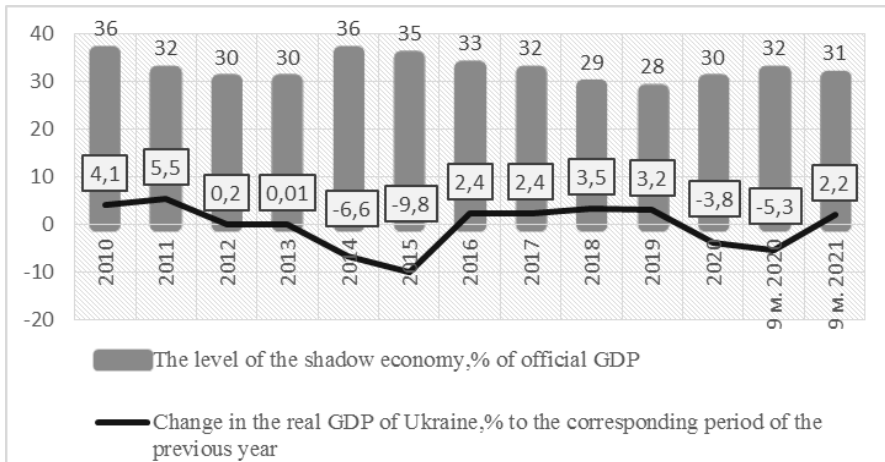
A special set of mechanisms for implementing the policy of the state de-shadowing of the economic relations should be considered in the context of a permanent holistic environment, which allows influencing the growth of economic indicators.

### 3 Results

Thus, the construction and implementation of the state policy of de-shadowing of the economic relations should be carried out taking into account the main conceptual measures, that is:

- 1) The system of counteraction to the shadow economy is to be created and adjusted depending on the socio-economic situation in the country;
- 2) The policy of counteracting the shadow economy must take into account the stages of the economic cycle: crisis, depression, revitalization and recovery;

- 3) The mechanism of counteraction to the shadow economy should be aimed not only at expanding the economy and budget revenues, but also at increasing the welfare of the population;
- 4) Representatives of the legislative power organize and introduce into the process legislative acts guaranteeing state support to the system of counteraction to the shadow economy in accordance with the implemented state economic policy;
- 5) Creation of the infrastructure aimed at achievement of the set tasks;
- 6) In the mechanism of counteraction to the shadow economy, the dominant place should correspond to the staffing, i.e. the selection, training and quality qualifications of its managers and workers;
- 7) The shadow economy countermeasures program is focused on increasing the supply of domestic goods from the legal sector of the economy, both in the domestic and foreign markets;
- 8) The policy aimed at counteracting the shadow economy is obliged to cooperate with the policy of entrepreneurship expansion, while special attention should be paid to the creation of enterprises in promising sectors of the economy;
- 9) The constructed policy of counteracting the shadow economy intensifies the process of solving important social problems (first of all, filling in the Pension Fund and increasing pensions, protecting workers, creating new jobs in the legitimate sector of the economy, etc.).



**Fig. 3.** Integrated indicator of the level of the shadow economy in Ukraine (in% of the volume of official GDP) and the rate of growth / decrease of the level of real GDP (in% to the corresponding period of the previous year).

Policymakers should aim at the key corruption risks and issues. In general, both the draft of Anti-Corruption Strategy and the draft of the law prepared for the second reading meet this requirement. In the absence of the current approved Anti-Corruption Strategy, there is also no program for its implementation. At the same time, the legislative changes proposed by the draft law 4135 and the draft Anti-Corruption Strategy for 2021-2025 prognosticate that the state anti-corruption program for the implementation of the Anti-Corruption Strategy should contain, in particular: number, name and content of the event; indicators of the implementation of the event; deadlines for the event; performers of the event; sources and amounts of financial resources needed to implement the event. Mechanisms of coordination and monitoring, evaluation of the effectiveness of implementation are described above. In general, such requirements for the content of the state program are appropriate and it is important to continue to comply with them when

preparing and approving the state anti-corruption program for the implementation of the Anti-Corruption Strategy [6].

According to preliminary calculations of the Ministry of Economy, the level of the shadow economy in January-September 2021 was 31% of the official GDP, which is 1 percentage point less than the corresponding period of 2020. The calculation of the level of the shadow economy was carried out using the improved Methodological Recommendations approved by the order of the Ministry of Economy 20.01.2021 № 104 [7].

A slight decrease of the level of the shadow economy took place on the background of adaptation of the economic entities to activities in conditions of unpredictable quarantine restrictions. This is confirmed by the optimistic attitudes of business enterprises, maintaining sustainable consumer and investment demand in the conditions of "green" level of epidemic danger throughout the country and, as a result, improving in the reporting period (compared to January-September 2020) financial results of the enterprises on the background of favorable foreign economic conditions.

In 2020, one of the predominant factors influencing the economic phenomena was the spread of the COVID - 19 pandemic and the approval of quarantine restrictions in a large number of countries [8]. Assessing the dynamics of the main macroeconomic and economic statistics on business development in the country, it is worth noting that mostly all of the sectors of the economy have suffered from the coronavirus crisis due to the decline in business activity, along with the changes in the general indicator of economic expansion - real GDP in 2019 year, as in other countries, was negative compared to the same figure in 2018. According to the State Statistics Service, the global decline in economic activity in the second quarter of 2019 – was by 11.4% compared to an increase of 4.7% at the same period in 2018 and 3.9% - in 2017.

At the same time, the increase of the negative changes was created by the growth of the shadow economy, the limit of which according to the Ministry of Economy in January and March 2019 was 31%, and according to the World Bank method - 40.2% of official GDP. The impact of the shadow economy in Ukraine on the financial security of business, which is represented by the main indicators, has been identified. In 2019, there was a sharp decrease in the number of registered business entities compared to 2018 from 1.942 million to 1.395 million.

The Office of Simple Decisions and Results conducted an analysis of corruption in Ukraine, which was confirmed by the Cabinet of Ministers and the US State Department and it established that entrepreneurs and the state budget of Ukraine annually lose more than 37 billion dollars. This organization received the following results in the framework of grant activities for 6 months of 2021: detailed recommendations were provided in the field of customs and tax policy reform, trade protection, forestry, foreign economic activity and their dissemination among the leading stakeholders; calculations of monetized benefits of 12 reforms of international trade and taxes were carried out; 7 normative legal acts were worked out; 5 consultants on macroeconomics, tax policy, rule-making, control and safety of food and trade legislation were involved; 20 joint events were planned for 2022.

In general, the state strategy of de-shadowing of the economic relations of an individual country may differ in many factors, mainly by:

- Institutions that are directly responsible for the organization of policy (this may be a private organization or a group of experts, an interdisciplinary formation of experts of public or private environment);
- Institutions responsible for policy-making;
- Institutions responsible for the implementation of the system and its coordination functions;
- The main policy objectives, mainly precautionary measures;



- Policy goals (prevention, education, awareness raising, grouping of different areas);
  - Sectors where the policy of implementation is planned (only the public sector, individual or all sectors of the state economy);
  - The degree of civilian participation in policy preparation and implementation, etc.
- Highlighting of the main elements of the state process of de-shadowing of the economic relations is presented in table 1.

**Table 1.** The main components of the state policy of de-shadowing of the economic relations in the context of globalization

The main elements	Content
<b>The purpose of the state de-shadowing policy</b>	Reducing of the level and localization of corruption in the state, changing its nature, limiting its impact on socio-political and economic phenomena.
<b>The main elements of the state de-shadowing policy</b>	Credit and financial, budgetary, scientific and technical, structural, social, investment and agricultural, regional, foreign economic policy.
<b>Creation and implementation of the state de-shadowing policy</b>	Construction of an anti-corruption-oriented body; Annual assessment of the state of corruption in the country; Involvement of international governance standards; Permanent anti-corruption information firms.
<b>The sequence of creation and implementation of the state de-shadowing policy</b>	Stage 1 - outlining social problems and policy goals (policy initiation); Stage 2 - formation and legitimizing of the state de-shadowing policy (policy making); Stage 3 - conducting and monitoring of the state de-shadowing policy (policy implementation); Stage 4 - evaluation and management of the state policy of de-shadowing (policy evaluation).
<b>Subjects and objects of the state de-shadowing policy</b>	The subjects are the state, as well as performers, economic interests, especially social sectors, which differ from each other in property, income, forms of activity, professions, sectors and regional interests. Objects are the economic cycle; the structure of the economy; conditions of the investment sphere; innovative mechanisms; cash flow and depreciation; balance of payments; problems of society; conditions of struggle.
<b>Priority tasks of the state de-shadowing policy</b>	Reforming of the state institutions; Achieving protection of the population from the impact of corruption by establishing anti-corruption education and information; Reforming elements of the law enforcement sector in order to ensure their readiness to achieve anti-corruption objectives; Improving the system of interaction between government officials and civil society institutions; Control of corruption factors and effectiveness of the methods of the state de-shadowing policy.
<b>Anti-corruption</b>	Anti-corruption policy meets the international standards and

<b>strategy</b>	is based on the recommendations of the Anti-Corruption Cluster Monitoring Procedures (GRECO), the Anti-Corruption Network for Eastern Europe and Central Asia, and the Organization for Economic Cooperation and Development.
<b>Anti-corruption program</b>	Establishing the principles of the general program to prevent and counteract corruption in this area, methods for their implementation, as well as the implementation of anti-corruption strategy and state anti-corruption program; Assessment of corruption risks in the functioning of the body, institution, organization, actions that provoke them and the conditions that contribute to them; Measures for monitoring, evaluation of implementation and dynamic review of programs and others.
<b>Infrastructural guarantee of the state de-shadowing policy</b>	National Anti-Corruption Bureau (monitoring of corruption offenses); Qualified Anti-Corruption Prosecutor's Office (state prosecution for corruption violations); National Agency for the Prevention of Corruption (prevention of corruption offenses).

The formation of a comprehensive mechanism of the state regulation in the field of de-shadowing of the economic relations in Ukraine, the implementation of measures to ensure the effectiveness of its components - legal mechanism, administrative mechanism, economic mechanism, organizational mechanism, political mechanism - are a prerequisite for sustainable development. The application of such a systematic approach will ensure the coherence and interaction of the structural elements of the mechanism of the state regulation, determine the sequence and content of the public administration decisions, and will achieve the goals set by the state.

4 Conclusions

The article confirms the need to create a state policy of de-shadowing of the economic relations, which would establish priority measures to prevent and counteract corruption, and form the conditions for a rational implementation of relevant policies and create a basis for future reforms in this area. The state policy of de-shadowing is being recognized as a generalization of forms, methods, factors and tools, using which the state influences the activities of economic representatives and market conditions in order to create decent conditions for market existence and solve socio-economic problems. The prevailing principles, subjects, objects, composition and elements of the state policy in the field of de-shadowing of the economic relations have been identified.

To stabilize and develop the economy of Ukraine, to ensure the functioning of a comprehensive mechanism of the state regulation in the field of de-shadowing of the economic relations in Ukraine, we offer:

- To bring the regulatory framework of Ukraine into the line with the uniform standards, to ensure the relationship of legislation and cooperation of executive bodies, which will create a holistic mechanism of strategies and programs of the socio-economic development of the country;
- To adhere strictly to international commitments to prevent the shadowing and criminalization of the economic processes;
- To create a modern, completely new model of the government system.

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