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COMPENSATORY MECHANISMS FOR ENSURING THE RESILIENCE OF THE ECONOMY

The list of compensatory mechanisms in the sphere of resilience of economy of Ukraine and their functional role is defined. The structure of the compensatory mechanism for ensuring the resilience of the economy is proposed. The conditions for the construction of a comprehensive compensatory mechanism to ensure the resilience of the economy are defined.

Keywords: economic resilience, national economy, the compensatory mechanisms for resilience, the shock of the impact.

Бойко А., Шкуропадская Д. Компенсационные механизмы обеспечения устойчивости экономики. Определены перечень компенсационных механизмов в сфере устойчивости экономики Украины и их функциональная роль. Предложена структура компенсационного механизма обеспечения устойчивости экономики. Установлены условия для построения комплексного компенсационного механизма обеспечения устойчивости экономики.

Ключевые слова: устойчивость экономики, национальная экономика, компенсационный механизм обеспечения устойчивости, шоковые воздействия.

Background. In the process of social development of Ukraine there were destructive and crisis phenomena in all sectors of the economy and spheres of society: reduction of production; growth of the share of products with low added value in the commodity structure of exports; increasing imports of consumer goods; growth of the level of dependence of the national economy on the world market of goods and services. All this has had a negative impact on the resilience of the national economy to negative external influences, which requires justification of protective measures, tools, reserves and compensatory mechanisms to ensure it. The cyclical

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development of the economy determines the urgent task for the state as a regulator of economic processes – the development and implementation of a system of compensatory mechanisms to ensure the resilience of the economy.

The problem of ensuring the resilience of the economy is given considerable attention by scientists, however, there is no single approach to understanding the nature of compensatory mechanisms for its provision and the sources of their formation, which necessitates additional research.

Analysis of recent researches and publications. Economic and organization and legal mechanisms of economic development in modern conditions, components, tools and measures of their implementation are actively studied by Ukrainian researchers and economists. In particular, the possibilities of increasing the level of economic security of the state through the implementation of national projects, which are synergetic mechanisms of public-private partnership, are considered by Ukrainian scientists A. Sukhorukov, D. Ostapchuk [1]. The publications of T. Kislaya [2] are devoted to the study of theoretical and scientific-methodological provisions for assessing the state of the organizational and economic mechanism of ensuring the economic security of the region and the development of appropriate scientific and practical recommendations. Consideration of the structure of the administrative-legal mechanism of economic security of the state is presented in the works of S. Lekar [3], A. Prisyazhnyuk [4]. Publications of scientists of the Institute of Economics and forecasting of the NAS of Ukraine [5], Institute of Economics of environmental management and sustainable development of the NAS of Ukraine [7] are devoted to the study of scientific and applied aspects on the issues under study. The role of adaptation financial and climate funds in ensuring the resilience of the economy is represented by the works of foreign scientists [8; 9].

The **aim** of the study is to determine the nature and functional role of compensatory mechanisms in ensuring the resilience of the economy of Ukraine.

Materials and methods. The methodological basis of the research is General scientific and special methods of scientific knowledge: system – to reveal the essential characteristics of the resilience of the national economy; methods of analysis and synthesis, comparison and systematization – to determine and justify the components of compensatory mechanisms to ensure resilience. The information base of the research is represented by the works of Ukrainian and foreign scientists and statistical data of the Ministry of Finance of Ukraine.

Results. The national economy is a system, the parameters of which are determined by the laws of the development of society and the country. Global changes in the world economy, characterized by the rapid integration of national economies through trade, financial flows, transfer of technological advances, information networks and cultural processes, reduce the level of resilience of national economies and the need for mechanisms to ensure it. Large-scale economic crises lead to global instability, covering

both individual national and the world economy as a whole (the "Great depression" of the 30s, the financial crisis of 1998, the financial and economic crisis of 2007–2008). Now the problem of ensuring the resilience of the economy is a priority for government managers, economists, practitioners and scientists.

Until now, there is no single approach to the definition of the essence of economic resilience, but based on the analysis of various scientific points of view, it is possible to identify the features of this concept. In Particular, S. Kozlovsky considers the system, integration and situational approaches to the management of economic resilience and from the position of the maximum value of economic potential growth with a minimum deviation of the economic system from the state of equilibrium offers a General model of economic resilience. The scientist defines the resilience of the economy as "a generalized indicator that provides information about the real state of the economic system of Ukraine, taking into account possible changes in the external and internal conditions of the economy of Ukraine, as well as enables all other subjects of economic activity in a timely and adequate response to possible changes in the stability of the economy of Ukraine and make adequate management decisions" [10, p. 10]. V. Margasova understands the resilience of the national economy as "the ability of the latter to respond to changes in the external and internal environment through continuous improvement of its internal structure on the basis of the adaptation mechanism to ensure the achievement of the goals of socio-economic development and effective functioning of the national economy" [11, p. 26]. Given the definition of economic resilience, which operates in the world practice [12–14], under this concept we understand the ability of the economic system of the country to withstand negative external influences, to adapt to them and recover from their impact. The generalized characteristic features of the national economy resilience are shown in *figure. 1*.

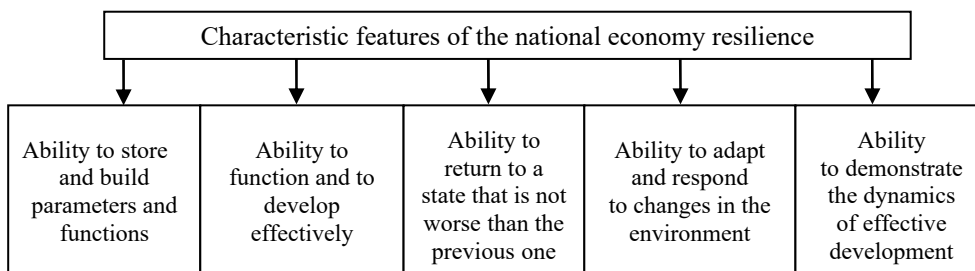


Figure. 1. The characteristics of the resilience of the national economy

Source: compiled and systematized by the authors.

The analysis of the above approaches shows that in a broad sense, the resilience of the economy is most often considered from the standpoint of the resilience of the economy to changes in the internal and external environment and the preservation of its main macroeconomic parameters.

Ensuring the resilience of the economy is a continuous and multifaceted process that requires a significant amount of resources and financial investment. In a broad sense, the mechanism of ensuring the resilience of the economy is defined as a system of organizational, economic and legal methods and levers, measures to prevent shock impacts and economic threats, in particular, it includes the following components [15]:

- monitoring the state of the economy and society in order to identify, predict and prevent negative external impacts on them;
- the use of science-based system of socio-economic indicators and their thresholds, non-compliance indicates the economic vulnerability of the country;
- activities of the state to identify, prevent and overcome manifestations of internal and external negative impacts on the economy and society.

In order to ensure the resilience of the economy, it is necessary to have appropriate compensatory mechanisms. Under the compensatory mechanisms to ensure the resilience of the economy (CMERE) we understand a set of organizational forms of economic relations that ensure the formation and use of funds and material reserves in order to prevent and minimize the negative consequences of financial, food, technological, environmental, socio-demographic, technological impacts on the national economy [16]. From a theoretical point of view reveals the essential characteristics of the CMERE such its structure (*figure 2*).

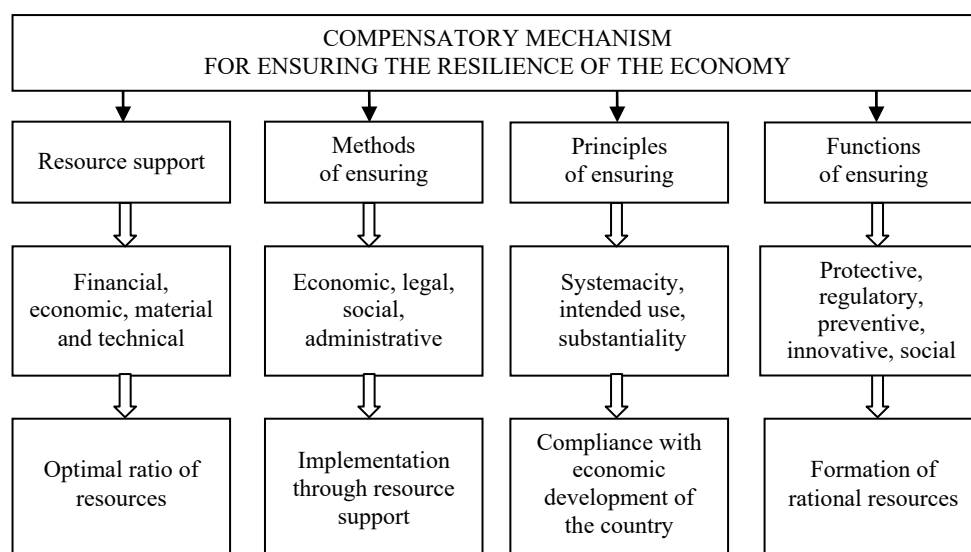


Figure 2. The structure of the compensatory mechanism to ensure the resilience of the economy

Source: compiled and systematized by the authors.

The CMERE should perform well-defined functions (*figure 2*). Consider them in more detail:

- *protection* involves counteracting the economy to negative external influences and is associated with the presence of sufficient resource potential in the country;

- *regulatory* is aimed at overcoming the consequences of negative external influences through the permanent search for additional opportunities and economic benefits;

- *preventive* is aimed at anticipating and preventing negative external impacts on the economy, critical situations in the process of socio-economic development of the country. The implementation of this function is based on the development and implementation of socio-economic, technological and organizational measures. The most important of them are measures to ensure the formation of an information system to ensure the resilience of the economy;

- *innovation* is the development and implementation of innovative solutions and measures to overcome the consequences of negative external impacts on the economy;

- the *social* function is aimed at the realization of the rights and freedoms of citizens of the country, achieving a high level and quality of life of the population through mutual partnership of economic entities, society and the state.

In Ukraine, the CMERE is at the stage of development. Now in the funds of cash and material reserves, created to prevent and minimize the negative effects of various influences on the economy of Ukraine, include the reserve Fund of the Cabinet of Ministers of Ukraine, the Stabilization Fund of the state budget, the state material reserve, international reserves of Ukraine, the Deposit guarantee Fund of individuals, the social insurance Fund of Ukraine, the Pension Fund of Ukraine, the international reserves of the country (*table 1*).

Each of these in the *table 1* funds of cash and material reserves, the functioning of which is intended to ensure the resilience of the Ukrainian economy to negative external influences, performs its functions [17]:

- reserve Fund of the Cabinet of Ministers of Ukraine – for the implementation of unforeseen expenses that are not permanent and could not be provided in the preparation of the draft budget;

- stabilization Fund of the State budget – for development projects in a stable period of the economy; and quickly redirected to critical projects to respond to the challenges of different nature;

- the state reserve as the minimum stock of material values (constantly supported volume of their storage) or the special state stock of material values for rendering the state support to separate sectors of national economy, the enterprises, organizations and the organizations for stabilization of economy in case of temporary violations of terms of delivery of important types of raw materials and fuel and energy resources, the food, emergence of disproportion between demand and supply in the domestic market; and also for ensuring priority works at elimination of consequences of emergency situations;

Table 1

Components of the compensatory mechanism to ensure the resilience of the economy of Ukraine

Title	Legal basis	Responsible	Direction	Sources
The reserve Fund of the Cabinet of Ministers of Ukraine	Resolution of the Verkhovna Rada "On approval of the regulations on the reserve Fund of the Cabinet of Ministers of Ukraine", dated 22.02.1996 № 62/96-BP	The Cabinet of Ministers of Ukraine	To Finance urgent expenses in the economy, socio-cultural and other activities not envisaged and which could not be envisaged during the approval of the state budget of Ukraine for the corresponding year	Up to 2 % of the state budget expenditures
Stabilization Fund of the State budget	Law of Ukraine "On priority measures to prevent negative consequences of the financial crisis and amendments to some legislative acts of Ukraine" dated 31.10.2008 № 639-VI	The Cabinet of Ministers of Ukraine	Ensuring the constitutional rights of citizens, guaranteeing the economic security of Ukraine, minimizing possible losses to the economy and financial system of Ukraine from the financial crisis, which covered most of the industrialized countries	At the expense of super planned receipts from privatization of the state property in 2008 and receipts of these means in full in 2009, and also target placement of the state securities
State reserve	Law of Ukraine "on state material reserve" of 24.01.1997 № 51/97-BP	State Agency of reserve of Ukraine; SOE "State reserve seed Fund of Ukraine"	Defines the General principles of formation, placement, storage, use, replenishment and updating of reserves of the state material reserve and regulates relations in this area	At the expense of the state budget and funds received from the sale of material values of state reserve, to restore
The Deposit guarantee Fund of individuals deposits	The law of Ukraine "About system of guaranteeing deposits of individuals" from 23.02.2012 № 4452-VI	Fund, The national Bank of Ukraine	The legal, financial and organizational bases of functioning of the system of guaranteeing deposits of individuals and removal of insolvent banks from the market are established	Initial and regular fees from the participants of the Fund, others; the minimum amount of funds of the Fund may not be less than 2.5 % of the amount guaranteed by the Fund depositors within the amount of compensatory
Social insurance Fund of Ukraine	Law of Ukraine "On compulsory state social insurance" dated 23.09.1999 № 1105-XIV	Fund, The cabinet of ministers of Ukraine	Payment of material security and social services to insured persons	Insurance premiums of policyholders and insured persons
Pension fund of Ukraine	Regulations "On the pension Fund of Ukraine" from 23.07.2014 № 280	The Cabinet of Ministers of Ukraine	Implementation of the state policy on pension provision and accounting of persons subject to compulsory state social insurance	Income from payment of the fee for mandatory state pension insurance, other funds
International reserves	Law of Ukraine "On the National Bank of Ukraine" of 20.05.1999 № 679-XIV; The regulation "On the management policy of the international (gold and exchange) reserves of Ukraine", from 26.04.2018 No. 229-rsh	The national Bank of Ukraine	External financial assets of Ukraine recognized by the international community as international and intended for international settlements	Reserves in convertible foreign currencies, reserve position in the IMF, SDRs, monetary gold, foreign currency cash or funds in accounts abroad, securities issued by non-residents, and any other reserve assets, provided that they are reliable and liquid

Source: compiled and systematized by the authors.

- deposit guarantee Fund – to protect the rights and legitimate interests of Bank depositors, to strengthen confidence in the banking system of Ukraine, to stimulate the attraction of funds to the banking system of Ukraine, to ensure an effective procedure for the withdrawal of insolvent banks from the market and the liquidation of banks;
- the social insurance Fund, which manages the compulsory state social insurance against accidents, in connection with temporary disability and health insurance, accumulates insurance premiums, controls the use of funds, provides funding for payments for these types of compulsory state social insurance;
- the pension Fund, which provides for the timely and full financing and payment of pensions, funeral benefits and other payments, as determined by law.

An important component of the compensatory mechanism for ensuring the resilience of the economy is the international reserves of the country, whose sufficient volume contributes to the stable development of the economy, corresponding to the level of confidence in the national monetary unit. As of October 31, 2018, the volumes of international reserves of Ukraine, were \$ 16.7 billion. *Figure 3* shows the dynamics of the ratio of Ukraine's international reserves to gross external debt.

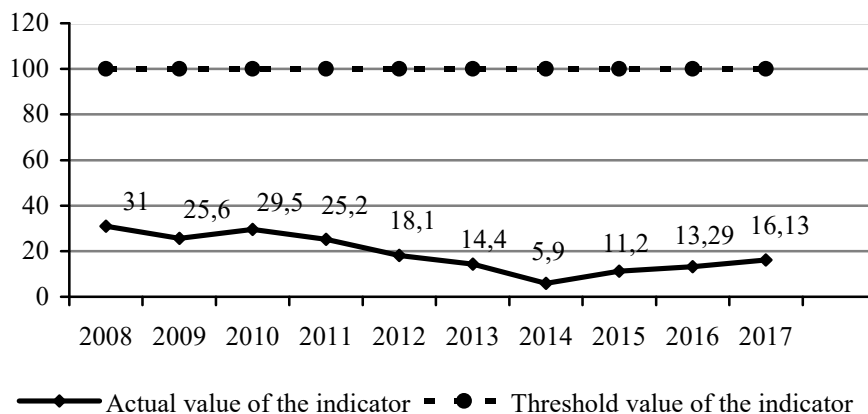


Figure 3. Dynamics of the ratio of international reserves to gross foreign debt of Ukraine in 2008–2017

Source: compiled and systematized by the authors [18; 19].

The ratio of international reserves to gross external debt is an indicator of the adequacy of the level of international reserves, which characterizes the country's ability to pay its current external obligations. In 2008–2017, the indicator did not meet the threshold (more than or equal to 100) and showed the excess of the country's annual external debt over its

international reserves. The highest value of the indicator was recorded in 2008, but until 2014 under the influence of the global financial crisis, inefficient economic policy, the annexation of Crimea and the occupation of part of the territories of Donetsk and Luhansk regions, it decreased by 5 times. The long-term and significant negative trend of this indicator indicates a high probability of imbalances in the economy, which can lead to a financial crisis.

Conclusion. Ukraine's economy is developing in the conditions of permanent negative internal and external challenges, which potentially carry a number of powerful risks and threats to its resilience development. The mitigation of these threats and their negative consequences is due to the existing compensatory mechanisms, which are represented in Ukraine by separate funds and reserves. However, such mechanisms are not sufficiently efficient in the generation and use of resources. To improve the effectiveness of compensatory mechanisms to ensure the resilience of the Ukrainian economy should adhere to the following conditions: promoting the growth of national savings and economic development of the country; increasing the activity of civil society and the responsibility of citizens for their own well-being; legislative and organizational coherence in the formation of budget expenditures and expenditures of public funds and reserves.

The perspective direction of further research of compensatory mechanisms of ensuring resilience of economy of Ukraine is consideration of possibilities of activization of mechanisms of self-organization of the population and business arising in connection with decentralization.

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Бойко А., Шкуропадська Д. Компенсаційні механізми забезпечення стійкості економіки.

Постановка проблеми. Циклічність розвитку економіки обумовлює актуальне завдання держави як регулятора економічних процесів – розробку та впровадження системи компенсаційних механізмів, що забезпечують стійкість економіки. Проблемі забезпечення стійкості економіки приділяється увага вчених, але нині не існує єдиного підходу до розуміння сутності компенсаційних механізмів для його забезпечення і джерел їх формування, що вимагає додаткових досліджень.

***Аналіз останніх досліджень і публікацій.** Економічні та організаційно-правові механізми економічного розвитку в сучасних умовах, компоненти, інструменти і заходи щодо їх реалізації активно вивчаються українськими дослідниками і економістами.*

***Метою** дослідження є визначення сутності та функціональної ролі компенсаційних механізмів у забезпеченні стійкості української економіки.*

***Матеріали та методи.** Методологічною основою дослідження є загальнонаукові та спеціальні методи наукового пізнання: системний, аналізу і синтезу, порівняння та систематизації. Інформаційну базу дослідження складають праці українських і зарубіжних вчених і статистичні дані Міністерства фінансів України.*

***Результати дослідження.** В Україні компенсаційні механізми забезпечення стійкості економіки перебувають у стадії розвитку. Нині фундації, створені у цілях запобігання і зведення до мінімуму негативного впливу різних впливів на економіку України, включають резервний фонд Кабінету Міністрів України у Державному бюджеті, Стабілізаційний фонд, державний матеріальний резерв, міжнародні резерви України, Фонд гарантування вкладів фізичних осіб, Фонд соціального страхування України, Пенсійний фонд України. Компенсаційні механізми забезпечення життєстійкості економіки повинні виконувати захисну, регулятивну, превентивну, інноваційну та соціальну функції.*

***Висновки.** Для підвищення ефективності компенсаційних механізмів забезпечення стійкості української економіки необхідно дотримуватися таких умов, як: сприяння зростанню національних заощаджень та економічному розвитку країни; підвищення активності громадянського суспільства і відповідальності громадян за власний добробут; законодавча та організаційна узгодженість у формуванні бюджетних видатків та видатків державних коштів і резервів.*

***Ключові слова:** стійкість економіки, національна економіка, компенсаційний механізм забезпечення стійкості, шоківі впливи.*