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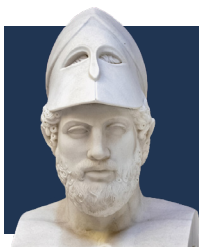
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Decentralisation reform in Ukraine: Achievements and implementation prospects amidst war conditions

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■ **Abstract.** Decentralisation is crucial for improving local governance and strengthening community resilience, particularly during war. As Ukraine navigates conflict and plans for recovery, understanding decentralisation's impact is essential for sustainable development and effective governance. The aim of the article was to investigate the outcomes of the decentralisation reform in Ukraine, its impact on the resilience of territorial communities, and the specifics of its further implementation in the context of the war and the post-war period. Using a mixed-methods approach, statistical evaluation, content analysis and comparative document analysis, the effectiveness of decentralisation in strengthening local governance and community resilience was investigated. The results indicate that while the reform has led to notable improvements in administrative efficiency and financial management at the local level, its implementation has faced challenges due to the war, affecting its overall effectiveness. The study not only highlights specific areas where the reform has succeeded in building resilience but also identifies gaps that need addressing for better adaptation to the conflict environment. Local governments have gained greater autonomy in decision-making, which has empowered them to respond more swiftly to community needs during crises. However, the ongoing conflict has strained resources, limiting the ability of some regions to fully realise the benefits of decentralisation. Additionally, the study found that there has not been a final delineation of responsibilities between the executive branch and local governments, which has created ambiguity in governance roles. The reform has fostered stronger local leadership; however, under wartime conditions, further steps are essential for implementing sustainable changes. Furthermore, the study emphasises the importance of gradual and effective restoration of local governance in liberated and de-occupied territories as a crucial step towards stabilising these regions. Finally, the research suggested that decentralisation could play a key role in post-war recovery, provided that structural challenges are addressed proactively. This research offers practical insights for policymakers and local authorities, providing actionable recommendations to strengthen the decentralisation process and improve its impact on territorial communities during and after the war

■ **Keywords:** local self-government; territorial community; decentralisation of power; local authorities; resilience of territorial communities; public administration; public participation

■ Introduction

The reform of local self-government and territorial organisation of power in Ukraine is almost unanimously recognised as the most successful in Ukraine in recent years. Since 2014, there has been a clear understanding

among authorities and society that some powers and resources need to be transferred from central authorities to local levels. This reform aimed to address the issues that arose within the administrative structure and territorial

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organisation of power. Specifically, it was necessary to define and establish the material, financial, and organisational foundations of local self-government, consolidate territorial communities and districts, delineate powers within the public administration system, develop local democracy, and create a system for providing quality services to citizens throughout Ukraine.

As of February 2022, significant progress has been made in implementing this reform; however, unresolved issues remained that were planned to be addressed in the next phase of the reform. The full-scale invasion of the Russian Federation into the territory of Ukraine has affected the effective implementation of further stages of the reform. Moreover, the war has necessitated adjustments not only in addressing current issues but also in rethinking the next steps for implementing the reform. Therefore, research on the outcomes of the reform and its impact on the development of capable and resilient territorial communities in the face of external challenges will help outline further directions for decentralisation, taking into account the current realities.

The issue of power decentralisation is of significant interest in the research community. V. Ventsel (2020) emphasises the importance of decentralisation in Ukraine for building a democratic governance system and establishing a new type of relationship between citizens, communities, and the state. In their research, V. Kravtsiv & I. Storonyanska (2020) developed a methodological approach for assessing the impact of administrative-financial decentralisation mechanisms on the socio-economic development of regions, districts, cities, and territorial communities.

Local governments with broader powers, including financial management, are now able to independently resolve issues of local importance. The influence and participation of citizens in decision-making and implementation have grown, contributing to the social and economic development of society. Yu. Borysenko (2022) asserts that the achievements of the reform positively impacted the country's functioning in the early weeks of the full-scale war. Specifically, it was the reformed local self-government bodies and self-organised territorial communities that took on many humanitarian tasks. When multiple complex issues need to be addressed simultaneously, the strong cooperation between public authorities, community leaders, and representatives of public and volunteer organisations remains highly effective, helping to prevent major crises in maintaining community well-being. N. Horlo (2023) concludes that the ability of territorial communities to address pressing issues of daily life during wartime demonstrates the effectiveness of the reform and allows for the prediction of its continued successful development.

At the same time, according to I. Drobot (2023), despite a range of positive changes in state-power relations, domestic self-government has not achieved self-sufficiency in terms of organisational-legal functioning and socio-economic content yet, and it does not meet societal expectations. Therefore, it is crucial to identify issues related to

ensuring local self-government amid the reform of public administration and the legal regime of martial law, and to justify ways of addressing these issues.

A separate area of research focuses on the development and functioning of territorial communities during wartime. N. Prokopenko *et al.* (2023) analysed the response mechanisms and specificities of territorial communities in Ukraine within the current development model and local self-government reforms amid the challenges of war. They emphasised that to restore the proper level of development in these communities, it is essential to adopt a project-based approach, activate funding sources for local economic development (especially in rural areas), and revitalise economic relations across the country.

J. Pavlovych-Seneta (2022) focuses on the administrative and legal conditions necessary for the economic growth of united territorial communities under martial law. He also analysed issues related to business relocation and internally displaced persons and studied their effects on the development of these communities. G. Iefimova & M. Pavlova (2023) view territorial communities and reformed local self-government bodies as a key to ensuring the resilience of the rear, sustainable development, and maintaining both state and local governance stability. They concluded that reinforcing Ukraine's independence during martial law demands the mobilisation and collaboration of all levels of government, public organisations, and citizens.

An important aspect of the research is to clarify the essence of the concept of "resilience". Resilience in conflict is generally understood as multisystemic, which requires a comprehensive approach to the adaptation processes at the individual, household, community, and institutional levels. These processes rely on resources from various forms of capital – human, social, material, and digital. The primary goal of assessing resilience in any conflict situation should be to strengthen the capacity of actors at all system levels to take effective actions that enhance resilience (Lordos & Hyslop, 2021).

V. Stoika (2022) defines the resilience of a territorial community as its ability to effectively resist threats of any origin and nature, adapt to changes in the security environment, maintain stable functioning, and quickly recover to a desired equilibrium after crises. The components of resilience in territorial communities include organisational, financial, and social ones. It is essential to uphold their resilience for effective and successful development of territorial communities.

M. Nazarov (2022) studies the social resilience of territorial communities, which hinges on a strong sense of cohesion, rooted in a sense of belonging, and close relationships among community members. This connection cannot be imposed; rather, it is fostered through voluntary internal dialogue at the local level. Cohesion is supported by mutual trust within the community and in governmental institutions, as well as by a willingness to cooperate and assist one another. I. Hryshchenko & L. Horbata (2024) explore both theoretical and practical aspects of mechanisms

for ensuring the resilience of territorial communities under martial law and during post-war reconstruction. They argue that strengthening the resilience of territorial communities could be an effective response to contemporary challenges.

Despite interest in this issue, there has been little attention given to a comprehensive approach to studying it. In wartime conditions, state authorities and local self-government bodies have faced new challenges that require prompt response. The incompleteness of the reform is exacerbated by new issues concerning decentralisation-centralisation of power, preservation of the reform's achievements, and its further implementation. Considering the key role of the reform in the process of European integration, its continuation is of exceptional importance both during and after the war. The aim of the article was to investigate the outcomes of the decentralisation reform in Ukraine, its impact on the resilience of territorial communities, and the specifics of its further implementation in the context of war and the post-war period.

■ Materials and Methods

The research on the topic was conducted through a multi-method approach, combining qualitative and quantitative methodologies to gain a comprehensive understanding of the decentralisation reform's impact, its achievements, and future prospects under the challenging conditions of wartime. The study utilised a wide array of primary and secondary sources, including legal documents, statistical data, and relevant academic literature, to provide a robust foundation for analysis.

The primary material for this research included official legislative documents related to Ukraine's decentralisation reform, which were adopted mainly during the period from 2014 to 2024. Among the main legislative acts analysed were the Constitution of Ukraine (The Constitution of Ukraine, 1996), the Law of Ukraine on Local Self-Government in Ukraine (Law of Ukraine No. 280/97-VR, 1997), the Law of Ukraine on Local State Administrations (Law of Ukraine No. 586-XIV, 1999), the Budget Code of Ukraine (2010) and Tax Codes of Ukraine (Tax Code of Ukraine, 2010), the European Charter of Local Self-Government (The European Charter of Local..., 1985), and the Concept of Reforming Local Self-Government and Territorial Organisation of Power in Ukraine (Resolution of the Cabinet of Ministers No. 333-r, 2014). Laws and normative legal acts that introduced changes to the existing Ukrainian legislation during the decentralisation reform from 2014 to 2024, as well as draft laws, were analysed. In total, more than 30 legal acts were reviewed, focusing on amendments related to the territorial organisation of power and local self-government.

These legislative acts were analysed to assess the legal framework and the mechanisms that had been established to facilitate decentralisation, particularly in terms of administrative, financial, and political autonomy for local governments. Further legislative updates, such as amendments made in the context of martial law, were also

reviewed to understand how decentralisation efforts had been adapted to current wartime conditions.

The Roadmap of Decentralisation Reform (2023) and the Action Plan on Reforming Local Self-Government and the Territorial Organisation of Power in Ukraine for 2024-2027 (Resolution of the Cabinet of Ministers of Ukraine No. 270-p, 2024) were thoroughly analysed. The current status of task implementation aimed at achieving the key objectives of the reform roadmap was assessed.

In addition, the research draws upon statistical data from government sources, including the website of the Verkhovna Rada of Ukraine, the Cabinet of Ministers of Ukraine, the Ministry for Communities, Territories and Infrastructure Development of Ukraine, the official website of the decentralisation reform, and the Register of Agreements on Cooperation Between Territorial Communities.

Based on the data from the official decentralisation reform website (Monitoring of the Reform..., 2022), a comparative analysis of Ukraine's administrative-territorial structure for the years 2014 and 2022 was conducted.

Statistical data from the Government Portal (n.d.) provided insight into how the reform had affected resource distribution and local governance capacities. For example, the proportion of capital expenditures in local budgets during the period from 2014 to 2020 was analysed to assess the financial capacity of territorial communities (Decentralisation, n.d.). From the registry of cooperation agreements, information regarding the signing of agreements was analysed (Register of Agreements on Cooperation..., n.d.).

The study used open data from surveys conducted by the Kyiv School of Economics (KSE) Institute (Rabinovych *et al.*, 2023) and the National Institute for Strategic Studies (Potapenko *et al.* 2023) to compare results regarding the factors influencing the resilience of Ukrainian territorial communities to the challenges of war. Scientific articles on the research topic from Ukrainian, German, Italian, and English scholars were also analysed.

The method of documentary analysis was employed to examine the legislative framework of decentralisation in Ukraine. Laws, regulations and official directives were analysed to understand the objectives, structure, implementation mechanisms, and the role of the reformed local governments. This analysis was crucial for evaluating how decentralisation had reshaped governance in Ukraine and how it had been maintained during the ongoing conflict.

Content analysis was applied to examine the discourse around decentralisation in the context of the war. This method allowed to identify key themes and challenges faced by local communities, as well as to track evolving public and governmental attitudes toward local governance during crises.

Quantitative methods were used to analyse statistical data on the socio-economic development of territorial communities before and during the war. Key indicators such as local budget revenues and capital expenditures in local budgets were examined. This data, sourced from official government publications, was crucial in evaluating the

reform's effectiveness in ensuring community resilience during the war. A comparative analysis of pre-war and war data helped to highlight changes in community productivity and resource management, and to compare the achievements of decentralisation in different regions of Ukraine. This made it possible to identify the factors that influence the success or failure of decentralisation initiatives, especially in conflict zones.

The choice of these methods was driven by the complexity of decentralisation reform, which encompasses legal, financial, administrative, and social dimensions. The combination of documentary analysis, content analysis, and statistical data analysis ensured a comprehensive examination of the reform's legal foundation and practical outcomes. By using these methods, the research offers a balanced and thorough analysis of decentralisation reform in Ukraine, shedding light on its current achievements and potential for future development amidst ongoing wartime challenges.

■ Results and Discussion

The necessity of decentralisation in Ukraine has been discussed for a long time. There were several attempts to reform local self-government and administrative-territorial division of Ukraine. However, the current reform is considered to begin after the adoption by the Cabinet of Ministers of Ukraine of the "The Concept of Reforming Local Self-Government and Territorial Organisation of Power in Ukraine" (Resolution of the Cabinet of Ministers No. 333-r, 2014).

The idea of the decentralisation reform was primarily based on the concept of a service state, according to which one of the main functions of public administration bodies is to provide high-quality public services (Vasyli-

va, 2017). The implementation of the tasks formulated in the Concept was aimed at achieving the ultimate goal – creating and maintaining a full-fledged living environment for citizens. Accordingly, the main objectives of the reform were to make public services more accessible, to improve their quality, and to establish an effective balance of authority between local self-government bodies and executive authorities. Of great importance was providing adequate material, financial, and organisational resources for local self-government to support the performance of their responsibilities. Rational territorial framework for the operations of these bodies was crucial to enhance the accessibility and quality of administrative services.

As of July 2020, one of the reform's objectives was achieved – a new territorial framework for the activities of public authorities was established. As a result of the adoption of new laws between 2014 and 2020, the administrative-territorial structure of Ukraine was reformed. On June 12, 2020, the Cabinet of Ministers of Ukraine issued 24 decrees defining the administrative centers and approving the territories of territorial communities of regions, resulting in the formation of 1469 territorial communities instead of more than 11 thousand. By the Resolution of the Verkhovna Rada (2020) 490 districts were abolished and 136 were created instead. The number of regions (24) remained unchanged. Also, the Autonomous Republic of Crimea, the cities of Kyiv, and Sevastopol remain elements of the administrative-territorial structure of Ukraine (Table 1). The actual completion of the main stage of the decentralisation reform occurred with the local elections held on the new territorial basis in the fall of 2020, where deputies were elected to all village, town, and city councils.

Table 1. The administrative-territorial structure of Ukraine

Elements of administrative-territorial structure	2014	2020
Territorial communities (hromadas)	more than 11,000	1,469
Districts (raions)	490	136
Regions (oblasts)	24	24
Autonomous republic	1 (Autonomous Republic of Crimea)	1 (Autonomous Republic of Crimea)
Cities with a special status	2 (Kyiv, Sevastopol)	2 (Kyiv, Sevastopol)

Source: author's development based on the Resolution of the Cabinet of Ministers No. 333-r (2014), *Monitoring of the Reform...* (2022)

At the legislative level, the issue of budgetary autonomy and financial independence of local budgets was regulated (Law of Ukraine No. 79-VIII, 2014; Law of Ukraine No. 71-VIII, 2014), so that it aligned with the task of the Concept of Reforming Local Self-Government and Territorial Organisation of Power in Ukraine regarding financial and budgetary decentralisation. As a result of these changes, local authorities gained more powers to manage funds and became more interested in increasing local budget revenues,

finding new sources to replenish them, and improving the efficiency of tax and fee administration. The revenue capacity of local budgets increased. Local budget revenues increased by 200 billion UAH from 2014 to 2019 (from 68.6 billion UAH to 267 billion UAH) (Government Portal, n.d.). Between 2014 and 2020, the proportion of capital expenditures in local budgets grew (Fig. 1). This indicates a heightened focus on investment projects, infrastructure development, and fostering economic growth at the local level.

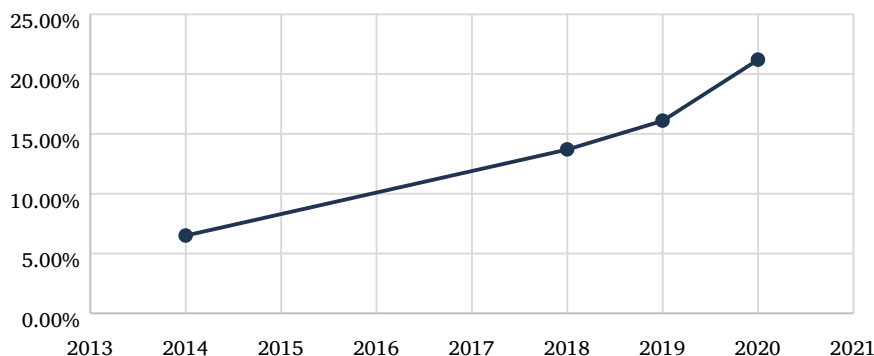


Figure 1. The share of capital expenditures in local budget expenditures during 2014-2020

Source: author's development based on Decentralisation (n.d.)

At that time, amalgamated territorial communities gained the powers and resources previously held by cities of oblast significance, including the allocation of 60% of personal income tax revenue to their own budgets. Additionally, local taxes such as the single tax, corporate profit tax for communal property enterprises, and property taxes (real estate, land, transportation) remained fully under local control.

Amalgamated territorial communities also received direct relations with the state budget. Before the reform, such relations were only available with regional and district budgets and the budgets of cities of regional significance. To fulfill delegated powers, those communities received corresponding transfers, including subsidies, educational and medical subventions, and infrastructure development grants. Legislative changes also granted local government bodies the authority to approve local budgets independently of the timing of the State Budget Law's adoption.

One of the key objectives of Ukraine's decentralisation reform is the optimal distribution of powers between different levels of public administration, specifically between state executive bodies and local self-government authorities, as well as among various levels of local government. The division of powers should be based on certain principles, including subsidiarity, the transfer of powers solely on the basis of law, the socio-economic justification for granting powers to local governments, and the material and financial support for delegated responsibilities.

Regarding the distribution of powers among different levels of local self-government, it is assumed that all powers should be exercised at the basic level, that is, within rural, settlement, and city communities. Local self-government powers at the regional or sub-regional level should only be provided by law in the following cases: if they have a specialised or specific nature; the consumers of such services are unevenly distributed across community territories; it is not feasible to ensure daily access to services for a significant number of consumers, and the provision of such services typically requires residential (inpatient) stays for users; the cost of services is too high for most communities; the institutional and infrastructural capacity of most communities is insufficient to carry out the respective powers. In other cases, such powers are exercised at the level of

city, rural, or settlement councils of territorial communities, either directly or through the use of inter-municipal cooperation mechanisms.

The decentralisation reform concept outlined the division of competencies among different levels of local self-government. At the community level, responsibilities should include preschool and school education, primary healthcare and emergency services, public utilities, law enforcement, fire protection, and social welfare. At the district level, the main areas of competence are specialised school education, sports schools, boarding schools, secondary healthcare, and general hospitals. The key powers of local self-government at the regional level include the provision of vocational education, regional development, environmental protection, the development of regional infrastructure (primarily regional roads), inter-district and inter-regional public transport routes, and the provision of highly specialised medical care.

Between 2014 and 2018, several laws were passed to enhance the authority of local self-government bodies and optimise the delivery of administrative services. This enabled local governments to take on responsibilities for providing key administrative services, such as residence registration, passport issuance, legal entity and individual entrepreneur registration, civil society organisation registration, civil status documentation, property rights registration, land issue resolution, etc. (Draft Law of Ukraine No. 6282, 2021).

However, as of 2024, this reform task remains incomplete. Moreover, martial law objectively creates favourable conditions for the centralisation of power. Therefore, it is crucial to distinguish the powers that cannot be transferred to local self-government as they form the core of the state's existence. These include the activities of central authorities, the judiciary, defence sectors, foreign policy, and national security. In accordance with the European Charter of Local Self-Government (1985), all other powers are local and fall within the competence of local self-government.

An important outcome of the reform was the strengthening of inter-municipal cooperation, which enhanced the resilience of territorial communities to external challenges. Between 2014 and 2021, 820 agreements on cooperation

between territorial communities were signed. As of September 2024, 1,136 agreements have been registered. The

trend in the signing of inter-municipal cooperation agreements is presented in Figure 2.

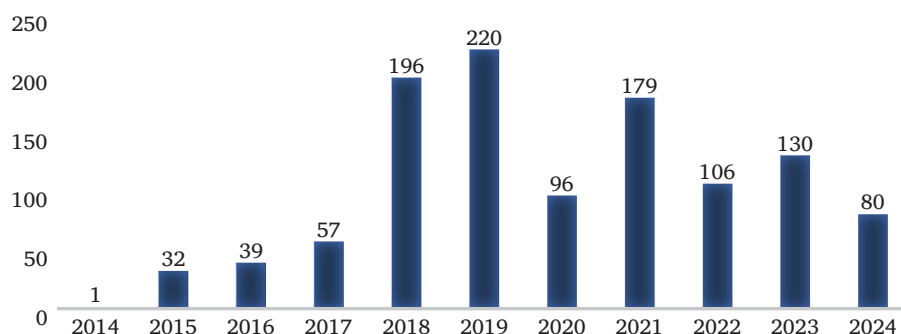


Figure 2. Registered agreements on cooperation between territorial communities

Source: author's development based on Register of Agreements on Cooperation (n.d.)

Thus, despite significant achievements in the decentralisation reform, as of early 2022, the tasks outlined in the Concept of Decentralisation Reform (Resolution of the Cabinet of Ministers No. 695, 2014) were only partially implemented. The systemic changes that had already occurred in the first and second stages of the reform, as mentioned above, required alignment of all legislative acts with budgetary legislation and the European Charter of Local Self-Government (1985). Therefore, the necessary steps were made to consolidate the powers of local governments, improve their organisational structure, enhance the mechanisms of state regional policy, develop local democracy tools, update laws governing local governments, ensure state supervision over the legality of decisions of local governments, and amend the Constitution concerning decentralisation.

To finalise the administrative-territorial structure, corresponding draft laws were developed to propose changes to specific legislative acts directed at delineating the powers of local authorities at different levels (Draft Law of Ukraine No. 6281, 2021; Draft Law of Ukraine No. 6282, 2021). The outdated Law on Service in Local Self-Government Bodies (Law of Ukraine No. 2493-III, 2001), which is intended to promote the development of professional and efficient service, needs to be updated as well. For this purpose, a new draft law was developed in 2019 (Draft Law of Ukraine No. 1223, 2019). To strengthen the connection between the State Regional Development Strategy (Resolution of the Cabinet No. 333-r, 2020), regional development strategies, and strategic planning documents for territorial community development, amendments were made to the Law of Ukraine "On the Principles of State Regional Policy" (Law of Ukraine No. 2389-IX, 2022).

Regarding the development of local democracy tools, the draft law "On Local Referendum" was prepared and submitted for public discussion (Draft Law of Ukraine No. 5512, 2021). This draft law aimed to establish an organisational framework for advancing local democracy in various contexts: approval of the territorial community's charter; approval of the territorial community's development program; early termination of the powers of rural,

settlement, or city councils, and the powers of rural, settlement, or city mayors, etc.

There was also on the agenda the update of the Law of Ukraine "On Local Self-Government in Ukraine" (1997) and the Law of Ukraine No. 586-XIV "On Local State Administrations" (1999). These changes were intended to address the following issues: distribution of powers between local self-government bodies at various levels; the creation of legal conditions for the operation of prefecture-type state administrations; necessary amendments to the Constitution of Ukraine (1996). The Draft Law of Ukraine No. 4298 (2020) was aimed at structuring the powers of local state administrations. It also envisaged the district state administrations' authority to oversee the legality of decisions made by local self-government bodies.

To solidify the legal innovations introduced during the decentralisation reform at all its stages, it was also necessary to make corresponding amendments to the Constitution of Ukraine, which would include: establishing communities as new administrative-territorial units; creating prefectures; securing financial resources. The relevant draft law was planned to be introduced to the agenda of the Verkhovna Rada of Ukraine in January-February 2022 (Amendments to the Constitution..., 2021).

The full-scale war complicated the entire process of decentralisation. The Russian invasion interrupted reformist processes, and a more pressing challenge was placed before the government – defending the country from aggression. The ability of territorial communities to resist the armed aggression of the Russian Federation, particularly at the beginning of the full-scale invasion in February 2024, demonstrated the success of the reform, as communities managed, often almost single-handedly, to withstand occupation or encirclement by enemy forces. They had the necessary powers, resources, and willingness to organise effective defence and meet humanitarian needs.

To illustrate to what extent the decentralisation reform contributed to the resilience of territorial communities, especially in the first months of full-scale war, some results from the study conducted by experts

M. Rabinovych *et al.* (2023), V. Potapenko *et al.* (2023) were used. Scholars drew the following conclusions: the share of own revenues in total community revenue is positively correlated with preparedness for war shocks, longer

management experience is beneficial, a greater number of partner communities enhances resilience, greater community involvement in local affairs is crucial. Details are presented in Table 2.

Table 2. *Factors of resilience of territorial communities to war shocks*

Factors	Impact on resilience
The share of own revenues in total community revenue	It is not the overall per capita volume of own revenues, but rather the reduced dependence on state budget subsidies and grants that enhances a community's readiness for complex, multidimensional shocks. This indicator reflects the financial self-sufficiency and autonomy of the community, which is possible due to the ability of local authorities to accumulate their own funds through local fees and taxes, as well as other sources.
Longer management experience	Approximately 13% of all communities in Ukraine had the status of "city of oblast significance" prior to the start of the decentralisation reform. These communities had significantly more management experience compared to newly created amalgamated territorial communities. The accumulated experience in managing substantial financial resources and strategic planning in these cities before decentralisation positively impacts their readiness for external challenges
A greater number of partner communities	Agreements on cooperation with other communities positively influence resilience. Local self-government bodies that had signed agreements before the full-scale war were better equipped with horizontal connections for the rapid exchange of resources, experience, and best practices during the initial months and weeks of the crisis
Greater community involvement in local affairs	Both material resources and the active participation of community residents in governance play a significant role in the community's readiness to face challenges

Source: *author's development based on M. Rabinovych et al. (2023), and V. Potapenko et al. (2023)*

The decentralisation reform in Ukraine focused on enhancing community capacity and boosting citizen involvement at the local level. Its achievements strengthened resilience against invasion. Additionally, the reform bolstered resilience by facilitating knowledge exchange and collaboration between communities through cooperation agreements.

Alongside direct losses of war, Ukraine also faces indirect losses – losses of capability (time for reform implementation and development, institutional resilience, etc.). At the onset of the full-scale invasion, Ukraine implemented martial law (Law of Ukraine No. 389-VIII, 2015). As a result, certain rights and freedoms of an individual, as well as the rights and legal interests of legal entities, were restricted. In addition, amendments to the Constitution of Ukraine were prohibited, and elections were suspended.

At the same time, by Decree of the President (2022), district and regional (oblast) military administrations were established. Military administrations at the local level are formed as the need arises. In connection with the establishment of military administrations, at least three modes of interaction between local self-government bodies and military administrations are distinguished: 1) the military administration completely replaces local self-government bodies; 2) the military administration and local self-government jointly manage the community; 3) local self-government bodies receive expanded powers and are partially subordinated to the higher military administration. The choice of mode depends on the specific conditions of the situation (Brazhko & Mamchur, 2023). The issue concerning the degree of autonomy of territorial

community authorities in decision-making came to the forefront. Therefore, there is a need to legislate the criteria for establishing military administrations and restoring local self-government in the frontline and liberated territories where the security situation allows it (Ukraine 2023 Report..., 2023). Such a situation raises some concerns because the formation of military administrations at local level temporarily restricts the implementation of local self-government. Some powers of local self-government bodies are transferred to military administrations (Law of Ukraine No. 888-VIII, 2015). Consequently, there is a certain centralisation of public authority. If this situation lasts for long, the achievements of decentralisation reform will be significantly levelled.

The war has led to an increase in disparities in the financial condition of territorial communities. The dependence of territorial communities on the central budget has increased. To mitigate disproportionate financial vulnerability, it is crucial to ensure a strong local fiscal base. This can be achieved through a fair distribution of personal income tax to the municipalities where taxpayers reside and by expanding local tax sources.

The Government of Ukraine has approved the Roadmap for Decentralisation (2023), which outlines the further steps for advancing local self-government and territorial organisation reforms in Ukraine from 2024 to 2027. To ensure comprehensive input, the development of this document involved a broad range of experts, international partners, and representatives from local self-government associations. The new vision addresses both the challenges posed by the full-scale war and the requirements for

Ukraine as a candidate for EU accession. Legislative changes that strengthen the institutional and financial capacities of local self-government bodies and promote local democracy have to be made according to this Roadmap.

In March 2024, the government approved an action plan for the reform of local self-government and the territorial organisation of power in Ukraine for 2024-2027 (Resolution of the Cabinet of Ministers No. 270-p, 2024). It is worth noting that it primarily repeats the plan from the previous period, as not all the set tasks were accomplished.

The first task in this Plan was to address specific issues related to the administrative-territorial structure. In January 2024, the Law of Ukraine No. 3285-IX (2023) came into effect. This law defines the procedure for the creation, liquidation, establishment, and alteration of the boundaries of administrative-territorial units, their naming and renaming, and the resolution of other matters related to the administrative-territorial structure of Ukraine. An important innovation of this law is that cities of republican significance in the Autonomous Republic of Crimea, as well as cities of regional and district significance, are classified as cities, while urban-type settlements are classified as settlements.

The agenda includes reforming local state administrations into prefecture-type bodies. The anticipated amendments to the Law of Ukraine "On Local State Administrations" (Draft Law of Ukraine No. 4298, 2020) will ensure oversight of the legality of the activities of local self-government bodies. Another important point is the adoption of the law on the capital of Ukraine (Draft Law of Ukraine No. 2143-3, 2019) which aims to define the special legal regulation of the city's status, as well as the specifics of the executive power and local self-government in Kyiv. The action plan also includes the development and submission for consideration to the Cabinet of Ministers of Ukraine a draft Law of Ukraine on the procedure for restoration and the specifics of exercising public authority in de-occupied territories and areas where military administrations were established.

An unfinished item of the reform is the delineation of powers based on the principle of subsidiarity between different levels of local self-government bodies, as well as between local self-government bodies and executive authorities. To address this, the Center for Political and Legal Reform has developed and submitted a draft Concept for the delineation and distribution of powers between local self-government and executive authorities for discussion (The experts presented..., 2023). Another important aspect in this direction is the development of conceptual principles for implementing local statistics. This will enable local self-government bodies to carry out activities related to the collection, organisation, analysis, and presentation of data on territorial communities, as well as to prepare relevant reporting and statistical materials.

To mitigate the negative impact of the war on the financial condition of territorial communities, the action plan includes strengthening the financial capacity of local self-government bodies to ensure the execution of their

legally defined powers. This involves amending the Tax Code of Ukraine and other laws to grant additional powers to local self-government bodies concerning the administration of local taxes and fees. It also includes refining the mechanism for allocating personal income tax to local budgets, ensuring that a portion of the tax is allocated to the local budgets where the taxpayer resides. Furthermore, the plan aims to improve the horizontal equalisation of local budget capacities and foster inter-municipal cooperation through legislative regulation of creating and defining the status of city agglomerations, among other measures.

The action plan's provision on establishing a professional and competitive service in local self-government bodies has been fulfilled with the adoption of the Law of Ukraine "On Service in Local Self-Government Bodies" (Law of Ukraine No. 3077-IX, 2023). It aims to establish a foundation for building a professional and competitive workforce within local self-governance structures. This law introduces new standards for recruitment, training, and performance in local government, but it will come into force after martial law is lifted in Ukraine. By setting higher professional requirements, it seeks to improve the quality and efficiency of local self-government.

To enhance citizen engagement in local governance and expand mechanisms for direct democracy, the adoption of a law on local referendums (Draft Law of Ukraine No. 5512, 2021) is also in development. This draft law envisions new ways for residents to actively participate in decision-making on issues affecting their communities. Additionally, amendments to the law on self-governance bodies (Draft Law of Ukraine No. 6319/P, 2023) are being proposed. These amendments are intended to strengthen local autonomy and support community initiatives by creating clearer guidelines and opportunities for residents to take part in self-organisation efforts.

On June 20, 2024, the Law of Ukraine "On Public Consultations" was adopted (Draft Law of Ukraine No. 4254, 2020). This law establishes the rules for conducting public consultations by authorities on matters related to the formation and implementation of state and regional policies, addressing local issues, preparing strategic and program documents, and drafting legal acts to reconcile public and private interests. The amendments made on July 17, 2024, to the Law of Ukraine No. 3870-IX (2024) refined the legal regulation of the institution of elders (starostas) and their activities under martial law conditions. The strengthening of the institutional capacity of associations of local self-government bodies is planned to be achieved, among other things, by amending the legislation to remove restrictions on the membership of local self-government bodies in nationwide associations (Draft Law of Ukraine No. 2668, 2019). A crucial phase of the reform involves enshrining the results of the local self-government and territorial organisation reform in the Constitution of Ukraine. In this context, it is necessary to develop and submit to the Cabinet of Ministers of Ukraine a draft Urban Code of Ukraine (new version of the Law of Ukraine

“On Local Self-Government in Ukraine” (Law of Ukraine No. 3590-IX, 2024), a draft Law of Ukraine “On Prefects”, amendments to the Budget and Tax Codes of Ukraine to allocate financial resources to local governments they need for the fulfillment of powers.

These steps are essential to stabilise governance, promote economic development, and adapt Ukraine’s legal and territorial framework in the aftermath of the conflict. In the territories under prolonged occupation, it will be necessary to establish widespread military-civil administrations. These administrations will operate until security criteria (defined by law) are met but for at least one electoral period. This approach ensures governance continuity and stability in areas affected by occupation, aligning with legal standards and allowing for eventual democratic processes once security conditions permit. These steps are crucial to effectively manage administrative and territorial affairs during this critical period in Ukraine’s history.

The investigation into the decentralisation reform in Ukraine provides a rich understanding of its achievements and the challenges it faces, particularly in the context of war. This research confirms that decentralisation has notably enhanced local governance, administrative efficiency, and financial autonomy. These findings are consistent with the work of H. Arends *et al.* (2023), who argue that decentralisation fosters trust in government by improving local service delivery. Their analysis indicates that as local authorities become more responsive to community needs, public trust in governance increases, creating a positive feedback loop for local development. Similarly, E. Pavlova & Yu. Nahaichuk (2020) highlight that decentralisation reform has positively impacted public administration by increasing local authorities’ decision-making power, which aligns with the observations of improved governance in Ukraine. They point out that greater local decision-making capacity allows for more tailored solutions to regional issues, enhancing overall community satisfaction.

However, this study also reveals significant limitations and challenges exacerbated by the ongoing war. The uneven conditions of territorial communities across various regions is a critical issue. This is supported by the findings of Yu. Borysenko (2022), who notes that decentralisation efforts often face regional disparities, which can hinder their overall effectiveness. Borysenko emphasises that these disparities can lead to unequal resource distribution and varying degrees of service quality, complicating efforts to achieve uniform progress. He states that further scientific applied research should focus on substantiating a system of measures to ensure resilience, revitalisation, and development of territories and communities in Ukraine, particularly in the context of war and the post-war period. It is also important to develop and implement a comprehensive methodology and technological support for the effective implementation of transformational changes and to ensure the continuous improvement of relevant processes within public administration bodies at the regional and local levels.

L. Horbata & T. Sinelnyk (2023) explore the national stability system within territorial communities during wartime, highlighting its evolution in academic discourse. The Russian invasion of Ukraine in February 2022 significantly impacted many territorial communities, both in government-controlled areas and occupied regions. Local self-government bodies have been enhancing their capacity to manage social dynamics during crises. The authors examine various elements of the national sustainability framework, including organisational, financial, economic, and social dimensions. They emphasise the dependence of community stability on critical factors and evaluate strategies to bolster this stability, particularly the influence of local government on both community and national stability. The national stability system is defined by its ability to effectively address threats, adapt to shifting security landscapes, sustain functionality, and quickly restore balance after crises. Recognising the importance of organisational, financial, technical, and social stability is crucial for the successful development of these communities. The development status of each stability type reflects the community’s overall resilience and capacity for rapid recovery. Ultimately, their article illustrates the significant role of the national sustainability system in fostering the resilience and growth of territorial communities, demonstrating that they can thrive even in wartime conditions.

In the context of a full-scale war, all processes within the country are adversely affected. This is particularly evident in the handling of local issues, which are increasing due to significant internal population migration, damage and destruction from military actions, loss of contact with temporarily occupied territories, and logistical challenges, among other factors. This is echoed in the work of V. Balinskyi (2023). He emphasises that significant decentralisation of power in Ukraine and the communities’ ability to organise themselves quickly and effectively have been crucial factors in maintaining the necessary stability amid the full-scale war. Despite the challenges posed by martial law, local government bodies are required to take on additional responsibilities, collaborate with military administrations and command structures, and still ensure that the population has access to essential state services. They must also counteract the impact of hostile propaganda on the community and coordinate responses in unforeseen situations. The foundation for managing such a broad range of responsibilities was established through the experiences gained during the COVID-19 pandemic, which accelerated the digitalization of government at all levels. The country’s digital transformation, the transfer of authority from the central government to local entities over many years of decentralisation, and proactive coordination and communication with the military have enabled communities and local authorities to persevere and continue functioning. This, in turn, has been pivotal for the stability of central governance.

A. Mikolyuk (2022) concludes that local self-government in Ukraine has demonstrated a considerable level of

effectiveness while operating under martial law. The necessity to address multiple complex issues simultaneously has maintained a high level of interaction among government authorities, local community leaders, and representatives of civil and volunteer organisations. This collaboration helps prevent severe crises in ensuring the communities' functioning. This situation is largely attributed to the decentralisation reform implemented between 2014 and 2021, which transferred a significant amount of authority and resources to local levels.

Comparative studies of decentralisation reforms in other conflict-affected regions offer valuable insights for Ukraine. The experiences documented by A. Lordos & D. Hyslop (2021) provide useful lessons on multisystemic resilience, which could inform Ukraine's approach to overcoming the gaps identified in this research. Their analysis suggests that understanding resilience in diverse contexts can help tailor decentralisation reforms to better address local needs and challenges. Additionally, they advocate for incorporating local knowledge and community involvement in the reform process, which can enhance the legitimacy and effectiveness of governance initiatives in crisis-affected areas.

In conclusion, while decentralisation in Ukraine has led to significant advancements, its implementation in the context of ongoing war poses complex challenges. The interplay of achievements and obstacles underscores the need for continued research and adaptation to ensure that decentralisation reform can effectively enhance local governance and community resilience. Future research should focus on evaluating the long-term impacts of decentralisation in post-war scenarios and exploring comparative cases to derive best practices applicable to Ukraine's context. This will provide a more nuanced understanding of how decentralisation can be effectively implemented and sustained in similarly challenging environments.

■ Conclusions

The investigation into the decentralisation reform in Ukraine has provided a comprehensive understanding of its achievements, challenges, and prospects amidst wartime

conditions. The study confirms that the reform has made significant strides in enhancing local governance and administrative efficiency. By empowering local governments, improving public service delivery, and increasing financial autonomy, decentralisation has significantly bolstered the resilience of territorial communities, enabling them to better manage the complexities of the ongoing conflict.

However, the research also identifies several limitations and challenges faced by the reform, particularly in the context of war. The implementation of decentralisation has encountered obstacles due to the ongoing conflict, which has impacted the overall effectiveness of the reform. Issues such as uneven implementation across different regions, the need for further capacity building, and the adaptation of governance structures to wartime realities have emerged as critical areas requiring attention.

The study highlights that while decentralisation has facilitated improvements in administrative and financial management, there are gaps that need to be addressed for the reform to achieve its full potential. These include the need for enhanced support mechanisms for conflict-affected regions, the development of more resilient local governance frameworks, and improved coordination between central and local authorities.

Future research should concentrate on evaluating the long-term effects of decentralisation on community resilience and governance in post-war contexts. Additionally, it is essential to explore the effectiveness of specific interventions aimed at overcoming the identified gaps and challenges. Further studies could also investigate comparative cases of decentralisation reforms in other conflict-affected regions to derive lessons and best practices applicable to Ukraine's context. This approach will provide a more nuanced understanding of how decentralisation can be effectively implemented and sustained in similar challenging environments.

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■ Conflict of Interest

None.

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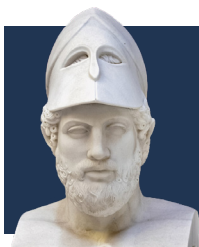
Реформа децентралізації в Україні: досягнення та перспективи впровадження в умовах війни

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■ **Анотація.** Реформа децентралізації є вирішальною для покращення місцевого управління та зміцнення стійкості громад, особливо під час війни. У період подолання Україною збройної агресії та планування відновлення, розуміння впливу децентралізації є важливим для сталого розвитку та ефективного управління. Метою статті було дослідження результатів реформи децентралізації в Україні, її впливу на стійкість територіальних громад, а також особливостей подальшого впровадження в умовах війни та післявоєнного періоду. За допомогою методів статистичного аналізу, контент-аналізу і порівняльного аналізу документів, було досліджено ефективність децентралізації у зміцненні місцевого управління та стійкості громад. Результати свідчать, що, хоча реформа сприяла значним покращенням адміністративної ефективності та фінансового управління на місцевому рівні, її впровадження зіткнулося з викликами через війну, що вплинуло на загальну ефективність. Дослідження не лише вказує на конкретні сфери, де реформа успішно сприяла зміцненню стійкості, але й визначає прогалини, які потрібно усунути для кращої адаптації до умов військового конфлікту. Місцеві органи влади отримали більшу автономію у прийнятті рішень, що дозволило їм оперативніше реагувати на потреби громад під час криз. Однак війна виснажує ресурси, обмежуючи здатність деяких регіонів повністю реалізувати переваги децентралізації. Крім того, дослідження виявило, що остаточний розподіл повноважень між виконавчою владою та місцевими органами досі не завершено, що створює неоднозначність у ролях управління. Реформа сприяла зміцненню місцевого лідерства, проте в умовах воєнного часу необхідно зробити додаткові кроки для впровадження сталих змін. Крім того, дослідження підкреслило важливість поступового та ефективного відновлення місцевого самоврядування на звільнених і деокупованих територіях як важливого кроку до стабілізації цих регіонів. Децентралізація може відігравати ключову роль у післявоєнному відновленні за умови проактивного вирішення структурних викликів. Ця робота пропонує практичні висновки для політиків і місцевих органів влади, надаючи рекомендації для зміцнення процесу децентралізації та покращення його впливу на територіальні громади під час війни та після її завершення.

■ **Ключові слова:** місцеве самоврядування; територіальна громада; децентралізація влади; місцеві органи влади; стійкість територіальних громад; публічне управління; громадська участь



Digital solutions as an effective approach to combat corruption in public procurement

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■ **Abstract.** This study examined the issue of corruption in Ukraine within a socio-political context, highlighting that despite the implementation of digital tools like Prozorro and Dozorro, the country continued to face reputational challenges due to persistent corrupt activities. The aim was to explore how digital solutions can serve as an effective tool to combat corruption in public procurement processes and their potential to enhance transparency, accountability, and efficiency. The study employed a mixed-methods approach, integrating qualitative and quantitative techniques to explore the use of digital tools in combating corruption in Ukraine. Data from Prozorro and Dozorro systems from 2020 to 2024 were analysed, along with reports from NABU (National Anti-Corruption Bureau of Ukraine) and SAPO (Specialised Anti-Corruption Prosecutor's Office), and high-profile journalistic investigations like the Panama Papers and Pandora Papers. Despite advanced digital initiatives, Ukraine continued to face reputational challenges due to ongoing corruption reports. The study found that digital tools, such as blockchain and AI, have potential to enhance transparency and efficiency in public procurement. Challenges during wartime were also highlighted, showing the complexity of combating corruption under such conditions. The research emphasised the importance of international collaboration and public involvement in overseeing government activities. It concluded that a comprehensive strategy combining legal reforms, digital technologies, public oversight, and international cooperation is essential to reduce corruption and foster trust in public institutions. The practical value of this research lies in the development of a multi-faceted anti-corruption approach that integrates these key elements to build a culture of integrity and trust within public institutions

■ **Keywords:** digital tools; transparency; public procurement system; Prozorro; methods of combating corruption; blockchain, anti-corruption policy

■ Introduction

Corruption in the field of public procurement is one of the key threats to sustainable development, effective public governance, and ensuring socio-economic progress in Ukraine. Of particular concern is corruption in public procurement, which undermines trust in state institutions, reduces the efficiency of budget spending, and deprives

citizens of equal access to public resources. In the modern context of globalisation and digitalisation, corrupt schemes are becoming increasingly complex, and combating them requires innovative and technological solutions. Digital technologies play a crucial role in enhancing transparency, accountability, and integrity in public administration. They

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can significantly reduce corruption risks by automating procurement processes, eliminating human intervention, and enabling more effective oversight. The study of digital tools to counteract corruption in public procurement is vital for Ukraine, considering current challenges related to the war, the need for international support, and commitments undertaken on the path to European integration. The digitalisation of this sector will not only help to reduce abuses but also improve the efficiency of public resource utilisation, which is critically important in the context of the country's post-war recovery.

For this research, it was valuable to rely on the approach of interpreting corruption and identifying the factors that contribute to this phenomenon, using the example of Estonia, which claims to be approaching zero corruption for sustainable development. N. Khoma & I. Vdovychin (2024) identified two types of corruption factors: the first group that contributes to Estonia's anti-corruption progress and the second that impedes Estonia's progress on the path to eliminating corruption. The study showed that the introduction of digital technologies, such as e-government systems, effectively reduces corrupt practices. The shift to e-government has greatly contributed to reducing corruption in Estonia.

Given that Ukraine is currently in a state of war, it was deemed necessary to investigate the main challenges arising during the development and implementation of methods to combat corruption in such conditions. The article by K. Nesterenco & O. Bulgakova (2023) explored issues such as resource scarcity, the impact of globalisation on corruption, and the adaptation of anti-corruption policies during wartime. It has been demonstrated that, alongside countering military aggression, combating corruption must become an equally significant priority for all government bodies today. Specifically, article by A. Mazaraki *et al.* (2023) analysed how corruption affects economic security and growth amidst Ukraine's deteriorating economic conditions. The author concludes that systematic measures to prevent and combat economic corruption are essential, and achieving economic security should be a key component of the national anti-corruption policy.

A team of Ukrainian scientists analysed best practices and focused on the fight against corruption in contemporary public administration. V. Nonik *et al.* (2024) studied the factors influencing the effectiveness of anti-corruption measures in the context of rapid technological development were relied upon. The article examines the fight against corruption in contemporary public administration, focusing on the factors that affect the effectiveness of anti-corruption measures in the context of globalisation and technological development, and emphasises the importance of studying and applying best practices from other countries. The conclusion highlights the necessity of developing transparent institutions, enhancing civic awareness, and fostering international cooperation to create an effective anti-corruption system, especially during times of war.

S.M. Chege & D. Wang (2020) analysed the literature on the impact of information technology innovations on the fight against corruption in small and medium-sized enterprises in developing countries. Corruption, as a negative phenomenon, inhibit business development, hindering entrepreneurial and innovative efforts. They identified encouraging employees to report corruption in their workplaces as one of the methods of fighting corruption. Many employees were reluctant to report corruption due to inadequate whistle-blower protection policies. Additionally, while information technology had the potential to help identify whistle-blowers, its use remained limited due to fear and uncertainty. The effectiveness of anti-corruption strategies depended on their alignment with the local cultural, ecological, and technical context. To address this issue, the government needed to raise public awareness of whistle-blower protection and create an interagency framework to improve digital reporting channels in both the public and private sectors

Significant contributions to the typology of digital tools for preventing and fighting corruption were made by foreign researchers such as M. Fredrick *et al.* (2019). The typology emphasised that digital technology could both facilitate corruption, such as through the theft of digital personal records, and support anti-corruption efforts, such as by providing mobile channels for reporting corruption, conducting automated audits of transaction records to detect fraudulent payments, or automating services to replace discretionary decisions by public officials with rule-based automated processes.

The literature review revealed that while significant progress had been made in Ukraine's anti-corruption efforts, particularly through the implementation of digital tools like Prozorro and Dozorro, challenges persisted due to ongoing corrupt activities. In light of these challenges, digitising anti-corruption mechanisms became increasingly relevant for enhancing process efficiency and transparency. However, despite the potential of these initiatives, most scientific publications focused on isolated cases of anti-corruption digitisation at the state level. There remains a notable gap in research providing a comprehensive analysis of how digital tools can combat corruption on a global scale. Additionally, there is a lack of understanding on how to adapt anti-corruption policies during wartime, the role of public involvement, and the integration of international best practices. Therefore, this study aimed to evaluate the effectiveness of digital tools in combating corruption in Ukraine, especially in the context of the ongoing war and rapid technological advancements.

■ Materials and Methods

This article explores the used of digital tools in combating corruption in Ukraine, employing a mixed-methods approach that integrates both qualitative and quantitative techniques. The research utilised data from two primary digital platforms: the Prozorro public procurement system (Official website of the Prozorro, n.d.) and the Dozorro

public oversight monitoring portal (Official website of the Dozorro, n.d.). Data from these platforms was analysed to assess the effectiveness of digital tools in combating corruption in public procurement. The analysis covered the period from 2020 to 2024. The data was visualised in graphs to illustrate the changes in procurement spending, particularly highlighting the impact of the full-scale invasion starting in February 2022. Reports from NABU and SAPO (Official website of the National Anti-Corruption Bureau of Ukraine, n.d.) were analysed to understand the nature and outcomes of recent investigations related to procurement fraud.

The article also incorporated data from journalistic investigations such as the Pandora and Panama Papers (Offshore leaks database, n.d.), which exposed offshore dealings of prominent Ukrainian officials. These reports were used to contextualise the global reach of corruption and its implications for public procurement in Ukraine. The NABU's annual anti-corruption reports (Official website of the National Anti-Corruption Bureau of Ukraine, 2023) provided an analysis of current anti-corruption efforts and challenges in combating procurement fraud.

International transparency surveys, such as Transparency International's Corruption Perceptions Index (Official website of the Transparency International, 2023), and data of local polls conducted by Ukrainian civil society organisations and NGOs commissioned by USAID (The state of corruption in Ukraine..., 2023), were reviewed to assess public confidence in anti-corruption efforts. These surveys helped in understanding the public perception of procurement transparency and the effectiveness of anti-corruption measures.

The potential of artificial intelligence (AI) and big data in detecting and preventing corruption in procurement were explored through methods such as machine learning, pattern recognition, and anomaly detection. The

research also considered the implementation of blockchain technologies to ensure data immutability and security in public procurement.

Diverse methods were employed to define strategies for combating corruption in Ukraine's public procurement processes. These methods included content analysis of theoretical scientific articles, legal analysis of the Law of Ukraine No. 922-VIII "On Public Procurement" (2015), and a review of reports from Transparency International (Transparency International, 2024). The combination of legal reforms, digital technologies, public oversight, and international cooperation was examined using qualitative and quantitative analysis to understand their collective impact on reducing corruption and fostering a culture of integrity and trust within public institutions.

■ Results and Discussion

Although Ukraine implemented digital models for combating corruption, such as the Prozorro public procurement system and the Dozorro public oversight monitoring portal, it continued to suffer reputational damage due to frequent reports of corrupt actions by politicians and business representatives in the international media. Anti-corruption initiatives typically encounter two major challenges: a lack of sufficient financial and human resources, and the absence of a credible support base. The effective anti-corruption organisations are those that successfully address at least one of these challenges. Additionally, political will among local authorities is found to be a crucial factor in the success of anti-corruption efforts (Bader *et al.*, 2019).

Addressing corruption requires a multifaceted approach that extends beyond digital tools. Ukraine has implemented several methods to combat corruption in public procurement, combining reforms, investigations, and advanced digital tools (Table 1).

Table 1. Methods to combat corruption in public procurement

Main approaches	Details of implementation
Reforms in Public Procurement	■ Prozorro System: One of the most prominent reforms, Prozorro, is a digital platform designed to ensure transparency in public procurement. Launched in 2016, it mandates that all public tenders be conducted online, allowing anyone to monitor the procurement process from start to finish. This reduces the risk of hidden agreements and increases accountability. ■ Dozorro Monitoring Portal: Complementing Prozorro, Dozorro enables civil society and the public to monitor procurement processes, report violations, and provide feedback on tenders. This enhances oversight and public engagement in preventing corruption.
Investigations by Anti-Corruption Bodies	■ National Anti-Corruption Bureau of Ukraine (NABU) is responsible for investigating into the misuse of public funds, high-level corruption, including fraud in public procurement. Recent cases included targeting senior officials involved in corrupt procurement schemes, such as the "Rotterdam + " case, which involved inflated electricity tariffs, and the "Ukrzaliznytsia" case, which focused on corruption in the state railway company. Specialised Anti-Corruption Prosecutor's Office (SAPO) works alongside NABU to prosecute cases of corruption, playing a critical role in holding offenders accountable through legal action. ■ The National Agency on Corruption Prevention was established as a result of anti-corruption reforms and serves as the central executive body in Ukraine with a special status. It is responsible for ensuring the formation and implementation of state anti-corruption policy. This government agency is tasked with performing preventive functions, including the verification of the lifestyle and declarations of public officials. Additionally, it holds the authority to disclose any information regarding instances of abuse of office or corruption by public officials (Skyba, 2023).
High-Profile News and Reports	■ Pandora and Panama Papers: Journalistic investigations have exposed the offshore dealings of prominent Ukrainian officials, highlighting corruption's global reach. These revelations have fuelled domestic efforts to clamp down on financial fraud linked to public procurement (Offshore leaks database, n.d.). ■ Annual Anti-Corruption Reports: NABU and other bodies release reports on corruption cases, public procurement fraud, and ongoing investigations, offering transparency on efforts to combat the issue.

Table 1. Continued

Main approaches	Details of implementation
Surveys and Public Perception	■ International Transparency Surveys: Ukraine's efforts are measured in global surveys such as Transparency International's Corruption Perceptions Index, which highlights public trust in anti-corruption efforts. These surveys often show that despite reforms, public scepticism remains due to persistent cases of high-level corruption. ■ Local Polls and Reports: Ukrainian civil society organisations and NGOs regularly conduct surveys on public procurement transparency. Reports from organisations like the Anti-Corruption Action Centre (Official website of the Anti-Corruption Action Centre. n.d.) track progress and highlight ongoing issues in implementation and enforcement of anti-corruption measures.

Source: compiled by authors

These efforts reflect a multi-faceted approach, blending legal reforms, technology, and public oversight to reduce corruption in Ukraine's public procurement processes (Fig. 1). The multifaceted approach to combating corruption in Ukraine involved legal reforms, including the Law of Ukraine "On Public Procurement" and the WTO Agreement on

Government Procurement. Digital technologies and tools, such as the Prozorro system and the Dozorro monitoring portal, were implemented to enhance transparency and accountability. Public supervision and control were strengthened through high-profile news and reports, public perception surveys, and investigations conducted by anti-corruption bodies.

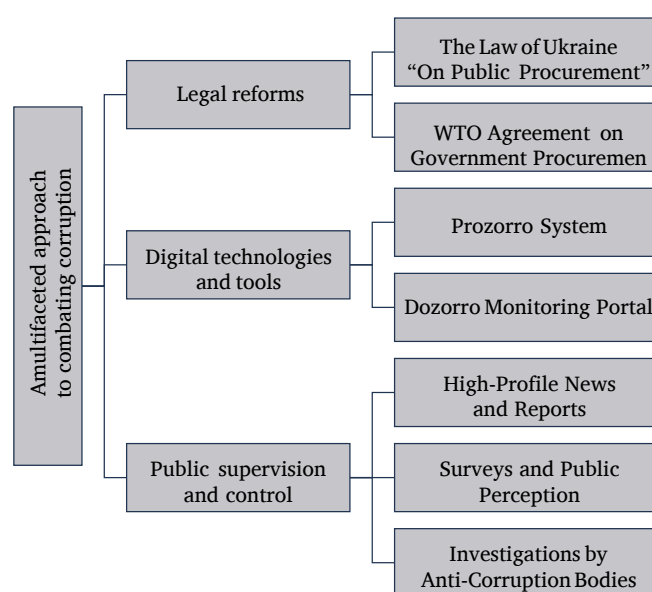


Figure 1. A multifaceted approach to combating corruption

Source: compiled by authors

In conclusion, the multifaceted approach to combating corruption in Ukraine effectively integrates legal reforms, digital technologies, and public oversight. By implementing the Law of Ukraine "On Public Procurement" and adhering to international standards like the WTO Agreement on Government Procurement, the legal framework has been strengthened to facilitate transparency and accountability. The use of innovative tools such as the Prozorro System and the Dozorro Monitoring Portal has revolutionised procurement processes, ensuring that all activities are conducted openly and monitored by the public.

Furthermore, the role of media reporting, public perception surveys, and investigations by anti-corruption bodies highlights the importance of civil engagement and vigilance in tackling corruption. Together, these elements create a robust and comprehensive strategy that not only addresses existing corruption but also fosters a culture of integrity and trust within public institutions.

The report on the state of corruption in Ukraine in 2023, conducted by the Kyiv International Institute of Sociology (KIIS) as part of the "Join!" Civic Engagement Promotion Program and the USAID Project "Support to Anti-Corruption Champion Institutions in Ukraine" (SACCI) (The state of corruption in Ukraine..., 2023), reveals several key findings regarding public perception, experience, and attitudes towards corruption. The survey covered three representative samples: general population, internally displaced persons (IDPs), and externally displaced persons (EDPs), to understand the different realities caused by the war.

1. Public perception of corruption. Corruption is considered the most serious problem for Ukraine after the full-scale war, according to 89% of citizens. Political corruption is identified as the most critical type, with 81% of respondents highlighting it. 94% of respondents still believe that corruption is widespread across Ukraine. The percentage of those who are convinced that the level of corruption

has increased since the start of the full-scale war exceeds the percentage of those who believe it has decreased.

2. Experience with corruption. The percentage of respondents who encountered corruption in the past year varies, with 14% of the general population and IDPs, and 18% of EDPs reporting such experiences. However, a significant portion of respondents, especially EDPs, were reluctant to provide specific answers about their encounters with corruption.

3. Public trust and reporting. According to a poll by the Razumkov Center (2024), nearly 60% of Ukrainians do not trust the National Anti-Corruption Bureau (NABU) and the Specialised Anti-Corruption Prosecutor's Office (SAPO). This level of distrust has increased since the previous survey, which is attributed to the lack of verdicts in high-profile cases. The survey, conducted by the Razumkov Center in September 2024, highlights the very low public trust in these anti-corruption bodies. Only 3.8% of respondents fully trust the NABU and the SAPO. Notably, distrust in these agencies has risen compared to the previous survey conducted (National Democratic Institute, 2024). At that time, just over 30% of respondents trusted the NABU, and 20% trusted the SAPO.

4. Awareness and effectiveness of anti-corruption efforts. Awareness of anti-corruption measures and campaigns has decreased compared to 2018, but the perception of their effectiveness has improved. Nearly 80% of citizens are willing to participate in protests and public actions, although most prefer passive forms of engagement, such as reporting corruption through media and social networks (31%) and signing electronic petitions (27%).

5. Optimism and engagement. Internally displaced persons show the highest optimism regarding the level of corruption and anti-corruption efforts, while externally displaced persons are more sceptical. The general population and IDPs are more likely to believe that citizens should take responsibility for combating corruption, with an increase from 9% in 2021 to 13% in 2023.

Despite the low levels of trust, according to D.A. Bilenets *et al.* (2024), an analysis of legal norms and institutional frameworks indicated that Ukraine's anti-corruption measures aimed to ensure maximum transparency and ac-

countability in government activities. Key institutions like the National Agency on Corruption Prevention (NACP), the National Anti-Corruption Bureau of Ukraine (NABU), and the Specialised Anti-Corruption Prosecutor's Office (SAPO) played crucial roles in monitoring compliance with anti-corruption legislation and investigating significant corruption cases. Therefore, there should be improvements to increase public trust in these institutions.

The war has intensified the complexity of corruption issues, and there is a need for continued efforts to enhance transparency, accountability, and public involvement in anti-corruption initiatives. Surveys play a vital role as an instrument for combating corruption by providing valuable insights into public perception, experience, and attitudes towards corruption. They help identify areas where anti-corruption efforts are most needed and gauge the effectiveness of existing measures. By highlighting the public's concerns and willingness to engage in anti-corruption activities, surveys can guide policymakers in designing more targeted and effective strategies. Additionally, surveys help build transparency and accountability by making the voices of citizens heard in the fight against corruption.

Intolerance towards corruption within Ukrainian society and the recognition of the importance of combating it, as highlighted in the analysis above, are crucial. However, to assess the extent to which the authorities' actions align with citizens' expectations regarding the handling of corruption cases, statistics on criminal proceedings in corruption cases were analysed.

Criminal proceedings in public procurement play a crucial role in maintaining the integrity, transparency, and accountability of governmental and public sector transactions. Given the substantial funds involved, public procurement is often susceptible to corruption, fraud, bid-rigging, and other illegal activities that can erode public trust and misappropriate resources intended for public services. The initiation of criminal proceedings acts as a powerful deterrent, holding individuals and organisations accountable for any violations and ensuring that procurement processes are fair and lawful. The state of criminal proceedings in the field of public procurement in Ukraine from 2020 to 2024 was considered (Fig. 2.).

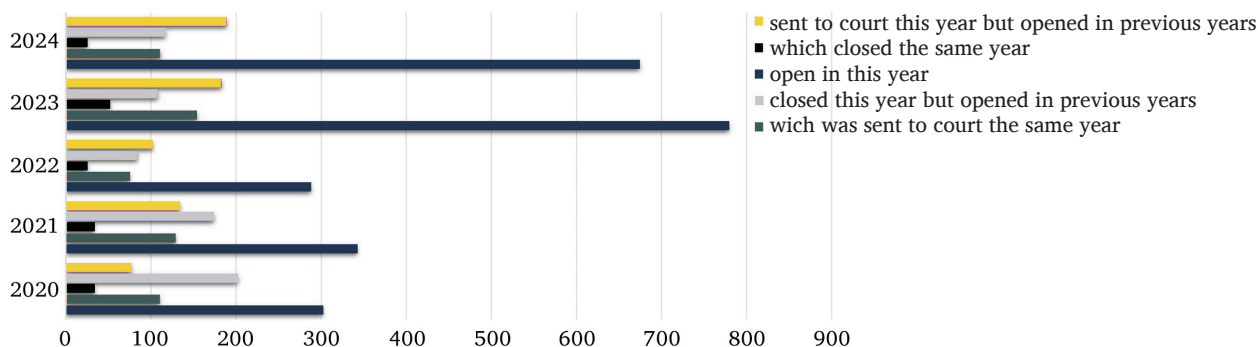


Figure 2. Criminal proceedings in public procurement in Ukraine

Notes: data for the year 2024, covering only January to June

Source: compiled by authors using data of Y. Pylypenko (2024a)

From 2020 to 2022, there was a relatively stable level of open procurement cases, with a gradual decrease in the number of cases closed and sent to court. In 2023, the number of open cases sharply increased to 779, almost doubling the figures of previous years, while the number of cases sent to court also significantly rose. The significant rise in open procurement cases in Ukraine in 2023 could be linked to enforcement of anti-corruption measures, resulting in a higher number of reported irregularities and ensuing investigations. Additionally, the large share of closed cases originating from previous years highlights the extended duration of the review process, indicating systemic delays or complexities in resolving procurement cases. This prolonged review timeline may point to challenges in resource allocation, procedural bottlenecks, or the complexity of the cases themselves, which together impact the efficiency of case closure and legal processing in the procurement system.

To address challenges and enhance the efficiency of anti-corruption efforts, Ukraine has effectively employed AI technologies in public procurement. The Prozorro public procurement system uses AI to analyse data and identify suspicious patterns, such as unusually high bid prices or frequent contract amendments, improving the detection of corrupt practices (Transparency International, 2018). Prozorro has integrated blockchain technology to enhance transparency and security in procurement transactions, with AI algorithms ensuring all steps are recorded immutably (Charting a course for change..., 2024). These AI technologies have significantly enhanced transparency, accountability, and integrity in Ukraine's public procurement processes, reducing opportunities for corruption and fostering trust in public institutions.

Digital tools play a crucial role in combating corruption in public procurement by making processes more transparent, efficient, and less susceptible to manipulation. One of the most well-known examples is the Prozorro public procurement system, which has been implemented in Ukraine and gained international recognition. Through its operations, transparent access to tenders is ensured,

reducing the risks of hidden agreements between buyers and suppliers. Prozorro allows every citizen to observe all stages of procurement – from the tender's announcement to the contract's signing.

The success of Prozorro can be quantified through various metrics. According to experts, the effectiveness of Prozorro is measured by relative indicators such as the level of competition and relative savings. In 2021 and 2022, these savings amounted to nearly 6%. This indicates that suppliers, after conducting tenders, typically received prices that were 6% lower than the expected cost (Rysin & Sukh, 2024). Prozorro's effectiveness is further demonstrated by its ability to increase transparency, reduce corruption, and foster a more competitive procurement environment, making it a model for other countries to follow.

Another important component is the Dozorro monitoring portal, which ensures public oversight of procurement processes. This tool allows users to track potential violations, provide feedback, and notify relevant authorities about suspicious activities. Combining government initiatives with public scrutiny significantly increases the level of responsibility and accountability of participants in the process.

As an example, the Dozorro team has been monitoring advertising service (Pylypenko, 2024b). They analysed procurements under the specific classification code 79340000-9 – Advertising and Marketing Services, and relevant keywords. As demonstrated in Figure 3, during the first year of the full-scale invasion (February 24, 2022 – February 24, 2023), advertising contracts amounted to 262 million UAH. At the same time, purely in the calendar year 2022, spending on advertising through Prozorro was almost half of that in the pre-war year 2021 – 225 million UAH compared to 441 million UAH. However, in 2023 and 2024, this amount increased. In just under 7 months of 2024, contracts worth 362 million UAH have already been signed. Almost 72% of the total amount is accounted for by two regions: Kyiv (178 million UAH) and Dnipropetrovsk (86 million UAH).

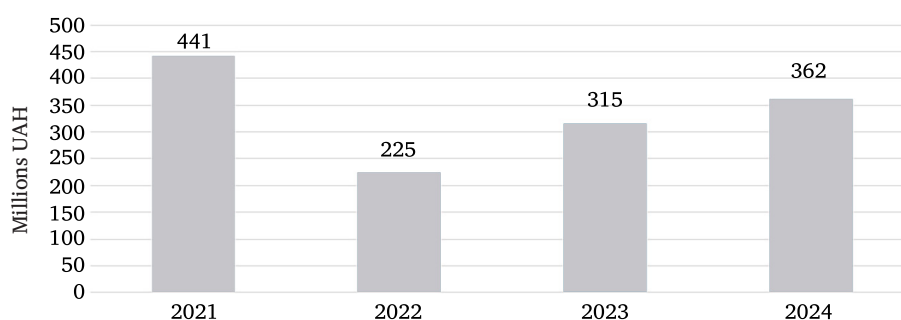


Figure 3. Advertising expenses in Prozorro over the past four years

Notes: data for the year 2024, covering only January to July

Source: compiled by authors using data of Y. Pylypenko (2024b)

Using the interactive portal, it was evident where hundreds of millions of state funds had been allocated to local government advertising, allowing for an analysis of

potential corruption risks. The risk analysis of these cases suggested that spending on advertising during the war might not have been the best idea due to the significant

allocation of state funds towards non-essential services at a time when resources were critically needed for defence and humanitarian efforts. The analysis of advertising and marketing services procurements revealed that, despite the ongoing conflict, substantial amounts were spent on advertising, with contracts amounting to 262 million UAH in the first year of the full-scale invasion and increasing to 362 million UAH in just under seven months of 2024.

While it was not suggested that all budget spending on advertising should cease, the allocation of substantial funds to advertising during wartime raised concerns about the prioritisation of state resources and the potential for corruption, particularly in regions like Kyiv and Dnipropetrovsk, which accounted for almost 72% of the total spending. Redirecting funds from advertising to more critical areas could have enhanced resource allocation efficiency and supported essential services, thereby addressing immediate wartime needs and reducing corruption risks.

In addition, the publication of open data on procurement and other government operations fosters a competitive environment and reduces the risk of collusion among participants. Open access to information enables the public, journalists, and non-governmental organisations to monitor violations and influence their correction. In case when open data on procurement is actively published, companies bidding on government contracts have access to detailed information on pricing, selection criteria, and contract terms. This transparency makes it harder for groups to engage in bid-rigging or collusion, as competitors can more easily identify unusual patterns or red flags in the procurement process.

Additionally, in cases where procurement data is made publicly accessible, journalists and civil society organisations can play a “watchdog role” by investigating and reporting on irregularities. For instance, if an NGO detects that a contract was awarded to a company with ties to officials without proper competitive bidding, they can bring attention to the issue, prompting corrective action by oversight bodies. This public oversight not only pressures governments to adhere to fair procurement practices but also empowers citizens to demand accountability in government spending.

The analysis of reports from the National Anti-Corruption Bureau of Ukraine (NABU) and the Specialised Anti-Corruption Prosecutor’s Office (SAP), combined with findings from the Pandora and Panama Papers (Offshore leaks database, n.d.), indicates that corruption schemes in Ukraine’s public procurement sector are complex and

multi-layered. These schemes involve collusion between officials and businessmen, the use of offshore companies to conceal illicit gains, and the abuse of official powers.

The Pandora and Panama Papers investigations have unveiled the offshore dealings of prominent global figures, including the King of Jordan, the presidents of Ukraine, Kenya, and Ecuador, the prime minister of the Czech Republic, and former British Prime Minister T. Blair. These documents also reveal the financial activities of more than 130 billionaires from various nations, including Russia, the United States, and Turkey. Notably, the investigations highlight the role of Baker McKenzie, the largest law firm in the U.S., in shaping the modern offshore system and profiting from work done for individuals linked to fraud and corruption.

The investigations demonstrate the effectiveness of uncovering corruption by highlighting how influential entities like Baker McKenzie have shaped financial laws to benefit their clients, including Ukrainian oligarch I. Kolomoisky, who is accused of laundering \$5.5 billion through a network of shell companies. This underscores the importance of rigorous investigations in exposing and addressing complex corruption schemes (Offshore havens and hidden..., 2021). As a result, these investigations were helping to bring prominent oligarchs, such as I. Kolomoisky, to justice, demonstrating the critical role of comprehensive probes in holding powerful individuals accountable for their corrupt activities. This emphasised the necessity of maintaining transparency to ensure accountability.

Furthermore, the success of anti-corruption strategies depends on their alignment with local environmental, cultural, and technical contexts. The government should enhance public awareness of whistle-blower protections and create a multiagency framework for digital whistleblowing channels. Policymakers must bridge the gap between anti-corruption law enforcement and practical implementation (Chege & Wang, 2020). A. Mungiu-Pippidi (2015) emphasised the role of governance and institutions in controlling corruption, advocating for the construction of transparent and accountable institutions. A. Mungiu-Pippidi posited that digital tools can bolster anti-corruption efforts but must be integrated into a broader strategy that includes legal and institutional reforms.

Civil society organisations in Ukraine play a crucial role in combating corruption and ensuring transparency in government management processes. The forms of public oversight and their use of digital tools to influence the public procurement system were analysed in Table 2.

Table 2. Role of civil society organisations in influencing public procurement in Ukraine

Organisation name	Influence tools	Focus of action (expected outcomes)
Transparency International Ukraine	Analytical reports, research, advocacy	Increasing transparency and accountability in public procurement, reducing corruption levels
Anti-Corruption Action Centre (AntAC)	Investigations, legal support, public campaigns	Bringing corrupt officials to justice, strengthening the legal framework
Nashi Groshi	Journalistic investigations, publications	Exposing corruption schemes in public procurement, informing the public
StateWatch	Monitoring, analytics, public reports	Increasing transparency of public finances, preventing corruption risks

Table 2. Continued

Organisation name	Influence tools	Focus of action (expected outcomes)
Public Control (DOZORRO)	Online monitoring platform, violation reports	Enhancing public oversight of public procurement, reducing corruption risks
Anti-Corruption Headquarters	Analytics, advocacy, public campaigns	Increasing transparency and accountability, preventing corruption schemes in public procurement

Source: compiled by the authors

The analysis above highlights how various civil society organisations in Ukraine are utilising a range of influence tools to impact the public procurement system. Through analytical reports, investigations, public campaigns, and monitoring platforms, these organisations aim to increase transparency, accountability, and public oversight. Their efforts collectively contribute to reducing corruption, exposing fraudulent activities, and strengthening the legal framework governing public procurement. By leveraging these diverse strategies, these organisations play a crucial role in fostering a culture of integrity and trust within Ukraine's public procurement processes. One significant challenge to enhancing government transparency is establishing a regulatory or legal framework that governs its processes and enables the measurement of transparency or corruption levels across various departments. Consequently, tools and metrics are vital for monitoring the anticipated changes. Implementing a model directly within the organisation is essential for achieving fundamental transparency in E-government (Hochstetter *et al.*, 2023).

Ensuring access to digital tools for a wide range of civil activists, journalists, and non-governmental organisations is also crucial. This will promote establishing a robust public monitoring network capable of swiftly responding to violations detected in public procurement systems. Creating accessible and user-friendly platforms for citizen interaction with government systems will enhance public engagement in oversight processes.

The continued development of digital tools in public procurement has significant potential to enhance anti-corruption measures. A key direction is the improvement of automated systems that not only detect violations but can also predict risks and prevent corruption schemes at early stages. For example, predictive algorithms based on analysing previous tenders can help identify signs of collusion between participants or buyers. These algorithms allow for the detection of behavioural patterns typically associated with corrupt actions, such as repeated wins by the same participant or inefficient use of public funds.

The beta version of the Dozorro system, presented by Transparency International Ukraine, uses artificial intelligence to identify tenders with a high risk of corruption. Unlike the State Audit Service's 35 fixed risk indicators, Dozorro's AI is flexible and adjusts automatically to new "trickery algorithms" used by corrupt officials. During beta testing, the AI algorithm demonstrated significant accuracy, identifying 26% more unfounded winner selections, 37% more groundless disqualifications, and 298% more

cases of participant collusion, particularly in the most expensive tenders (Transparency International, 2018).

The continued development of digital tools in public procurement, such as the flexible and adaptive Dozorro AI system, has shown significant potential in enhancing anti-corruption measures by accurately identifying high-risk tenders and detecting corrupt practices, as evidenced by its beta testing results.

Moreover, an important aspect is the development of international cooperation in the digitalisation of anti-corruption measures. The globalisation of corrupt practices, such as using offshore accounts or shell companies to conceal ownership, requires synchronised actions at the international level. Open registries of beneficial owners, shared databases, and the integration of national procurement systems can significantly complicate the implementation of corruption schemes. Artificial intelligence can be used to process large datasets not only at the national level but also on an international scale, allowing for the tracking of cross-border corruption schemes.

The task of improving systems for conducting public procurement involves ensuring a balance between transparency, transaction processing speed, and confidentiality. According to O. Korniychuk & M. Hraf (2024) this creates unique challenges and requires careful consideration of both technological capabilities and legal requirements, particularly compliance with the General Data Protection Regulation (GDPR). The researchers emphasise the significant role of various cryptographic methods in addressing challenges related to ensuring privacy in blockchain systems, especially in the context of public procurement, where the demands for both transparency and confidentiality are simultaneously high. The implementation of blockchain technologies offers a comprehensive solution to privacy concerns in decentralised systems, paving the way for their development and application in the public sector. Implementing innovative technologies such as blockchain, artificial intelligence, predictive analytics, and big data has significant potential to enhance transparency, efficiency, and accountability in public finance management.

When selecting technological solutions, the government should consider both the advantages and potential risks. Proven centralised systems based on AI and big data can achieve quick results with limited resources, while exploring and piloting decentralised blockchain-based solutions like the Bitbon System can provide long-term transparency, security, and public trust.

Successful digital transformation in public finance management requires technological innovations and deep

institutional and cultural changes. The government must ensure political will, effective coordination among agencies, and stakeholder involvement (civil society, business, and experts) in reforms. A comprehensive and inclusive approach will make digital technologies effective in minimising corruption risks, enhancing public fund use efficiency, and restoring public trust in the public finance management system in Ukraine (Basiuk, 2024; Institute of legislative ideas, 2024). In public procurement, a blockchain-based system can record and monitor each stage, from the initial request for proposals to the awarding of contracts and tracking of deliverables.

Examining the potential of blockchain technology, M. Pournader *et al.* (2020) argued that blockchain can address privacy and transparency challenges inherent in procurement systems. Their study suggested that blockchain ensures data integrity and security, making it a valuable tool in public procurement. The current research corroborated this potential, highlighting the necessity for careful implementation to balance transparency with privacy concerns, especially considering GDPR compliance.

A key challenge remains the further digitalisation of all aspects of public finance, including implementing blockchain technologies to ensure data immutability and security. Blockchain can guarantee the transparency of transactions, as all transactions will be stored in a distributed system, which makes falsification or deletion impossible. This will be another step toward creating a system where corrupt activities become virtually impossible due to automation, transparency, and oversight (Köbis *et al.*, 2022).

The research conducted by E. Auriol *et al.* (2016) provided a foundational understanding of the efficacy of e-procurement systems in mitigating corruption within public procurement processes. Their findings demonstrate that e-procurement significantly curtails opportunities for corrupt practices by enhancing transparency and fostering competition. These insights are substantiated by the current research, which underscores the effectiveness of digital tools such as Prozorro and Dozorro in combating corruption in Ukraine. However, it is noteworthy that Ukraine faces unique challenges, particularly due to the ongoing war, which complicates the implementation and enforcement of anti-corruption measures.

In the context of developing countries, M.A.K. Masud *et al.* (2022) explored the role of transparency in reducing corruption. Focusing on Bangladesh, where corruption impedes economic development, scientists investigated the drivers behind anti-corruption disclosure (ACD) practices using firm-level data from financial sector companies listed on the Dhaka Stock Exchange. The study found that transparency initiatives, such as CSR expenditures, political corporate social responsibility (PCSR), financial constraints, internationalisation of reporting, and media visibility, significantly reduced corruption by enabling public scrutiny and accountability. These findings aligned with the current research, which highlighted that the transparency provided by Prozorro and Dozorro had been instrumental

in identifying and addressing corrupt practices in Ukraine. Nonetheless, study of M.A.K. Masud *et al.* emphasised that transparency alone was insufficient and must be supported by robust legal and institutional frameworks, a point also underscored in the current study.

H. Habiburrochman *et al.* (2024) provided a global examination of various countries' strategies to combat corruption, focusing on technology, transparency, and accountability. While they offered a broad perspective, the current study zeroed in on Ukraine, evaluating digital tools like Prozorro and Dozorro during a turbulent wartime period. Both studies highlighted the power of blockchain, e-governance, and data analytics in reducing corruption. The current research concurred with H. Habiburrochman *et al.*, showcasing how Prozorro and Dozorro had improved transparency in Ukraine, with an eye on the potential of blockchain and AI. Both studies stressed the importance of policy reforms and international cooperation. H. Habiburrochman *et al.* advocated for anti-corruption agencies and stronger oversight, while the current study called for a comprehensive strategy combining legal reforms, digital tools, and public oversight. Ultimately, both studies converged on the notion that a multi-faceted approach – blending technological, cultural, and institutional reforms – was essential to effectively combat corruption. H. Habiburrochman *et al.* offered a global perspective, while the current study provided a detailed examination of Ukraine's specific context and successes with digital tools.

Another researcher in this field, H. Zhao *et al.* (2021), analysed the cultural impacts on e-government and corruption using data from 57 countries spanning the years 2003 to 2014. The current study employed a mixed-methods approach, analysing data from Prozorro and Dozorro in Ukraine (2020-2024), along with reports from NABU and SAPO. Both studies underscored the importance of digital tools. H. Zhao *et al.* found that e-government had a weak but positive impact on reducing corruption, influenced by cultural contexts. The current study, however, showed significant improvements in transparency and accountability in Ukraine through Prozorro and Dozorro, with the potential for further advancements through blockchain and AI.

In conclusion, the integration of digital solutions in public procurement presents a promising approach to combat corruption. However, the effectiveness of such tools is contingent upon their integration within a broader framework of legal, institutional, and policy reforms. The current research highlights the significant strides made in Ukraine through the use of digital tools like Prozorro and Dozorro, while also acknowledging the unique challenges posed by the ongoing conflict. The potential of blockchain and AI further underscores the need for a nuanced and multi-faceted strategy to effectively address corruption in public procurement.

■ Conclusions

This study examined the issue of corruption in Ukraine within a socio-political context, focusing on the effectiveness of digital tools like Prozorro and Dozorro in combating

corruption. The aim was to evaluate these tools' impact on transparency and accountability in public procurement, which was achieved.

The research employed a mixed-methods approach, integrating qualitative and quantitative techniques to analyse data from Prozorro and Dozorro systems from 2020 to 2024. Reports from NABU and SAPO, along with high-profile journalistic investigations, were also reviewed. The study found that despite the implementation of advanced digital initiatives, Ukraine continued to face reputational challenges due to ongoing corrupt activities. Digital tools such as blockchain and AI were identified as having significant potential to enhance transparency and efficiency in public procurement. The study also highlighted the complexities of combating corruption during wartime and emphasised the importance of international collaboration and public involvement.

The results underscored the necessity of a comprehensive strategy combining legal reforms, digital technologies, public oversight, and international cooperation to effectively combat corruption and build trust in public institutions. The findings demonstrated that while digital tools can significantly improve transparency and accountability, they must be part of a broader, multi-faceted approach to be truly effective. This research contributed to the understanding of how digital tools can be leveraged to combat corruption, offering valuable insights for policymakers and practitioners.

Limitations of the study included the lack of some published statistical information due to the ongoing war, which could have provided more precise results. Future research should explore the integration of digital tools with international anti-corruption frameworks, especially during wartime and post-war recovery. Additionally, investigating the role of public involvement and the effectiveness of various oversight mechanisms in different socio-cultural contexts is essential.

By fostering a culture of integrity and trust within public institutions, these efforts contribute to a more transparent, accountable, and fair procurement system, strengthening Ukraine's governance and enhancing its economic stability and attractiveness to foreign investors. This ensures efficient and responsible use of public funds, benefiting citizens and promoting sustainable development. Ultimately, these measures are crucial for building a resilient democracy where corruption is minimised, and public resources serve the public good.

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■ Conflict of interest

None.

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Цифрові рішення як ефективний підхід до боротьби з корупцією в сфері публічних закупівель

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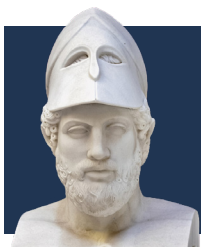
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■ **Анотація.** У цьому дослідженні розглянуто проблему корупції в Україні у соціально-політичному контексті. Наголошено, що попри впровадження цифрових інструментів, таких як Prozorro та Dozorro, країна продовжує стикатися з репутаційними викликами через тривалі корупційні прояви. Метою було дослідити, як цифрові рішення можуть стати ефективним інструментом у боротьбі з корупцією в процесах публічних закупівель, а також їхній потенціал у підвищенні прозорості, підзвітності та ефективності. У роботі застосовано комбінований методологічний підхід, що інтегрує якісні та кількісні методи для аналізу використання цифрових інструментів у боротьбі з корупцією в Україні. Було проаналізовано дані з систем Prozorro та Dozorro за період 2020–2024 років, а також звіти Національного антикорупційного бюро України і Спеціалізованої антикорупційної прокуратури та гучні журналістські розслідування, такі як Panama і Pandora Papers. Попри наявність передових цифрових ініціатив, Україна продовжує стикатися з репутаційними проблемами через постійні корупційні повідомлення. Дослідження виявило, що цифрові інструменти, такі як блокчейн та штучний інтелект, мають значний потенціал для підвищення прозорості та ефективності в системі публічних закупівель. У роботі також висвітлено виклики, що виникають у воєнний час, що підкреслює складність боротьби з корупцією за таких умов. Дослідження акцентувало увагу на важливості міжнародного співробітництва та залучення громадськості до нагляду за діяльністю органів влади. Зроблено висновок, що для зниження рівня корупції та формування довіри до державних інституцій необхідна комплексна стратегія, яка поєднує правові реформи, цифрові технології, громадський контроль та міжнародну співпрацю. Практична цінність цього дослідження полягає у розробці багатофункціонального антикорупційного підходу, що інтегрує зазначені ключові елементи для формування культури доброчесності та довіри в державних установах

■ **Ключові слова:** цифрові інструменти; прозорість; система публічних закупівель; Prozorro; методи боротьби з корупцією; блокчейн; антикорупційна політика



The effectiveness of public governance of Ukraine's budget security: Current state and trends

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■ **Abstract.** The problems of ensuring the full and stable fulfilment of the state's financial obligations, the need to reduce costs for its operation, and reduce the debt burden on the national economy are relevant for most countries of the world. These issues belong to the sphere of budgetary security of the state. The purpose of this study is to analyse the effectiveness of public management of the budget security of Ukraine, to identify the main problems of management and to develop proposals for minimising the existing threats to the budget security of Ukraine. The criterion for evaluating the effectiveness of public management of the state's budget security is the indicator of the level of budget security, calculated in accordance with "Methodical recommendations for calculating the level of economic security of Ukraine" approved by the order of the Ministry of Economic Development and Trade of Ukraine dated October 29,

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2013 According to the results of the study, the effectiveness of the public management of the state's budget security was at an unsatisfactory level in Ukraine during 2018-2022. On the basis of the conducted analysis, it has been proven that the most serious problem of the budget security of Ukraine is excessive amounts of public debt and payments for its maintenance. This problem is a direct consequence of the high level of shadow economic activity in the state, which causes large-scale tax evasion by business entities. To solve the existing problem, it is proposed to systematically limit the volume of shadow economic activity of economic entities, in particular large corporations, and strengthen the criminal liability of state officials for corruption and embezzlement of budget funds. The growth of the financial capabilities of the state for four years in a row by the amount of additional revenues of more than 12.2 billion dollars. The USA will have a positive effect on the social policy and population dynamics of Ukraine

■ **Keywords:** shadow economy; public debt; anti-corruption measures; information systems; development strategy

■ Introduction

One of the main obligations of the country's leadership is to ensure the stable fulfillment of the state's financial obligations in the face of economic and external challenges. Critical to the management of budgetary security are the reduction of public administration costs, reduction of the budget deficit and reduction of the debt burden on the economy. Compliance with the requirements of budgetary security strengthens control over the budget deficit and public debt, reducing the risks of financial crises that have repeatedly undermined the stability of the economy. The unsatisfactory efficiency of public management of budgetary security in Ukraine leads to an increase in public debt and the country's dependence on external sources of financing the budget deficit. Ukraine's dependence on international financial support obliges the state administration to comply with the requirements of the IMF and the World Bank regarding budgetary discipline. This includes control over the deficit and transparent use of public funds, which is necessary to maintain financial support and macroeconomic stability. In addition, in times of war, significant budget funds are directed to defense needs. Effective management of these resources and adherence to the principles of budgetary security allows maintaining a balance between military and other critical expenditures, ensuring economic sustainability and social stability. Under the current circumstances, the development and testing in practice of methods for comprehensive assessment of the state's budgetary security and the elimination of factors that inhibit the development of the national economy and negatively affect all sectors of the financial sphere of Ukraine is becoming increasingly relevant.

The problems of the state and effectiveness of the implementation of the state's budgetary security have been studied by many Ukrainian and foreign scholars. In their works, they emphasised the important role of financial and budgetary security in the modern realities of the functioning of the state mechanism. V. Moscovets (2022) in his study focused on the concept of budgetary security as a key component of the state's financial security. He noted that budgetary security encompasses the state of protection of the budgetary system from internal and external threats that can lead to financial destabilisation. The main goals of budgetary security management, according to V. Moscovets, are the stable fulfillment by the state of its

financial obligations, lessen of the budget deficit, reduction of the debt burden and optimisation of expenditures. Among the threats to budgetary security, he highlighted the imperfection of legal regulation, budget deficit, uncontrolled growth of public debt, corruption in the budgetary process, as well as external factors such as military actions and global economic challenges. He also highlighted the need to introduce new approaches to public finance management and improve the system of control over the use of budget funds to improve Ukraine's economic stability. V. Cable (2022) studied the issues of financial security and economic sustainability in developing countries, including Ukraine. He focused on financial and economic challenges, such as the "middle income trap" and on issues that can help the economy move towards innovation and growth. His concepts may be applicable to Ukraine, especially at the stage of its reconstruction and economic development after the crisis. In his research, V. Cable emphasised the importance of coordinating financial resources and protecting financial systems from external threats and corruption. These topics are especially relevant for Ukraine in the context of its post-war recovery and the demand for transparent management of financial resources.

O.V. Onushko (2023) studied the subject of budget security in the context of the sustainability of the budget system and the state's ability to maintain financial stability. The main theses of his scientific work are related to the analysis of the criteria for the effective use of budget resources to ensure socio-economic development and national security. The scientist focused on the need for rational attraction and use of borrowed funds, compliance with the norms of budget legislation, as well as risk control in the formation and distribution of budget resources. He pointed out the threats to budget security associated with financial instability, resource constraints and inefficient management of funds, which can lead to destabilisation of the state's economy. V.V. Sokurenko (2021) paid special attention to the budget security of Ukraine. His research focused on the challenges caused by the growth of public debt and budget deficit, which threaten the stability of the country's financial system. V.V. Sokurenko (2021) analysed how increasing debt service expenditures reduces the resources available to finance other state functions, such as social protection, defense, and security. This poses

serious risks to budget balance and is a factor in destabilising economic security.

Investigating the issue of budget security in Ukraine, O. Zahidna *et al.* (2023) emphasised that to ensure financial stability, it is important to minimise the state budget deficit and balance the revenues and expenditures of state and local budgets. They noted the key role of effective management of budget funds, especially in conditions of economic instability. Scientists paid attention to the necessity to reduce the state's dependence on external borrowing and maintain the budget deficit at a level that does not pose risks to the national economy. Zahidna's research also covered the issue of optimising the allocation of budget resources and improving the tax system to strengthen the country's financial stability, which will create the prerequisites for the government to perform its functions in the field of social protection and defense as effectively as possible.

S.O. Rybak (2020) considered the subject of fiscal security as an important component of Ukraine's financial stability, emphasising the need for adequate risk management in the budgetary sphere. In his work, he highlighted the role of state mechanisms in ensuring the safe functioning of the budgetary system, which includes reducing debt obligations and optimising the budgetary process. Author focuses on critical aspects of fiscal security, including public debt management and ensuring the stability of budget revenues and expenditures.

Although there are many scientific works on the subject of budgetary security of Ukraine, this issue remains relevant, given that the main problems in this area have not yet been eliminated. This state of affairs, in turn, gives rise to numerous discussions. The greatest disagreements among scientists occur when discussing methods for assessing the level of budgetary security. At the same time, insufficient attention is paid to the development of systemic mechanisms capable of eliminating the main threats to the budgetary security of Ukraine and, on this basis, achieving an increase in the efficiency of public management of budgetary security of Ukraine.

The purpose of the study was to study the basic theoretical principles of budgetary security, its essence and role in the financial security of the state, analyse and compare budgetary security indicators during 2019-2022, as well as propose systemic mechanisms capable of quickly eliminating the main threats to the budgetary security of Ukraine and increasing the efficiency of public management of budgetary security of the state.

■ Materials and Methods

In the process of conducting this study, an array of statistical, scientific and analytical materials was processed. All calculations in the study were carried out in accordance with the "Methodological recommendations for calculating the level of economic security of Ukraine" (Order of the Ministry of Economic..., 2013). Statistical data ends in 2022 due to martial law in the country. Since for 2023,

most of the data on indicators and criteria used in this study have not yet been officially published. In the course of the study, the following components of Ukraine's budgetary security were calculated for 2018-2022: the ratio of the state budget deficit (surplus) to GDP, the share of the deficit (surplus) of budgetary and extra-budgetary funds of the general government sector in GDP, the share of the deficit (surplus) of budgetary and extra-budgetary funds of the general government sector in GDP, the level of GDP redistribution through the consolidated budget of Ukraine, the ratio of the volume of aggregate payments for servicing and repaying the state debt of Ukraine to state budget revenues. To calculate the above indicators, data from the State Statistics Committee of Ukraine (Statistical Yearbook of Ukraine..., 1997; 2023), the Ministry of Finance of Ukraine (Official website of the Ministry of Finance..., n.d.) and the National Bank of Ukraine (Official website of the National Bank..., n.d.) were used. All calculations are presented in the form of tables. In order to facilitate the perception and understanding of the information obtained in the process of calculations, a graphical method of information visualisation was used. These calculations made it possible to assess the effectiveness of the government's policy on deficit control, public debt management and financing of social programs; the level of stability and autonomy of the financial system of Ukraine; identify weaknesses in the economic security of the state, such as dependence on external sources of financing and a high level of public debt.

The research used: a system-structural approach; general scientific methods of logic, analysis and synthesis; comparative and chronological-evolutionary research methods; logical methods of scientific induction and deduction; a progressive-regressive method of cognition and interpretation of the effectiveness of public management of budgetary security of Ukraine; a synergistic concept of social self-organisation and optimisation of public administration. In particular, the system-structural approach made it possible to consider budget security as a complex system, where each element (budget deficit, level of public debt, social funds, etc.) interacts with others, which helped to identify the most significant factors affecting budget security and assess their mutual impact on the main economic indicators. Comparative and chronological-evolutionary research methods, through the analysis of changes in indicators for 2018-2022, made it possible to identify trends and changes in the state of budget security in Ukraine, particularly, to estimate the impact of the pandemic, war and other external factors on budget security. The progressive-regressive method made it possible not only to assess the effectiveness of current state policies, but also to identify gaps in budget security management, as well as possible measures aimed at eliminating them. This created opportunities for objective formulation of conclusions and development of recommendations aimed at improving the practice of public management of budget security in Ukraine in order to achieve positive social transformations, notably during the war.

■ Results and Discussion

At the present stage, the main regulator of the socio-economic, political and cultural development of society is the state. The state ensures the development of society through the creation of a system of economic security and maintaining its effective functioning. The main indicator of the socio-economic development of the state is GDP per capita and its dynamics. In 1990, this indicator in Ukraine was about 9.5 thousand US dollars (at purchasing power parity), and in Poland this indicator was about 1.6 thousand US dollars. That is, the ratio of GDP per capita of Ukraine to Poland in 1990 was 6 to 1. Accordingly, in 1990, Ukraine had a significantly higher level of economic well-being than in Poland (Statistical Yearbook of Ukraine..., 1997). In 2022, GDP per capita in Ukraine was about 5.6 thousand US dollars (at purchasing power parity), while in Poland this indicator reached over 23.0 thousand. US dollars. Thus, the ratio of GDP per capita of Ukraine to Poland in 2022 was approximately 1 to 4 (Statistical Yearbook of Ukraine..., 2023). Thus, from 1990 to 2022, the level of GDP per capita in Poland increased 24 times compared to the level of Ukraine. This information indicates significant shortcomings in the effectiveness of the implementation of the basic principles of state economic policy in Ukraine, in particular, in the field of budgetary security.

During 2018-2022, the economic security system of Ukraine was threatened by several factors. The main one was the political crisis, which manifested itself in large-scale corruption of the state leadership, which resulted in an increase in the volume of shadow economic activity, from 28% in 2019 to 31% in 2021 and 32% in 2022 (Official website of the Ministry of Economy..., n.d.), that is, the critical level of this indicator of 30% in Ukraine has been exceeded since 2021 (Order of the Ministry of Economic..., 2013). The above factors destabilise the socio-economic sphere of macroeconomics.

Public management of the state's budgetary security is a complex dynamic system. It is a system of management measures aimed at maintaining the sustainable development of the national economy, macroeconomic stability and the stability of the financial system in order to prevent financial crises and ensure the ability of the state to fulfill its financial obligations to society. In its activities, public management of budgetary security of a particular state can be compared only with its own performance indicators, based on a set of criteria that comprehensively characterise the purpose of the functioning of this particular state system. Based on scientific theories, the most common approach to characterising the effectiveness of the functioning of the public management of budgetary security of the state is its classical understanding. It consists in the fact that this is an assessment of the achievement of the system's goal – maintaining sustainable development of the national economy, macroeconomic stability and stability of the financial system. It is about obtaining a result that would correspond to the accepted values of the criteria used to assess the results of the operation of this system. A

comprehensive characteristic of the effectiveness of public management of budgetary security of Ukraine is the value of the budgetary security indicator, calculated in accordance with the "Methodology for calculating the level of economic security of Ukraine", approved by order of the Ministry of Economic Development and Trade of Ukraine.

The budgetary security of the state is a concept that encompasses the ability of the state to ensure the stability and effectiveness of its budgetary process. This process covers budget planning, execution and control. The main aspects of budget security include:

1. Financial stability, which means ensuring stable financing of public expenditures, avoiding deficits that can lead to financial crises.
2. Transparency and accountability, because it is important that the budget process is transparent to the public, and that state bodies are accountable for the use of budget funds.
3. Efficiency of resource use, which involves optimising costs and, on this basis, maximising the results from the use of budget funds to achieve declared socio-economic goals.
4. Protection from external shocks through the state's ability to respond to external economic or political changes that can negatively affect the finances of the national economy.
5. Compliance with legislation by complying with financial and budgetary norms that regulate the processes of collecting and spending public funds.
6. Social justice, which is ensured when budget expenditures contribute to the development of social infrastructure and adequately support vulnerable segments of the population.

Ensuring budgetary security is an important task for state leadership, since the overall economic stability and well-being of the population depend on it. Accordingly, the effectiveness of public management of the state's budgetary security, the dynamics of its indicators are a key indicator of the state's development.

The concept of budgetary security combines economic, political and social components. For example, T. Kolyada & M. Guz (2019) note that budgetary security is understood as a state of ensuring the solvency and financial stability of public finances. This, in turn, ensures the ability of state authorities to effectively perform the functions assigned to them. Based on the fact that the state budget is one of the most important institutions for ensuring the economic sovereignty of the state, budgetary security is one of the basic components of financial security. That is why ensuring an adequate level of budgetary security is a necessary condition for creating positive changes in the structure of the national economy, increasing social protection of the population, and developing all spheres of society. V. Moscovets (2022) emphasised that the state's budgetary security as a component of financial security is a special state of the country's solvency, which ensures the balance of income and expenditure of the state and local budgets, as

well as the effective use of financial resources of the budget system during the performance of state and local authorities of their functions by preserving the financial stability of the budget system from the influence of threats.

That is, budgetary security as an economic concept, with its appearance, completed the process of interpenetration of structural and logical elements of the theory of national security and public finances. The concept of budgetary security, having absorbed the characteristic features of political and economic directions, has a dual nature and can be considered both from the point of view of a complex of organisational and legal relations, and as an indicator of the development of the budget system and the effectiveness of the budget process, as a criterion for assessing budget policy. Almost all scientists distinguish the following approaches to interpreting the essence of budgetary security: the state of ensuring the solvency of the state; financial conditions, expressed in the volume of budget resources and the principles of their formation and distribution; state policy, focused on the implementation of the country's national economic interests; the ratio of the parameters of the formation of budget funds and the total needs of the recipients of these funds; the level of performance by the state of its functions, taking into account the balance of income and expenditure of the state and local budgets; the process of developing, adopting and controlling (monitoring) the implementation of the budget; the degree of budget balancing.

Thus, budget security characterises the state of the budget system, in which the balance of income and expenditure of the state and local budgets is achieved, a high level of asset liquidity is achieved, and there are monetary, currency and other reserves that are able to ensure the stability of the national economy. Thus, budget security is a basic component of the entire state security system, the failure to provide which will lead to the deprivation of funds for the organisation and functioning of the state

security system as a whole. The optimal level of budget security: guarantees higher solvency of the state (this, in turn, creates the prerequisites for balancing the revenues and expenditures of both local and state budgets); contributes to more effective use of budget funds in the process of performing functions by authorities of different levels; increases the financial stability of the state budget system with respect to the impact of threats.

It is advisable to highlight the following basic criteria inherent in budget security:

- ensuring the stability of the main parameters of the payment and settlement system;
- the reality of budget policy objectives, their compliance with national interests;
- based on providing sufficient financial resources, the expansion of the state's potential for implementing foreign and domestic policies is ensured;
- optimal attraction and use of credit resources to finance budget expenditures;
- identification and elimination of violations of current budget legislation. This contributes to the stabilisation of the country's socio-economic development (Order of the Ministry of Economic..., 2013).

An adequate level of budget security indicates that the state leadership performs the socio-economic and political functions and tasks assigned to it, and vice versa. That is, a low level of budget security indicates that the state leadership does not perform the social, political, and economic tasks required by the current situation in the country. According to the Methodological recommendations for calculating the level of economic security of Ukraine (Order of the Ministry of Economic..., 2013), "budget security is a state of ensuring the solvency and financial stability of public finances, which allows state authorities to perform the functions assigned to them as effectively as possible." The state and dynamics of the budget security indicator of Ukraine during 2010-2022 are shown in Figure 1.

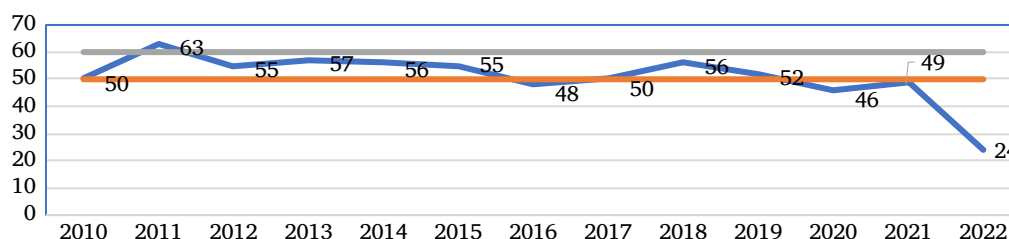


Figure 1. State of Ukraine's budgetary security during 2010-2022, %

Notes: — indicator of Ukraine's budget security; — critical value of Ukraine's budget security indicator; — the threatening value of Ukraine's budget security indicator

Source: Letter-reply of the Ministry of Finance of Ukraine (2023)

According to the information shown in Figure 1, the budget security index of Ukraine during 2010-2022 decreased from 50% in 2010 to 24% in 2021, that is, by 26 percentage points, which is a negative phenomenon. At the same time, the optimal level of the budget security index is 100%, satisfactory – from 80 to 100%, unsatisfactory – from

60 to 80%, threatening – from 60 to 50%, critical – below 50%. That is, during 2016, 2020, 2021 and 2022, this index was below the critical value. Only in 2011 was the budget security index above the threatening level, since it was 63%. During the rest of the years under study, the budget security index was in a threatening state. Over the past five

years, the studied index has decreased from 56% in 2018 to 24% in 2022, which was a significant negative change.

As reported by the results of 2022, the financial challenges associated with the war had a significant negative impact on the overall state of the state budget. During 2022, there was a significant reduction in industrial production, transport, agriculture and other key sectors of the national economy of Ukraine. Russia's military aggression caused the destruction of infrastructure, the blockade of ports and the complication of logistics chains, which exacerbated budget imbalances. This resulted in an increase in state spending, in particular on defense, while simultaneously reducing revenues and increasing the budget deficit.

The state of the budget security indicator is characterised on the basis of four components (Order of the Ministry of Economic..., 2013). They reflect the specifics of a certain level of management (state, stock market, banking system, regions, sectors of the economic complex, organisations and institutions, enterprises, households and individual citizens), or its components: budget, debt, inflation, currency and investment security, security of monetary circulation.

The first component is the ratio of the deficit/surplus of the state budget to GDP. It makes it possible to assess both budgetary and macroeconomic risks in general and analyse the impact of the state's fiscal policy on the volume of domestic demand, the state of the balance of payments and the financial system as a whole. This indicator is an indicator of type "A". It is a mixed-type indicator, which will be a stimulant up to a certain value, and in case of excessive increase becomes a de-stimulator. Its value is optimal at a level from -2% to +3%.

The second component is the share of the deficit of budgetary and extra-budgetary funds of the general government sector in GDP, which covers the State Budget of Ukraine, local budgets and funds of mandatory state social and pension insurance. This indicator is calculated according to the IMF methodology and is a basic indicator of performance assessment for states that apply for a loan from the IMF. It is a mixed-type indicator. Its optimal value is zero.

The third component of budgetary security is the level of GDP redistribution through the consolidated budget. This indicator reflects the volume of the state's financial resources that are redistributed through the public finance system. This indicator characterises the level of centralisation of the state's financial system. Its optimal level is from 25% to 28%. It is a mixed-type indicator. In particular, the critical state of this indicator occurs when its value exceeds 37% or below 18%.

The fourth component of budget security is the ratio of the volume of aggregate payments for servicing and repaying the state debt to state budget revenues. It is calculated using the IMF methodology and is a disincentive indicator. That is, there is a feedback loop between the value of the indicator and the integral assessment. The optimal value is a level of 6%. Exceeding the 16% threshold signals a critical state of the state debt.

Calculations of the components of Ukraine's budget security for 2018-2022 were made. The data for the calculations were information from the Statistical Yearbook of Ukraine for 2022 (2023), the State Treasury Service of Ukraine and Letter-reply of the Ministry of Finance of Ukraine No. 3021-06/67651-09 (2023). The methodology for calculating the above indicators is shown in Table 1:

Table 1. Methodology for calculating Ukraine's budget security indicators

No	Indicator name, unit of measurement	Indicator calculation procedure	Weighting coefficient value
1	Ratio of state budget deficit/surplus to GDP, percent	State budget deficit, UAH million / GDP, UAH million x 100	0.2671
2	Deficit/surplus of budgetary and extra-budgetary funds of the general government sector, percent of GDP	General government sector deficit, UAH million – consolidated budget deficit, UAH million / GDP x 100	0.2482
3	Level of GDP redistribution through the consolidated budget, percent	Consolidated budget revenues, UAH million / GDP, UAH million x 100	0.2203
4	Ratio of total payments for servicing and repaying the state debt to state budget revenues, percent	State debt servicing, UAH million + state debt repayment, UAH million / state budget revenues, UAH million x 100	0.2644

Source: created by the authors based on Methodological recommendations for calculating the level of economic security of Ukraine (Order of the Ministry of Economic..., 2013)

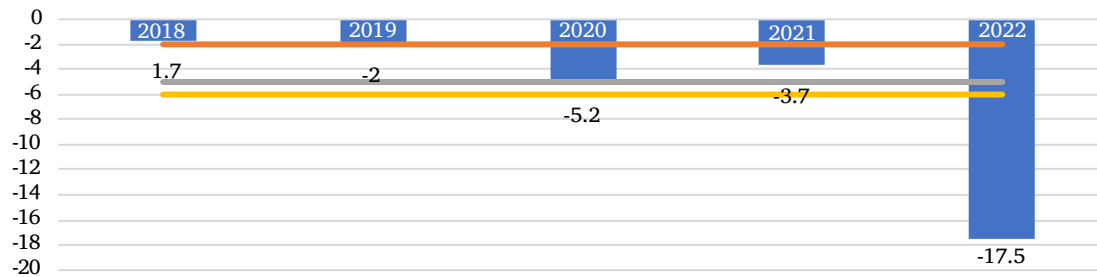
Each indicator of budgetary security has its own weight coefficient, which indicates the degree of contribution of each component to ensuring budgetary security. According to the information presented in Table 1, the most significant impact on the budgetary security of Ukraine is exerted by such components as the ratio of the state budget deficit/surplus to GDP (0.2671) and the ratio of the volume of aggregate payments for servicing and repaying the state

debt to state budget revenues (0.2644). Table 2 presents the budget indicators necessary to calculate the ratio of the state budget deficit/surplus to GDP, graphically presented in Figure 2. The optimal level of this indicator is from 3% to -2%, satisfactory from 3% to 5% and from -2 to -3%, unsatisfactory from 5 to 6% and from -3 to -4%, threatening from 6 to 8% and from -4 to -5%, critical from 8 to 10% and more and from -5 to -6% and more.

Table 2. Indicators of the ratio of the budget deficit of Ukraine to GDP for 2018-2022

№	Budget indicator	Indicator values				
		2018	2019	2020	2021	2022
1	GDP, billion UAH	3,560.3	3,977.2	4,222.0	5,450.9	5,239.1
2	State budget deficit, billion UAH	-59.3	-81.0	-217.6	-198.8	-914.9
3	Ratio of state budget deficit/surplus to GDP, %	-1.66	-2.04	-5.15	-3.65	-17.5

Source: developed by the authors based on data Statistical Yearbook of Ukraine for 2022 (2023)

**Figure 2.** Indicators of the ratio of Ukraine's budget deficit to GDP for 2018-2022, %

Notes: — Ukraine's budget deficit to GDP ratio; — optimal level of budget deficit to GDP -2%; — satisfactory level of budget deficit to GDP optimal level of budget deficit to GDP -5%; — critical level of budget deficit to GDP -6%

Source: developed by the authors based on data from Table 2

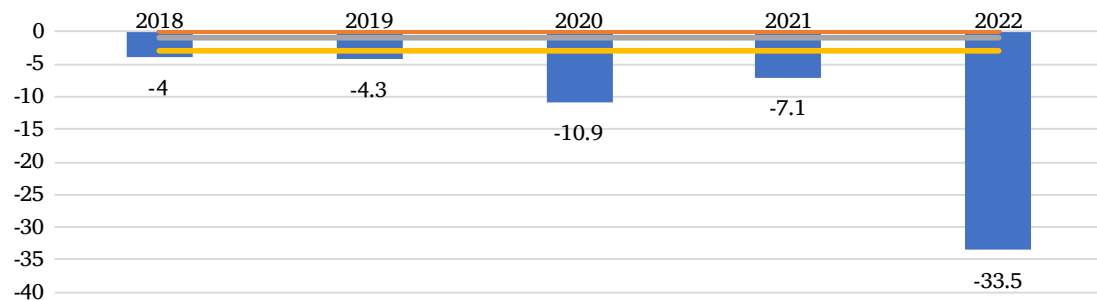
The dynamics of the ratio of Ukraine's budget deficit to GDP for 2018-2022 indicates a rapid deterioration of the budget situation in the country. As can be seen from the graph, this indicator increased from 1.7% in 2018 to 5.2% in 2020 and to 17.5% in 2022, which is more than 3 times higher than its critical level, indicating significant financial difficulties and a high risk to budget security. Such a trend may negatively affect Ukraine's economic stability, increasing dependence on external financing

and requiring urgent measures to improve budget management. Table 3 presents the budget indicators necessary to calculate the deficit/surplus ratio of budgetary and extra-budgetary funds of the general government sector. The optimal level of this indicator is 0%, the satisfactory level is 0-1% and from 0 to -1%, unsatisfactory – 1-2% and from -1 to -1.5%, threatening – about 3% and about -2%, critical – 5% and -3%. The data in the table are visualised in the graph (Fig. 3).

Table 3. Indicators of the deficit/surplus ratio of budgetary and extra-budgetary funds of the general government sector of Ukraine for 2018-2022

№	Budget indicator	Indicator values				
		2018	2019	2020	2021	2022
1	General government sector deficit, UAH billion	75.1	84.5	237.1	196.9	911.1
2	Consolidated budget deficit, UAH billion	67.8	87.3	224.5	187.8	845.0
3	GDP, billion UAH	3,560.3	3,977.2	4,222.0	5,450.9	5,239.1
4	Deficit/surplus of budgetary and extra-budgetary funds of the general government sector, percent of GDP	4.0	4.3	10.9	7.1	33.5

Source: developed by the authors based on data Statistical Yearbook of Ukraine for 2022 (2023)

**Figure 3.** Indicators of the deficit/surplus ratio of budgetary and extra-budgetary funds of the general government sector of Ukraine for 2018-2022, %

Notes: — the level of deficit of budgetary and extra-budgetary funds of the general government sector of Ukraine to GDP; — optimal level of deficit to GDP 0%; — threatening level of deficit to GDP -2%; — critical level of deficit to GDP -3%

Source: developed by the authors based on data from Table 3

After analysing the dynamics of the deficit/surplus ratio of budgetary and extra-budgetary funds of the general government sector of Ukraine for 2018-2022, it was found that the studied indicator increased from 4.0% in 2018 to 33.5% in 2022, i.e. by 29.5 percentage points. Such dynamics indicate a significant deterioration in the financial situation. In general, the value of this indicator in the studied period of time compared to the requirements of Ukraine's budgetary security exceeded the critical level, which indicates serious risks to the financial

stability of the state. Such negative dynamics emphasises the need to introduce effective management measures to restore control over budget flows and reduce the deficit to ensure the country's economic security. Table 4 and Figure 4 present the budget indicators that are necessary to calculate the indicator of the level of GDP redistribution through the consolidated budget of Ukraine in order to assess the volume of state intervention in the economy and determine the efficiency of using budgetary resources.

Table 4. Indicators of the level of GDP redistribution through the consolidated budget of Ukraine for 2018-2022

№	Budget indicator	Indicator values				
		2018	2019	2020	2021	2022
1	Consolidated budget revenues, billion UAH	1,184.3	1,289.8	1,376.7	1,662.3	2,196.6
2	GDP, billion UAH	3,560.3	3,977.2	4,222.0	5,450.9	5,239.1
3	Level of GDP redistribution through the consolidated budget, percent	33.3	32.4	32.6	30.5	41.9

Source: developed by the authors based on data Statistical Yearbook of Ukraine for 2022 (2023)

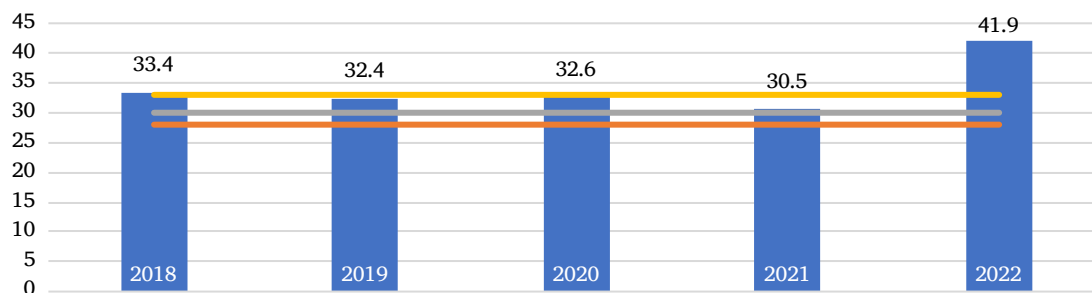


Figure 4. Indicators of the level of GDP redistribution through the consolidated budget of Ukraine for 2018-2022, %

Notes: — level of GDP redistribution through the consolidated budget of Ukraine; — optimal level of redistribution 28%; — satisfactory level of redistribution 30 %; — unsatisfactory level of redistribution 33%

Source: developed by the authors based on data from Table 4

Having conducted a study of the dynamics of the level of GDP redistribution through the consolidated budget of Ukraine for 2018-2022, it was found that this indicator increased from 33.4% in 2018 to 41.9% in 2022, that is, by 7.5 percentage points. This means that the share of GDP that is redistributed through the budget significantly exceeds safe and optimal values. By 2018, this level was already in the risk zone, and by 2022 it exceeded the critical level, which indicates a serious threat to the financial stability of the state. Such negative dynamics may indicate an increase in government spending relative to GDP, which may limit economic development and threaten financial

stability, as well as an increase in the budget deficit and the risks of accumulating public debt. Therefore, the dynamics of the indicator reflects the need to revise fiscal policy and take measures to stabilise the budget burden in order to ensure the financial security of Ukraine.

Table 5 presents the budget indicators necessary to calculate the deficit/surplus ratio of budgetary and extra-budgetary funds of the general government sector to GDP. This allows us to determine how capable the state is of ensuring the balance of its revenues and expenditures. The dynamics of the indicator are graphically shown in Figure 5.

Table 5. Ratio of the volume of aggregate payments for servicing and repaying the state debt to the revenues of the state budget of Ukraine for 2018-2022

№	Indicators	Indicator values				
		2018	2019	2020	2021	2022
1	Public debt service, UAH billion	116.1	120.1	158.7	174.3	186.0
2	Repayment of public debt, billion UAH	349.9	345.2	385.5	441.1	355.3
3	State budget revenues, billion UAH	920.8	989.6	1,065.4	1,284.3	1,778.2
4	Ratio of total payments for servicing and repaying the state debt to state budget revenues, %	50.2	47.0	51.1	47.9	30.4

Source: developed by the authors based on data Statistical Yearbook of Ukraine for 2022 (2023)

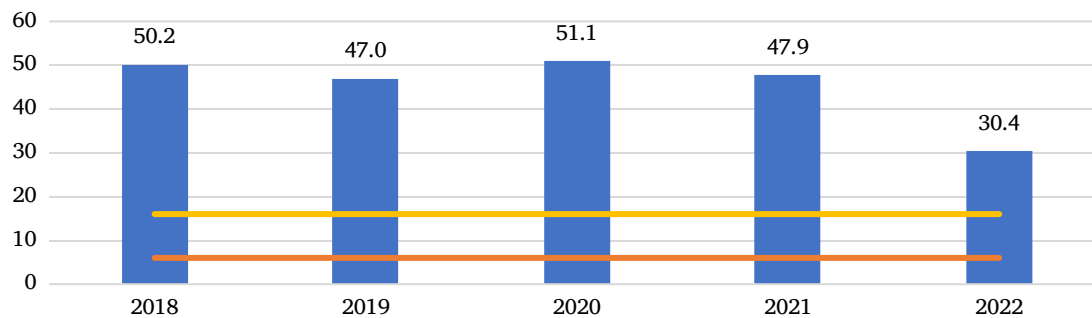


Figure 5. Dynamics of the ratio of the volume of aggregate payments for servicing and repayment of the state debt to the revenues of the state budget of Ukraine for 2018-2022, %

Notes: — ratio of the volume of aggregate payments for servicing and repaying the state debt to the revenues of the state budget of Ukraine; — optimal level 6%; — critical level 16%

Source: developed by the authors based on calculations in Table 5

Having studied the dynamics of the ratio of the volume of aggregate payments for servicing and repaying the state debt to the volume of revenues of the state budget of Ukraine for 2018-2022, it was found that the main threats to the budget policy of Ukraine are characterised by this indicator. Given that the studied indicator is more than twice as high as its critical level, it can be argued that the biggest problem of Ukraine's budget security is the excessive volumes of the state debt and payments for its servicing. This problem is a consequence of exceeding the critical level of shadow economic activity in the state by 30%, which results in large-scale tax evasion by business entities. In the studied period, the value of the indicator decreased from 50.2% in 2018 to 47.9% in 2021, and to 30.4% in 2022, which is a positive shift. The data in Table 5 indicate that the Ukrainian government, with insufficient budget revenues, spends an excessive amount of the country's financial resources on servicing and repaying the state debt.

Analysis of the indicators of budget security obtained as a result of the calculations allows us to give a comprehensive description of the current state of the state's budget security. Based on the calculations obtained, it is possible to develop ways to improve the efficiency of public administration in this sector of the state's economy. This will ensure an increase in the level of budget security of Ukraine. Based on the above assessment methods and ways to reduce existing threats, it is possible not only to improve the value of the level of budget security of Ukraine, but also to stabilise the country's economy as a whole. The most critical are the values of the level of the indicator of the ratio of the volume of aggregate payments for servicing and repaying the state debt to the revenues of the state budget of Ukraine. The state leadership, first of all, should take actions aimed at reducing the volume of the state debt and increasing budget revenues.

According to the Strategy of economic security of Ukraine for the period until 2025 (2021), the main challenges and threats in the field of budget security are: low level of budget discipline; high level of shadow economy; loss of budget revenues due to widespread phenomena of "gray" imports and smuggling, tax evasion schemes,

erosion of the tax base through the use of "low-tax" jurisdictions. The low level of budget discipline is directly related to corruption in state authorities, noted T. Brus & A. Arshinnikova (2018). According to their research, the creation of numerous anti-corruption bodies in the state with criminal legislation sufficiently loyal to corrupt acts and widespread corruption in the judicial and law enforcement branches of government allow most of the identified corrupt officials to still avoid criminal liability.

The high level of shadow economy of Ukraine has a significant impact on the budget deficit. After all, tax evasion affects the volume of tax revenues, which reduces the revenue part of the budget. Significant shadowing of economic turnover causes distortion of the basic principles of civil society and forms a negative international image of the country, inhibits the inflow of foreign investment into the state, exacerbates the problem of increasing excessive state budget deficit, increasing state debt, and worsening the living standards of the population. The growth of the state budget deficit accelerates inflation, financial crisis, and a decrease in the overall level of profitability. This, in turn, exacerbates the problem of property inequality in society. The withdrawal of significant amounts of funds from official circulation and their transfer outside the state significantly restrains the potential for economic growth of Ukraine (Ilychok, 2024).

The Strategy of economic security of Ukraine for the period until 2025 (2021) states that as of 2019, it was 28% and by 2025 it should be reduced to 25%, which is a critical level in accordance with the requirements of the "Methodology for calculating the level of economic security of Ukraine". The Cabinet of Ministers of Ukraine, the National Bank of Ukraine, the National Securities and Stock Market Commission, and the Antimonopoly Committee of Ukraine (according to their competence) are responsible for implementing this task. At the end of 2020, the level of the shadow economy in Ukraine increased to 30%, in 2021 it reached 32% of GDP, and in 2022 it amounted to 36%. For the national economy of Ukraine, this dynamics of the level of shadow economy had the following results, reflected in Table 6.

Table 6. Forecasted losses for the budget of Ukraine in 2019-2022, caused by the shadow economic activity of business entities

№	Indicator	Indicator values				
		2018	2019	2020	2021	2022
1	GDP, billion UAH	3,560.3	3,977.2	4,222.0	5,450.9	5,239.1
2	Level of shadow economy, %	29	28	30	32	36
3	Real GDP volume, billion UAH	5,014.5	5,523.9	6,031.5	8,016.0	8,186.1
4	Volume of the shadow economy, billion UAH	1,454.2	1,546.7	1,809.4	2,565.1	2,947.0
5	Consolidated budget revenues, billion UAH	1,184.3	1,289.9	1,376.7	1,662.3	2,196.6
6	Actual level of GDP redistribution through the consolidated budget, percent	33.3	32.4	32.6	30.5	41.9
7	Potential volume of consolidated budget revenue, billion UAH	1,669.8	1,789.7	1,966.3	2,444.9	3,430.0
8	The difference between potential and actual revenues of the Consolidated Budget, billion UAH	485.5	499.9	589.6	782.5	1,233.4
9	Basic deviation, billion UAH	-	14.4	104.1	297.0	747.9

Source: developed by the authors based on data Statistical Yearbook of Ukraine for 2022 (2023)

According to the information provided in Table 6, in the studied period, the volume of the shadow economy in Ukraine increased from UAH 1,454.2 billion in 2018 to UAH 2,565.1 billion in 2021 and to UAH 2,947.0 billion in 2022. And the volume of the difference between the potential and actual revenues of the Consolidated State Budget increased from UAH 485.5 billion in 2018 to UAH 782.5 billion in 2021 and to UAH 1,233.4 billion in 2022. Considering that in 2022 the average exchange rate of the US dollar to the hryvnia was UAH 32.34 per 1 dollar (Statistical Yearbook of Ukraine for 2022, 2022), in 2022 the state budget received less revenue in the equivalent of USD 38.1 billion. (1,233.4/32.34). According to the results of the authors' correspondence with the National Security and Defense Council of Ukraine (Reply letter from the NSDC of Ukraine..., 2023), no top official from the state institutions responsible for its implementation was punished for the above-mentioned violations in the implementation of the Strategy for the Economic Security of Ukraine.

Solving the problem of exceeding the critical level of shadow economy of the state should be based on systematic phased changes in the work of the State Fiscal Service. The corresponding mechanism was developed by one of the authors of this study (Ilychok, 1997) and positively assessed by the leadership of the State Tax Administration of Ukraine (Reply letter from the DPA of Ukraine..., 1997). This mechanism can be applied under existing socio-economic and political circumstances in order to systematically phasedly reduce the volume of shadow turnover. In particular, the main assessment criterion when using this mechanism should be the profitability of the operating activities of corporations. This indicator should be compared with a similar indicator on average by type of activity of these corporations. Those enterprises, primarily large ones, whose indicators of profitability of operating activities will be the lowest from the average indicators for this type of activity, should become objects of intensified investigation by the fiscal service and anti-corruption bodies of Ukraine. The bulk of the oligarchic corporate sector operates with profitability of operating activities of 2-4% (Statistical Yearbook of Ukraine..., 2023). The implementation of the

proposed mechanism, according to the calculations of the authors of this study, is capable of ensuring a planned reduction in the level of shadow economy of the state by 20% during the year (Ilychok, 1997). This will ensure an increase in the revenue part of the state budget by more than 20% per year. In the realities of 2021, this means that the state budget would additionally receive 246.7 billion UAH. (20% of 1,233.4 billion UAH.), i.e. more than 7.6 billion USD (Table 6).

Taking into account the above, it was considered the prospects for improving budget policy as a whole by creating an open information space to support budget processes for authorised officials and interested public representatives. Such an information space should be easily accessible, provide a wide range of analytical and consulting services in related areas of budget processes at different levels of government, and ensure a high level of information security. In practical terms, the task of access to information is to automate and accelerate the process of processing information as much as possible by promptly obtaining it, consolidating and processing data along the entire chain from budget planning to the use of its funds and analysing the effectiveness of their use. The functional core of such a space should provide a high level of automation of the process of cash budget execution for effective management of state financial resources, which includes the optimisation of comprehensive budget accounting and financial control. In conditions of martial law, special attention should be paid to the formation and protection of national information sovereignty and the security of information resources, taking the experience of the United States as an example (International Strategy for Cyberspace..., 2011).

In the structures of public services of Ukraine at different levels of government, a range of highly specialised public services have been implemented and are functioning, which are directly or indirectly related to the budget processes of different levels of government, which have significantly simplified access to information data. According to unofficial data, there are approximately 350 registers in Ukraine, which represent various automated databases of structured data. The most significant and capacious

ones are supported by such state institutions as the Tax Service and the Statistics Service of Ukraine. The Treasury of Ukraine operates a comprehensive automated system for accounting for budget revenues and expenditures of all levels, which includes such modules as qualified trust services, electronic reporting "E-reporting", and the remote service system "Treasury Client – Treasury" (SDO). Access to information in such state information systems is limited and complexly structured.

To involve the general public in solving the problems of state development, over the past ten years, steps have been taken in Ukraine in such areas as ensuring access to state information; ensuring interactive access; developing the principles of universal access to information. In 2016, the Cabinet of Ministers of Ukraine approved the Concept of creating an integrated information and analytical system "Transparent Budget" (Order of the Cabinet of Ministers of Ukraine No. 92-p, 2016). As a result of this initiative, the E-data Portal (E-data, n.d.) (Single Web Portal for the Use of Public Funds) began operating, which is an official state information resource on the Internet. Information on it is published in accordance with the Law "On the Openness of the Use of Public Funds" (Law of Ukraine No. 183-VIII..., 2015). At the initiative of the Ministry of Finance, in 2018, the official state web portal Open budget (n.d.) was created, which is an integral part of the E-data in the field of public finance. At the level of territorial communities, the following software complexes have been implemented: "Integrated information system 'Social community'" (Program complex "Integrated information system...", n.d.) and "Household accounting for village and settlement councils" (Household accounting, n.d.), which accumulate and systematise data of united territorial communities. On December 4, 2019, the government approved the resolution "Issues of the Unified State Web Portal of Electronic Services and the Unified State Portal of Administrative Services 'Diya'". (Resolution of the Cabinet of Ministers of Ukraine..., 2019). With its help, the Ministry of Digital Affairs of Ukraine implemented quite convenient

mechanisms for providing public services in order to eliminate overlapping or duplication of functions inherent in numerous state bodies. In general, the digitalisation of the activities of citizens and organisations is being carried out quite successfully in Ukraine. However, these processes, which are stimulated from the top down and aimed at streamlining official communications, do not yet sufficiently contribute to increasing the socio-political activity of citizens. Only under the condition of forming a full functional space for the content familiarisation and analytical processing of budget process data, work with the budget will be maximally correlated with national and public interests, since it will be taken beyond the narrow interested high-ranking circles, whose interests are represented by highly qualified employees of the official system of financial bodies. In this case, official structures will not be able to duplicate the work of fund managers, but will perform the necessary control and analytical functions at all stages of the budget process. Of course, the first steps in this direction have been taken, as evidenced by the built-in BOOST-analysis toolkit on the Open budget web portal (n.d.).

In general, it can be stated that Ukraine is successfully implementing transformations in the field of digitalisation of state structures, a huge poorly structured information database with different target directions has been developed, a low level of universality, a low level of thematic support. The obvious way to eliminate these shortcomings is to introduce advanced information technologies. Figure 6 shows the dynamics of the average value of the anti-corruption index in Ukraine. In developed EU countries, the USA and Japan, this index ranges from 50 to 90. That is, from this figure we can conclude that the level of combating corruption in Ukraine is quite low. However, the tendency to a very slow increase in this indicator is obvious, which is a consequence of the implementation of anti-corruption reform and the work of specialised bodies. However, such a pace of combating corruption cannot be satisfactory, especially given the sharp drop in the level of state budgetary security.

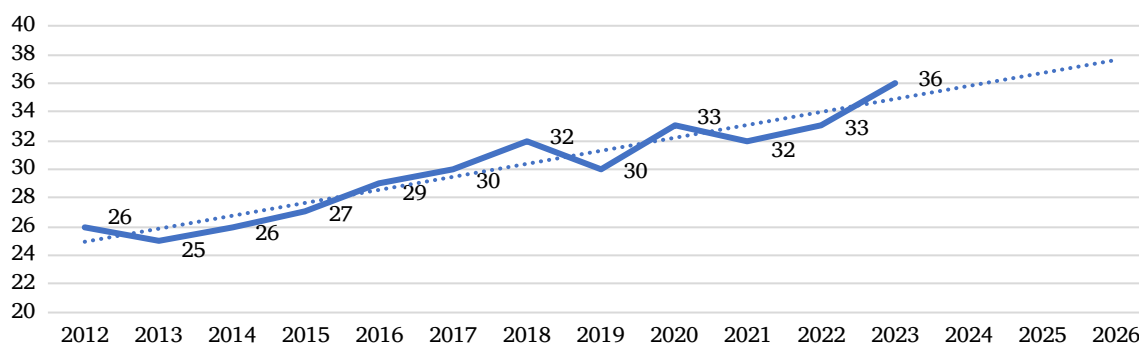


Figure 6. Graph of the anti-corruption index for Ukraine

Source: compiled by the authors based on National Agency on Corruption Prevention (2023)

It should also be taken into account that the further development of information technologies can become a tool for reducing the level of the shadow economy in

Ukraine. This includes electronic payments and banking services, electronic tax systems and automation of tax processes, Big Data and data analytics, blockchain systems for



transparency and prevention of corruption, online registration and digital platforms for business, information systems for monitoring labor and employment, digital services for customs and foreign economic activity. For example, non-cash payments and electronic transactions reduce the circulation of cash, which makes tax evasion more difficult. The widespread introduction of mobile payment systems and digital banking services allows you to reduce the volume of the “black” market, making transaction volumes visible to the state. The use of IT to automate the process of tax accounting, declarations and control (in particular, through systems such as the taxpayer’s electronic account) simplifies interaction with state institutions and reduces the risk of corruption. Such platforms can ensure transparency and improve the accounting of tax revenues.

The implementation of Big Data analysis can help identify erroneous financial transactions and tax evasion schemes. After all, analytical models are able to quickly identify patterns indicating possible shadow activity and simplify the work of state control bodies. This analysis, once implemented, will emphasise the unacceptably low level of profitability of the operating activities of the most powerful corporations in Ukraine.

Blockchain technologies can ensure transparency and honesty in public administration in Ukraine and help in the fight against tax evasion on a particularly large scale through three main characteristics: transparency, data immutability and the absence of any intermediaries. For example, all data recorded in the blockchain are available to system participants, and some of this data may even be publicly available. For example, transactions related to government spending can be made available to the public, allowing everyone to see how budget spending is distributed. This reduces the risk of corruption, after which all participants (citizens, media, anti-corruption organisations) can monitor state spending. Ukrainian citizens will maintain transparent access to data, which will contribute to increasing their trust in government actions. Information recorded in the blockchain cannot be changed or deleted – this is one of the main characteristics of the blockchain. In the context of the problem of tax evasion or control of government spending, this means that after entering data about a financial transaction, it cannot be corrected. This eliminates the possibility of manipulating data, for example, to hide or correct data about expenses. Such immutability ensures that all transactions and reports remain in their original form. Blockchain also allows transactions to be carried out without the participation of a third party (intermediaries), such as banks or certain government agencies, to confirm or process transactions. This reduces the risks of corruption, as it makes it impossible to “manually” intervene in the process and reduces administration costs. In addition, blockchain can automate the fulfillment of certain conditions (for example, tax payments) using smart contracts.

In addition to the above, it should be noted that digital platforms for business registration and electronic services (e.g. for obtaining licenses) significantly reduce barriers to

legal business registration. This encourages entrepreneurs to operate legally, improves processes and reduces corruption. Employment registration and monitoring systems, such as the electronic labor register, also help reduce informal employment. After all, electronic employment registration systems allow for the creation of transparent and controlled employment conditions, which stimulates both employers and employees to comply with official requirements. This reduces the volume of informal employment, improves working conditions and ensures social protection for workers.

The implementation of digital import, export and customs clearance control systems reduces opportunities for smuggling and fictitious declarations. Digital systems allow for the automation of customs clearance and document processing, which makes processes faster, more transparent and traceable. If customs operations are automated, any attempts to change documents or circumvent rules become more difficult. Automation also reduces manual intervention, which reduces corruption risks.

The Strategy of economic security of Ukraine (2021) states that by 2025, Ukraine should implement the minimum standard of the Base Erosion and Profit Shifting Action Plan (BEPS Action Plan). Effective tax rules for controlled foreign companies must also be implemented. Since 2016, the European Union leadership has been insisting that the Ukrainian leadership implement this legislation, which should contribute to a significant reduction in the volume of offshore transactions by Ukrainian business entities.

The first step in implementing these proposals should be decisions by the Ukrainian parliament aimed at strengthening criminal liability for tax evasion by large corporations, for shifting the point of taxation to low-tax jurisdictions outside Ukraine, and for embezzlement of budget funds. Improving the efficiency of the state apparatus will contribute to increasing the volume of state budget revenues and reducing capital outflows outside Ukraine, which will significantly improve state finances. The growth of the state’s financial capabilities, in particular, the volume of additional revenues calculated above of over 12.2 billion USD per year, should have a positive impact on social policy and population dynamics in Ukraine (Ilychok, 2024).

Measures taken by the state leadership aimed at increasing the subsistence minimum to the socially necessary level will create the prerequisites for preserving and developing the human potential of Ukraine, supporting effective stimulation of people’s vital activities, existing systems of their socialisation and life support, and increasing the level of demographic security in Ukraine. The increase in the level of the subsistence minimum for citizens by the state leadership will proportionally affect the incomes of employees of the budget sector of the national economy, the growth of aggregate demand in the state, the volumes of turnover and profits of business entities, will ensure an increase in the profitability of business entities and the volumes of tax revenues to budgets of all levels (Ilychok, 2024). That is, as a result of the implementation of this mechanism, not only the financial sphere, but also the entire national economic

mechanism will gradually improve. In turn, an increase in state budget revenues and their more efficient use will create real prerequisites for a significant reduction in the volume of public debt and the costs of its servicing. This will ensure a significant improvement in the indicators of Ukraine's budgetary security.

The results of the current study are confirmed in the works of other scholars. Z. Varnaliy & T. Tomashovsky (2018) in their works emphasised the need to limit the shadow economy in Ukraine, since this sector has a negative impact on the national economy and state security. They also noted that the high level of shadowing – over 30% of GDP – increases economic and social threats. The main reasons for the spread of shadow economic activity, in their opinion, are weak state regulation, corruption, as well as the low effectiveness of measures aimed at de-shadowing the economic activities of large corporations.

V. Moscovets (2022), studying the issue of the shadow economy in Ukraine, emphasised the need to reduce its level to improve economic security and restore the international community's trust in the leadership of Ukraine. He considered the shadow economy to be one of the main threats, since its spread reduces the efficiency of financial flow management and complicates budget planning.

N.S. Sytnyk & D.Ya. Subytska (2018), studying the budget security of Ukraine, noted that the shadow economy significantly limits the country's economic development, creating significant financial losses. One of the key negative consequences of the above-critical level of shadow economic activity in Ukraine is a decrease in the revenue base of the state budget through tax evasion, which results in a significant deficit in social contributions. This situation, according to the scientist, leads to an increase in the level of corruption of top officials and destroys the economic stability of the state.

O. Ivashko (2015) studied the problem of the shadow economy in Ukraine through an analysis of its impact on economic stability and economic growth of Ukraine. The main emphasis of the scientist was on the significant level of shadowing, which covers various sectors of the economy and negatively affects the state budget. One of the key reasons for the significant level of the shadow economy in Ukraine, in his opinion, is the corruption of top officials and ineffective state regulation, which massively pushes business and citizens to engage in informal economic activities.

Research by V. Cable (2022) emphasised that global economic problems, such as corruption, can strengthen the shadow economy in countries like Ukraine. He emphasised the importance of anti-corruption measures and international support for strengthening Ukraine's economic stability.

J. Luciani (1988) and other experts have noted since the collapse of the Soviet empire that limiting the shadow economy in Ukraine is important for improving economic stability and promoting sustainable growth. The scientist's research indicates that improving the transparency of governance in Ukraine will be crucial in combating corruption and the shadow economy, since corruption and poor

quality of regulation significantly contribute to the growth of shadow economic activity. According to the scientist, reducing the then significant volumes of the shadow economy of Ukraine back in 1988 required systemic reforms in the law enforcement system, independence of the judiciary and clear anti-corruption measures. These proposals have not lost their relevance to this day, given the lack of systematic effective measures to limit the volumes of shadow economic activity in Ukraine.

Research by V. Movchan *et al.* (2009) on the shadow economy in Ukraine emphasised that a high share of shadowing is one of the main risks to the country's economic security. Supercritical volumes of shadow economic activity in the state, according to the scientist, cause obstacles to development, affect tax assessments and contribute to the emergence of social problems. T. Kolyada & M. Guz (2019), considering the volumes and causes of the shadow economy in Ukraine, proposed methods for its limitation. In his research, the scientist drew attention to the fact that the shadow economy has a significant negative impact on the state's budget revenues, and also threatens the socio-economic stability of the national economy. The studies of the scientists listed above were fully consistent with the main results of this study and confirm its relevance and effectiveness.

■ Conclusions

The subject of this article was the problems of Ukraine's budget security in order to minimise them and ensure the stability of public finances, increase the efficiency of the functioning of the budget system, as well as protect the state from internal and external threats that negatively affect its financial stability. In the process of conducting the study, the authors managed to specifically identify the main current problems of Ukraine's budget security, detail the causes of these problems and propose a mechanism for gradually limiting the main threats to Ukraine's budget security.

Based on official statistical information, the main four indicators of Ukraine's budget security for 2018-2022 were calculated and based on them it was proven that as a result of the reform of the national economy in 2018-2022, Ukrainian society not only did not improve the state of the state's budget security, but there was a significant drop in its level. This indicates a decrease in the efficiency of public management of the state's budget security and its unsatisfactory level. Along with Russia's military aggression, one of the main factors of such negative dynamics is the supercritical level of shadow economic activity in the state, which causes the withdrawal of significant amounts of financial resources from the national economy by large corporations, corruption of the civil service, a decrease in the volume of aggregate demand, a decrease in economic efficiency indicators, a decrease in the volume of tax revenues to the state budget. This, in turn, causes a decrease in GDP per capita, a deterioration in the social living conditions of Ukrainian citizens and depopulation of the population. The way out of the current situation is a systematic, phased limitation of the volume of shadow economic

activity of economic entities, in particular, large corporations, and increased criminal liability of state officials for corruption and embezzlement of budget funds in particularly large amounts.

Promising areas for further research into the issues of budget security in Ukraine, which are not covered in this study, may include the development of effective mechanisms for de-offshoring and combating abuses in the field of transfer pricing, which significantly affect state revenues, as well as the use of digital e-government technologies to ensure transparency of public administration. It

is also important to assess the impact of such measures on reducing the shadow economy and increasing the effectiveness of budget security.

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■ Conflict of interest

None.

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Ефективність публічного управління бюджетною безпекою України: стан та тенденції змін

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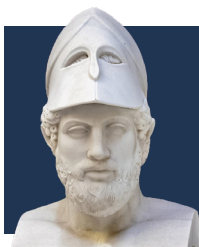
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■ **Анотація.** Проблеми забезпечення повного та стабільного виконання фінансових зобов'язань держави, необхідність зниження витрат на її функціонування, зменшення боргового навантаження на національну економіку є актуальними для більшості країн світу. Ці питання належать до сфери бюджетної безпеки держави. Метою даного дослідження був аналіз ефективності публічного управління бюджетною безпекою України, виявлення основних проблем управління та розроблення пропозицій щодо мінімізації існуючих загроз бюджетній безпеці України. Як критерій оцінки ефективності публічного управління бюджетною безпекою держави використаний показник рівня бюджетної безпеки. Згідно з результатами дослідження, в Україні впродовж 2018-2022 років ефективність публічного управління бюджетною безпекою держави була на незадовільному рівні. На основі проведеного аналізу доведено, що найвагомішою проблемою бюджетної безпеки України є надмірні обсяги державного боргу та платежів з його обслуговування. Ця проблема є прямим наслідком високого рівня тіньової економічної діяльності в державі, що спричиняє у значних масштабах уникнення сплати податків суб'єктами господарювання. Для вирішення наявної проблеми запропоновано системне поетапне обмеження обсягів тіньової економічної діяльності суб'єктів господарювання, зокрема великих корпорацій, та посилення кримінальної відповідальності державних чиновників за корупцію та розкрадання бюджетних коштів. Пропозиції на основі проведеного дослідження можуть бути використані при розробці політики економічного розвитку держави, податкової, бюджетної реформи та реформи кримінального права. Очікується, що впровадження запропонованих заходів сприятиме збільшенню обсягів доходів держбюджету, зниженню рівня тіньової економіки та оздоровленню фінансової системи в цілому.

■ **Ключові слова:** тіньова економіка; заборгованість держави; антикорупційні заходи; інформаційні системи; стратегія розвитку



Development and evolution of European Union policy

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■ **Abstract.** The European Union (EU) is a key player in global politics and economics, with its strategic decisions impacting international processes. The EU plays an active role in promoting stability, security, and economic development both within its member states and globally. The purpose of this study was to examine the key stages in the evolution of EU policy, tracing its development from inception to the present day, and identifying the main factors that have influenced these changes. The research methodology included historical analysis, comparative evaluation of international agreements, and a review of EU regulatory documents. These approaches provided insights into how EU policy has evolved over time. The findings indicated that the EU has undergone several transformative stages. Initially focused primarily on economic cooperation within the framework of the European Economic Community (EEC), the Union gradually moved towards deeper integration in political, social, and security spheres. In the early years, the emphasis was on fostering economic integration and creating a single market, which played a decisive role in stimulating trade and economic growth among member states. The 1990s marked a turning point: the signing of the Maastricht Treaty officially established the EU and introduced the euro as a common currency. Following this critical moment, EU policy began to shift towards strengthening common external and security strategies and expanding its geopolitical influence through enlargement initiatives that brought in new members. The study highlights that both internal and external challenges have greatly influenced the development of EU policy. These include financial crises, migration issues, and the far-reaching consequences of Brexit. These factors have prompted the EU to adapt to new circumstances and undertake reforms, impacting its political, economic, and security strategies. This study may serve as a foundation for forecasting future changes in EU policy as the Union continues to adapt to new global challenges. It may be of value to policymakers, researchers, and institutions interested in understanding the ongoing transformation of the EU political landscape

■ **Keywords:** European integration; European Parliament; European Community; economic relations; political transformation

■ Introduction

The role of the European Union as a global actor is becoming increasingly important in the face of contemporary geopolitical challenges. The EU faces the need to reform its internal policies in response to crises such as the war in Ukraine, climate change, energy security, and migration issues. Analysis of the evolution of EU policy helped to understand the decision-making mechanisms, integration processes, and the Union's adaptation to new realities.

Furthermore, in light of the enlargement of the EU and its enhanced cooperation with neighbouring states, exploring this subject contributes to the assessment of its capacity to maintain stability and economic growth in an era of globalisation. Such studies are essential for forecasting the future strategic areas of the EU. The analysis of various aspects of EU policy remains an area of interest for many researchers.

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In particular, Y.J. Kim & S. Kim (2023) analysed the impact of the post-war crises on the establishment of the European Coal and Steel Community (ECSC), identifying the historical conditions that led to its formation. They emphasised that the ECSC laid the foundation for European integration and played a crucial role in rebuilding trust among European countries after World War II. The evolution of the legal system of the EU was covered by I. Dir (2024), who examined the key treaties that shaped the Union's legal framework, including the Maastricht, Lisbon, Rome Treaties, and other important documents. Dir's research focused on how the evolution of the member states' treaty obligations facilitated integration and strengthened cooperation. He highlighted the importance of ensuring the stability of the legal system of the EU for its continued growth. D. Lawton (2024) dedicated his study to the role of lawyers in the review of the Maastricht Treaty. He analysed court cases related to this treaty and demonstrated how lawyers utilised legal tools to protect national interests from excessive centralisation within the EU. D. Lawton noted that this review led to substantial changes in the legal framework of the EU.

The evolution of the EU security and defence strategy was explored by D. Berchev (2024). He analysed the achievements of the EU in shaping a common defence policy and examined its prospects in the face of new geopolitical challenges, such as the increasing influence of external threats. D. Berchev emphasised that the EU needs to consolidate efforts in the field of security to ensure strategic autonomy. Similarly, I. Parol (2024) explored the development of the shared responsibility principle in managing EU borders. He highlighted the changes in approaches to integrated border management and concluded that there is a need to improve mechanisms of shared responsibility to better respond to migration crises.

M. Popescu *et al.* (2024) analysed the challenges facing the cohesion policy of the EU. The authors proposed tools for simplifying procedures and enhancing the effectiveness of cohesion policy implementation, particularly in areas related to financial programmes aimed at reducing developmental disparities between different regions and addressing economic difficulties. R. Pfister (2024) examined the role of religious movements, particularly Pentecostalism, in the political processes of the EU. He noted that the rise of nationalism in EU countries is often accompanied by the growing influence of religious movements, which contribute to societal polarisation and complicate integration processes. R. Sándor (2024) explored issues surrounding democratic legitimacy within the EU. He analysed various aspects of the democratic process in the Union and suggested ways to improve its functioning to achieve greater legitimacy from citizens. In particular, he argued that expanding the powers of the European Parliament and enhancing the interaction between national and European authorities by increasing the participation of national parliaments in pan-European affairs would help improve democratic legitimacy.

Despite a substantial body of research, several aspects remain understudied, especially the impact of socio-economic factors on the transformation of EU policy. Therefore, the purpose of the study is to conduct a detailed analysis of the evolutionary processes underlying the formation and development of European Union policies that influence integration. The study aimed to examine the institutional changes that have taken place within the EU throughout its existence and analyse the factors that have shaped policy priorities at different stages. To achieve this, the study sets the following tasks: analysing the historical preconditions for the establishment of the European Union and their influence on the formation of the Union's key policy principles, examining the major institutional changes that have occurred in the EU since its foundation, with a focus on their role in ensuring stability and economic development, and investigating how these challenges have influenced the further evolution of EU policies.

■ Materials and Methods

This study employed a comprehensive approach, incorporating documentary analysis, historical review, chronological analysis, and comparative and thematic analysis, to examine the evolution and development of European Union policy.

The first phase of the study reviewed historical literature covering the post-World War II period. Particular attention was paid to the post-war conditions that influenced the decision of European states to cooperate and form the first European associations, such as the European Coal and Steel Community (ECSC) and the European Economic Community (EEC). A chronological review of key events shaping EU policy was conducted, spanning from the establishment of the ECSC in 1951 to the present day.

The second phase analysed key legislative documents that laid the groundwork for EU policy development. These included the Treaty of Paris (Treaty establishing..., 1951), the Treaty of Rome (1957) and Treaty establishing the European Atomic Energy Community (1957), the Maastricht Treaty (1992), the Amsterdam Treaty (1997), the Treaty of Nice (2001), and the Treaty of Lisbon (2007). Each of these documents was examined in terms of their role in shaping the institutional, economic, and social policies of the EU. The principles and objectives of each treaty were explored, along with the institutional changes they brought about and their impact on the member states.

The evolution of the European Community's institutional bodies was also separately examined. Through a comparative method, changes in EU policy, the role of member states, and the evolution of the EU's functions were analysed, from the initial stages of economic cooperation to contemporary challenges and development areas. A comparison was made between EU policy during its early formation (the ECSC and EEC) and the modern-day European Union. A thematic analysis was conducted on key policy areas such as economic integration, foreign policy, social issues, and human rights to gain a deeper understanding of EU policy development. Each of these areas

was investigated in terms of its impact on the development and integration of the EU.

This comprehensive approach illuminated the evolution of EU policy at various levels and provided insights into the changes that have occurred since the founding of the European Union up to the present day.

■ Results

Prerequisites for the creation of the European Union

The establishment of the European Union was based on several factors, which can be categorised as historical, economic, political, and social. Historically, the Second World War played a key role, leaving the continent in ruins and highlighting the need for European unity to prevent future conflicts. This led to the rise of the idea of a united Europe, where countries collaborate for the common good – an idea strongly advocated by political figures such as Jean Monnet and Konrad Adenauer. The post-war period saw a strong push for international unity to maintain peace, resulting in the creation of the United Nations. On the European continent, this movement for unity led to the establishment of the Council of Europe in 1949, whose mission was to promote human rights, democracy, and the rule of law. Thus, the Second World War provided the impetus for the creation of European integration mechanisms, which eventually evolved into the European Union – an organisation that has ensured lasting peace, economic development, and political stability across the continent (Balland *et al.*, 2018).

Post-war economic recovery in Europe required close cooperation between states, particularly in establishing a single market and promoting free trade. In 1951, the European Coal and Steel Community (ECSC) was founded by six countries – France, West Germany, Italy, Belgium, the Netherlands, and Luxembourg. The primary objective of its creation was to eliminate any possibility of war between France and Germany by bringing together key industries that were, at the time, crucial for military production. The joint management of these industries under a supranational body held strategic importance. The main goals of the ECSC were political stability and economic integration. It became the first supranational organisation in history with real executive powers that were independent of individual national governments. This initiative reduced national control over the production and distribution of coal and steel, thereby lowering the risk of their use for military purposes. The pooling of resources fostered economic interdependence among participating countries, compelling them to collaborate in the joint management of these resources (Busemeyer *et al.*, 2019). Along with the implementation of the Marshall Plan, which was designed to rebuild Europe's economy after the war, the overall economic impact of this cooperation was significant. It resulted in increased production, price stabilisation, investment growth, and the creation of a common market. These developments had positive economic consequences: the coal and steel industries grew by 125%, creating new jobs, improving the efficiency of heavy metallurgy, removing nearly all trade

restrictions on coal and steel, and introducing unified pricing for metallurgical products. The establishment of common standards and rules dismantled tariff barriers, which boosted trade efficiency among the member countries. This early form of economic integration strengthened relations between member states and laid the foundation for broader cooperation (Baltazar, 2021; Sánchez *et al.*, 2021).

However, achieving economic cooperation was not without its challenges. The creation of a common market required the harmonisation of national laws and policies, which demanded substantial effort from each member state. In addition, decision-making by consensus often slowed progress, making it difficult to reach key agreements swiftly. Despite these challenges, the ECSC demonstrated that regional cooperation and integration could be highly effective tools for securing peace and prosperity in Europe. The success of this organisation ultimately led to further efforts towards integration and deepening relationships among European nations (Berchev, 2024).

The evolution of European integration, although initially rooted in economic cooperation, gradually progressed towards political convergence. Initially, economic interdependence served as the primary driver of the unification of European nations. As countries became increasingly interconnected through trade and shared markets, it became clear that sustainable, long-term development also required political cooperation. A key step in this process was the signing of the Treaty of Rome in 1957, which established the European Economic Community (EEC) and laid the foundation for the creation of a single market. This treaty introduced fundamental principles and institutional structures that later facilitated the political unification of Europe (Lanzetta & Ponsiglione, 2024).

The post-World War II situation marked by the drive for European recovery and the growing threat of Soviet influence in Eastern Europe, particularly in East Germany, stimulated the pursuit of not only economic cooperation but also social unity. The desire to improve the general welfare of citizens and protect their social rights became central to the policies of Western European states. The focus on social development played a substantial role in shaping common European policies that emphasised social protection, healthcare, education, and the overall improvement of living conditions. These joint initiatives aimed to create a unified European social structure in which all citizens had equal opportunities and social justice was a priority. Efforts were also made to reduce social inequality, ensure fair working conditions, and expand access to essential services.

Beyond the social aspects of integration, fostering a sense of European identity among citizens became a crucial element for the overall cohesion of European nations. This was supported by the introduction of various cultural programmes, such as ERASMUS (Ciappi, 2023). These initiatives promoted cross-border cultural exchanges, allowing people from different European countries to better understand one another, develop a sense of community, and feel a shared belonging to the European space. This helped to

overcome national barriers and foster mutual understanding between peoples, which is fundamental to stability and peace in the region.

Overview of key EU legal documents and treaties

The formation of the European Union resulted from the gradual development of integration processes based on key legal documents and treaties. These documents reflect the legal pathway Europe followed towards the creation of the modern EU, outlining the stages of its evolution.

The Schuman Declaration (1950) marked the first step towards European integration when French Foreign Minister Robert Schuman proposed pooling the coal and steel production of France and Germany under joint management to eliminate economic conflicts between them and prevent future wars. The idea was that economic cooperation would strengthen political ties and create conditions for lasting peace in Europe. This laid the groundwork for the creation of the ECSC, which was established in 1951 with the signing of the Treaty of Paris and became the first supranational institution to manage strategic resources (Valli & Weerts, 2022).

In 1957, France, Germany, Italy, Belgium, the Netherlands, and Luxembourg signed **the Treaty of Rome** (1957). This laid the foundation for the establishment of the European Economic Community (EEC) and the European Atomic Energy Community (Euratom), with the aim of creating a common market. These treaties established mechanisms for economic integration, regulation of key industries, and introduced fundamental principles and structures that later became the basis for Europe's political unification. Therefore, the Treaty of Rome can be seen as a pivotal step in the evolution of European integration, which initially focused on economic cooperation and gradually expanded towards political integration and unification.

The Merger Treaty of 1965, also known as the Brussels Treaty, was another substantial step in European integration. It unified the institutions of the three main European communities – the European Economic Community (EEC), the European Coal and Steel Community (ECSC), and the European Atomic Energy Community (Euratom). The primary goal of the treaty was to create common executive bodies, notably a single Commission and a single Council of Ministers, which allowed for more streamlined management and decision-making within these communities. This increased the efficiency of European organisations by eliminating the duplication of functions and simplifying administrative processes. The merger also facilitated the consolidation of resources and strengthened political cooperation among member states, aiming to promote the further development of common policies.

The Single European Act (1986) represented the first major revision of the Treaty of Rome. Its primary objective was to complete the establishment of a single market by 1992. This was supposed to ensure the free movement of goods, services, capital, and labour within the EEC. To achieve this goal, approximately 300 legislative measures

were adopted aimed at removing trade barriers and harmonising standards (Parol, 2024). The Single European Act also introduced significant institutional changes. Notably, it enhanced the role of the European Parliament through the introduction of a political cooperation procedure, which increased its influence over the legislative process. The expanded powers also extended to the European Commission, enabling it to perform its functions more effectively. In addition, a qualified majority voting was implemented in the Council of Ministers for certain decisions, helping to avoid vetoes by individual member states and facilitating faster decision-making. Cooperation covered areas such as foreign policy, security, and defence, thereby improving the coordination of policies among member states. The scope of common policy was also broadened to include new areas such as social policy, environmental protection, and research and technological development. These innovations laid the foundation for the further development and strengthening of the European Union as a political and economic bloc (Chovet, 2023). The Single European Act was a significant step towards creating a more integrated and effective Europe, contributing to increased competitiveness and stability on the continent.

The Maastricht Treaty (1992) marked the establishment of the EU and introduced a common currency (the euro), expanding political and economic integration, including cooperation in justice and foreign policy (Lawton, 2024). One of the key elements of the treaty was the introduction of the “three pillars” concept, which structurally expanded the powers and scope of cooperation among member states. The first pillar encompassed the European Communities and economic integration, including the establishment of the single currency – the euro, which was introduced in 1999. This ensured financial stability and facilitated the development of a common internal market. The second pillar focused on the Common Foreign and Security Policy (CFSP). Within this framework, EU member states began to cooperate in diplomacy and international security, forming a common position on the global stage. This included participation in peacekeeping missions, cooperation with international organisations, and the development of strategic interactions concerning crisis situations. The third pillar was dedicated to cooperation in the fields of justice and home affairs. The Maastricht Treaty laid the foundation for a collective effort against organised crime, illegal migration, and terrorism, and for the development of legal mechanisms for cooperation in criminal justice. This enabled the unification of the legal systems of member states and strengthened law enforcement agencies. Furthermore, the treaty introduced the concept of European citizenship, granting EU citizens new rights, including the right to reside, work, access social security, and participate in local elections in any member state.

The Amsterdam Treaty (1997), signed on 2 October 1997, aimed to reform the institutional structures of the European Union (EU) in the context of its further expansion. The primary purpose of this treaty was to enhance the

efficiency of decision-making within the EU institutions, necessitating the adaptation of voting procedures in the Council of the European Union to new conditions. The treaty emphasised the protection of human rights by incorporating the Charter of Fundamental Rights into its text. This marked a significant step in ensuring compliance with fundamental freedoms and human rights across all EU member states. Furthermore, the Amsterdam Treaty expanded areas of cooperation in home affairs and justice, which included combating terrorism, organised crime, and illegal immigration. The treaty also underscored the importance of social policy, highlighting employment, social security, and the integration of social values into EU policy. Overall, the Amsterdam Treaty established the groundwork for further political integration and the development of EU social policy, emphasising the importance of sustainable development, social justice, and the protection of human rights.

The Nice Treaty (2001), signed on 26 February 2001, represented a significant milestone in preparing the European Union for expansion to include Central and Eastern European countries. The primary objective of the treaty was to enhance institutional mechanisms to ensure the effectiveness of the EU under new conditions. The treaty reformed the EU institutions to improve their functionality in light of the enlargement to new member states. Specifically, it introduced a new voting system in the Council of the EU based on qualified majority voting. This reduced the number of countries that could block decisions, thereby increasing the efficiency of decision-making and providing greater flexibility in the EU's foreign policy actions. In addition, the Nice Treaty expanded cooperation on security and defence issues, marking an important step towards a common foreign policy for the EU. The treaty also emphasised the principles of democracy and the rule of law, enshrining these values as fundamental to the functioning of the EU.

The Lisbon Treaty (2007), which came into effect on 1 December 2009, marked a key phase in the development of the European Union, completing the establishment of its modern institutional structure. This treaty included a number of important changes that impacted the functioning of the EU, notably increasing the role of the European Parliament in the legislative process. The treaty established a co-decision procedure, allowing the European Parliament to jointly adopt legislative acts with the Council of the European Union in several important areas, including the internal market, environmental protection, and consumer rights. This bolstered the democratic legitimacy of the EU and provided greater opportunities for influence over Union policy through its representatives. The position of President of the European Council was created, which provided greater stability and representational capacity for this body on the international stage. The president is elected for a term of two and a half years and is responsible for coordinating the work of the Council, organising its summits, and representing the EU at international forums. The Lisbon Treaty simplified the decision-making process within the Union by introducing a system of "double majority," which stipulated that decisions in the Council of the EU must be

supported not only by a majority of member states but also by a majority of the EU population. In accordance with the treaty, the European External Action Service (EEAS) was established to implement the EU foreign policy. The Lisbon Treaty also promoted deeper cooperation in justice and home affairs, granting the EU greater powers in combating terrorism, organised crime, and other security threats. This allowed for the creation of a more integrated security system for all member states.

The formation of the European Union underwent several substantial legal milestones, gradually deepening integration and strengthening cooperation among European countries. This process led to the establishment of a powerful political and economic union that plays a key role on the international stage. Between 2004 and 2013, the EU experienced its most extensive enlargement in history, admitting 13 new countries, including many former communist states from Central and Eastern Europe. The deep integration also continued, with the EU agreeing on common policies in shared currency, security, migration, and climate change.

The evolution of the institutions of united Europe at different stages

EU policy has been shaped through the creation of institutions that ensure the functioning and development of the Union, while also implementing joint policies across various sectors (Zilioli, 2022; Meunier & Mcnamara, 2023). Figure 1 illustrates the functioning of the initial EU institutions responsible for drafting policy proposals and overseeing their implementation during the Union's formative years. The diagram highlights the key role each institution plays in ensuring the execution of common policies across different fields, which forms the foundation for the EU's stable development. A crucial aspect is that this institutional activity has provided coherence and effectiveness in policy at the EU-wide level, enabling the Union to act as a unified entity on the global stage. This figure visually complements the explanation of how the EU institutions, responsible for the Union's functioning and development, were created and evolved and how these institutions implemented common policies across various sectors, such as the economy, social policy, foreign relations, etc. The transformation of EU institutions reflects a complex governance and decision-making evolution within this intergovernmental organisation. The institutional structure of the EU has continually evolved and developed over the decades following its establishment. This evolution has been driven by an increase in Member States, the expansion of the EU's areas of responsibility, and the pressing need to improve the efficiency of decision-making processes. In the early years of the EU's existence, its institutional structure was relatively simple, consisting of a limited number of institutions, primarily focused on ensuring economic cooperation between Member States. However, as integration deepened and the number of participants grew, the need to expand and modernise this structure became increasingly apparent to better address the challenges of a more complex and interconnected Europe (Jarrín & Riordan, 2023).

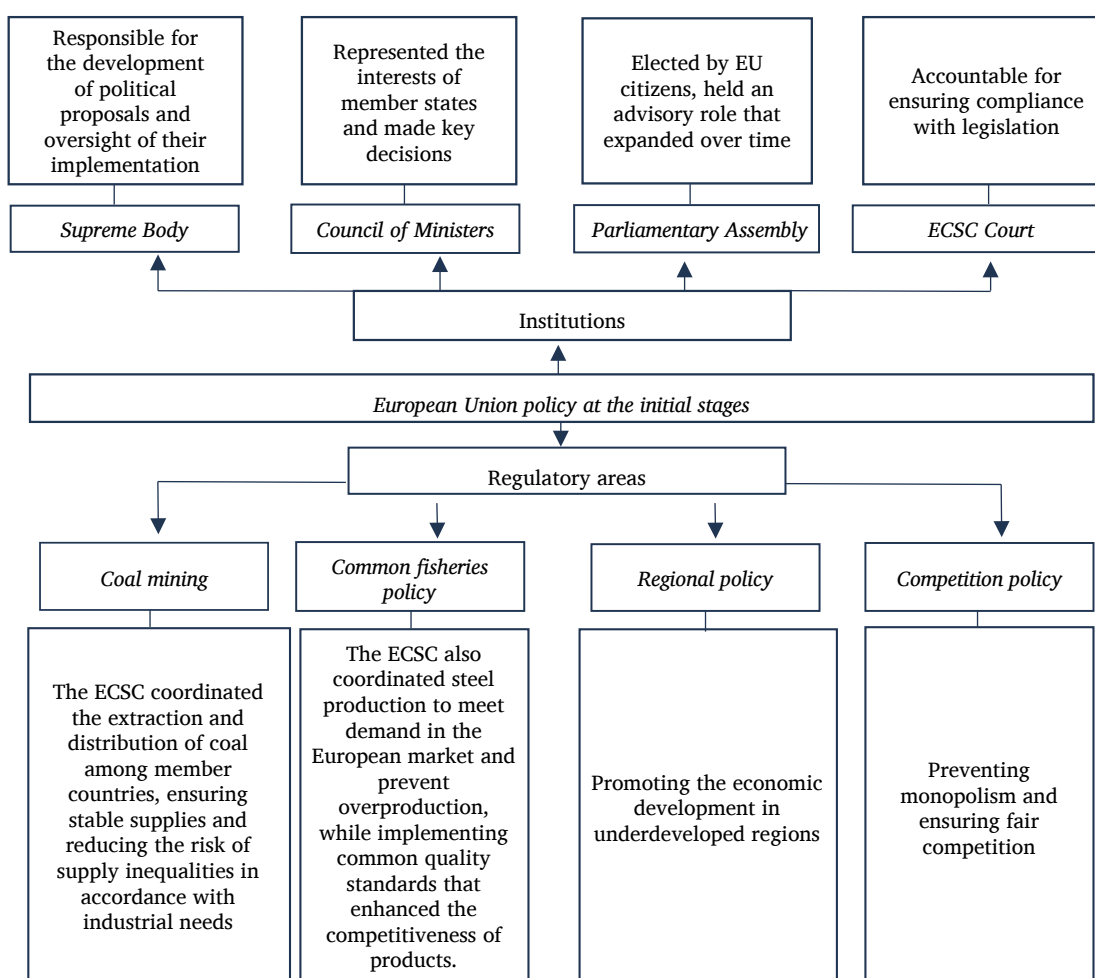


Figure 1. Key institutions and areas of policy development at the establishment stage of the ECSC

Source: developed by the author based on Treaty establishing the European Coal and Steel Community (1951)

As of 2024, the EU has a remarkably larger number of institutions, each performing strictly regulated functions. The transition to a more complex and differentiated institutional structure was a necessary step to ensure effective governance in the face of the increasing complexity of the tasks confronting the EU. The current structure includes key institutions such as the European Council, the Council of the EU, the European Parliament, the European Commission, the Court of Justice of the EU, and the European Central Bank, all of which work together to ensure the stability, effective governance, and development of the Union. In addition, there are advisory bodies – the Committee of the Regions and the Economic and Social Committee (ESC) – which represent the interests of regions and various social and economic groups, offering recommendations on legislative initiatives. Thus, the evolution of EU institutions reflects the need to adapt to the new conditions and challenges that arise in the enlargement and deepening of European integration (Gowland, 2022). Each institution has clearly defined powers and responsibilities.

1. *The European Council* – sets the overall political direction and priorities of the EU. It makes strategic decisions but does not pass legislation.

2. *The Council of the EU (Council of Ministers)* – adopts EU legislation, addresses foreign and security policy matters, and coordinates the policies of Member States.

3. *The European Parliament* – jointly with the Council of the EU, adopts legislative acts, approves the EU budget, and oversees the activities of other EU institutions, particularly the European Commission.

4. *The European Commission* – drafts and proposes legislation to be reviewed by the European Parliament and the Council of the EU, oversees the implementation of EU laws, manages the EU budget and programmes, and represents the EU in international matters.

5. *The Court of Justice of the EU* – ensures the interpretation and application of EU law, adjudicates on violations of EU law by Member States or EU institutions, and hears appeals from the General Court.

6. *The European Central Bank* – responsible for the monetary policy of the Eurozone, controls the issuance of the euro, maintains price stability, and coordinates the activities of the national central banks of Member States.

7. *The European Court of Auditors* – monitors the use of EU financial resources, audits accounts, and assesses the effectiveness of budgetary expenditures. In addition to the

core institutions mentioned above, the EU encompasses numerous other bodies and agencies that focus on specialised areas, such as environmental protection, food safety, human rights, and more. These institutions collaborate to ensure the effective functioning of the EU and the implementation of its policies (Popescu *et al.*, 2024).

The range of sectors in which the EU conducts joint policies has expanded significantly. These sectors include the economic and monetary (single market, competition policy), social (employment, social protection, equal opportunities, occupational safety), agricultural (CAP),

regional (cohesion policy and regional funding), transport (infrastructure, safety, green transport), energy (security, renewable energy, energy efficiency), digital (digital single market, defence), external (common foreign and security policy, trade), health (harmonisation of standards, pharmaceuticals, epidemiological control), and environmental (conservation, climate change, waste management), among others (Griffiths, 2013). EU policies have evolved significantly from its founding to the present day. The main differences between the initial and current EU policies can be classified across several key areas (Table 1).

Table 1. Key differences in EU policy under the Paris (1951) and Lisbon (2007) Treaties

Areas	1951	2007
1	2	3
Scope and degree of integration	<i>Economic integration</i> Focus was primarily on establishing a common market and economic cooperation by removing trade barriers. <i>Sectoral policies:</i> Integration covered specific sectors, such as coal, steel, atomic energy, and agriculture.	<i>Deep integration</i> The EU expanded to cover new areas, including strengthened cooperation in foreign and security policy, human rights, and increased coordination in areas such as social policy, healthcare, environmental protection, technology, and migration. <i>Single currency</i> The European Central Bank (ECB) was granted extended powers, including oversight of the banking system within the Eurozone, regulation of financial markets, and ensuring price stability.
Political integration and institutional changes	<i>Limited political integration</i> Mainly economic integration with limited political cooperation.	<i>Enhanced political integration</i> The EU gained powers in foreign policy, security, and justice, including conducting joint actions during international crises, concluding international agreements, and cooperating in justice matters. Information sharing between member states' law enforcement was also introduced to combat crime. The Lisbon Treaty (2007) strengthened the EU's role as a political actor on the international stage. <i>Expansion of the European Parliament's powers:</i> The European Parliament participates in the legislative process alongside the Council of the EU, co-approving the budget and increasing oversight over the executive, including the right to express no-confidence in the European Commission.
Social and environmental policy	<i>Minimal social policy</i> <i>Absence of environmental policy</i>	<i>Developed social policy</i> The EU actively works on ensuring social rights, equality, worker protection, and poverty alleviation. <i>Environmental policy</i> The modern EU is a global leader in environmental policy, focusing on climate change, renewable energy, and sustainable development.
Foreign policy and security	<i>Limited foreign policy</i> Foreign policy and security were not major areas of focus in the EU's early decades.	<i>Common foreign policy</i> The EU has a Common Foreign and Security Policy (CFSP), enabling member states to coordinate diplomatic actions and collaborate on security. <i>Missions and operations</i> The EU participates in international peacekeeping and humanitarian missions, promoting stability and security in various global regions. The European External Action Service (EEAS) coordinates the EU's foreign policy actions.
Migration policy	<i>Absence of a unified migration policy</i> Migration and asylum matters largely remained within national competence.	<i>Common migration policy</i> The EU developed a shared migration and asylum policy aimed at managing migration flows and providing refugee protection.
Civil society	Limited influence on EU decision-making processes.	Increased participation of civil society, including non-governmental organisations, trade unions, business associations, and other stakeholders in EU policy-making. Mechanisms for consultations and public discussions were introduced, allowing citizens to influence decision-making.

Table 1. Continued

Areas	1951	2007
1	2	3
Legal system and judicial oversight	The legal system was focused on ensuring the functioning of the common economic market and the enforcement of commercial agreements.	The EU legal system developed to encompass a wide range of legal matters, including human rights, competition law, consumer rights, etc. The European Court of Justice ensures the uniform interpretation and application of EU law across all member states.
Institutional structure	The High Authority acted as the executive body and supervised the activities of the union. The Parliamentary Assembly was composed of representatives from member states and was responsible for discussing political issues and making decisions. The Council of Ministers made decisions on behalf of member state governments. The ECSC Court ensured the observance of legal norms and regulations established by the union. This structure laid the foundation for coordinating coal and steel industry policies in Europe.	The European Council is the highest political body, defining the general political directions and priorities of the EU and composed of the heads of state or government of the member states. The Council of the EU (Council of Ministers) adopts legislative acts and coordinates member states' policies. The European Parliament is a representative body elected by EU citizens and, together with the Council of the EU, adopts legislation, approves the budget, and oversees the activities of other institutions. The European Commission acts as the executive body responsible for proposing new laws, implementing EU policies, managing the budget, and representing EU interests internationally. The European Court of Justice ensures compliance with EU law, interprets legislation, and resolves disputes between institutions, member states, and individuals. The European Central Bank is responsible for monetary policy in the euro area, ensuring the stability of the euro and overseeing the EU's financial system. The European Court of Auditors monitors the use of EU financial resources, verifying accounting and the effectiveness of budget expenditure.

Source: developed by the author based on M. Šuplata (2023)

These differences reflect the substantial development and evolution of European Union (EU) policies from its inception to the present day, illustrating its ability to adapt to new challenges and evolve in response to the needs of its member states and citizens. Furthermore, these distinctions highlight both quantitative and qualitative shifts in EU policy over three decades. They demonstrate the growth, complexity, and influence of the EU, both within Europe and on the global stage.

Priorities of EU policy in different periods

Based on the analysis of the evolution of legislative frameworks, several key priorities of EU policy can be identified:

1. Ensuring peace and stability

Historical origins (1950s). The primary impetus for the creation of the European Community was the desire to prevent military conflicts that had twice ravaged Europe in the 20th century. France and Germany, central participants in both World Wars, became the core of this project. The establishment of the European Coal and Steel Community (ECSC) in 1951 aimed to place coal and steel production – strategic resources used in warfare – under shared control, thereby making military conflict between Western European countries practically impossible.

Subsequent development (1960s-1980s). Peace and stability remained key priorities for the European Economic Community (EEC) and later the EU, following the signing of the Treaty of Rome in 1957. The concept of a common market, which involved the removal of internal trade barriers, also promoted economic integration, which in turn reinforced political stability.

Modern context. In the 21st century, the EU not only maintains peace within its borders but also promotes stability beyond them through participation in international peacekeeping missions (e.g., in Africa, the Balkans) and the development of the Common Security and Defence Policy (CSDP). An important aspect of modern EU policy is also the fight against terrorism and cyber threats, demonstrating the Union's adaptation to new global security challenges.

2. Economic recovery and integration

Post-World War II Recovery (1950s-1960s). Post-war Europe required economic stabilisation. The Marshall Plan, implemented partly through the Organisation for European Economic Co-operation (OEEC), was an initial step in this area. The Treaty of Rome (1957) established the EEC, laying the groundwork for a common market. This facilitated the removal of barriers to the free movement of goods, services, capital, and labour, which stimulated industrial growth and modernised the economies of the member states.

Deepening integration (1980s). The Single European Act (1986) was a considerable milestone in completing the formation of the single market. It furthered economic integration by removing barriers and harmonising national regulations and standards. The EU also made important strides in adopting common agricultural and regional policies, contributing to greater cohesion within the Union.

In the 21st century, priorities in the European Union have shifted towards innovation, the digital economy, and climate neutrality. The European Green Deal has become a central strategic direction for the coming decades, aiming to transform the economy into more sustainable and

eco-friendly models. Emphasis is also placed on digital transformation, the development of new technologies, and maintaining global competitiveness.

3. Political integration

Early stages (1960s). Following the establishment of the ECSC and the EEC, a gradual political integration began, marked by the formation of shared institutions. Key supranational bodies, such as the European Commission and the European Parliament, began expanding their authority. Initially a consultative body, the Parliament gained a progressively more influential role in decision-making over subsequent decades. The Maastricht Treaty (1992) laid the foundations for the creation of the European Union, introducing new common policies on foreign affairs, security, and justice. These reforms allowed the EU to act as a cohesive entity in international relations.

In the second decade of the 21st century, political integration in the EU reached a stage where decisions on critical areas, such as trade, migration, and climate policy, are made at a supranational level. Institutional reforms have strengthened the roles of the European Parliament and the European Council in law-making, and enhanced coordination mechanisms between member states have promoted more efficient decision-making.

4. Social cohesion and unity

Development of social policy (1970s-1980s). During the 1970s and 1980s, the EU turned its attention to the social dimensions of integration. Policies aimed at ensuring equal conditions for all EU citizens were implemented. Established in 1958, the European Social Fund supported initiatives to improve employment levels and social integration.

Rising social standards (1990s). The Maastricht Treaty introduced social rights for EU citizens, including workers' rights, gender equality, access to healthcare, and measures to combat poverty and social exclusion. Social policy became an integral component of EU integration and a means of fostering unity.

Current state. Social cohesion within the EU now encompasses high standards in labour, healthcare, education, gender equality, and minority rights protection. At present, the EU is addressing new challenges, including demographic shifts, migration crises, and the impact of the COVID-19 pandemic on the labour market and social domains.

5. International cooperation

Initial stages (1950s-1960s). Early international cooperation by the EU primarily focused on economic matters. The EU gradually began establishing trade agreements with other global regions and developed its foreign policy through collaborative projects.

Development of foreign policy (1990s). The Maastricht Treaty of 1992 laid the foundation for the Common Foreign and Security Policy (CFSP), aimed at coordinating member states' actions on international issues, particularly in trade and diplomacy.

The EU has played a significant role in global issues, including climate change, human rights protection, poverty

alleviation, and promoting democracy. On the international stage, the Union operates as a unified actor in trade, customs policy, and monetary policy.

In the early 21st century, the EU encountered various challenges, including a series of economic and financial crises, rising issues of migration and refugees, climate change, growing nationalist sentiments in certain countries, and Brexit – the departure of the United Kingdom from the community. These crises not only destabilised the EU but also contributed to its politicisation. However, the EU continues to work on agreements and policies that foster economic growth, protect citizens' rights, and support collaboration among nations. Despite ongoing crises, the EU has demonstrated resilience and adaptability in response to these challenges (Zeitlin *et al.*, 2019).

Therefore, the main priorities of EU policy are aimed at building a more sustainable, competitive and inclusive Europe that responds to global challenges and supports the well-being of its citizens. These priorities are regularly reviewed in view of new challenges, in particular those arising from military conflicts and economic changes in the world, such as the war in Ukraine, which also has a significant impact on the EU's security policy and external relations.

■ Discussion

Research has shown that the evolution of EU policies has been a complex process shaped by a range of political, economic, and social changes both within and outside the EU. Key milestones in EU history, such as treaty reforms, membership expansion, and crisis response, illustrate how these policies have adapted to new challenges and opportunities.

M. Segers (2023) provides a detailed examination of the precursors to European integration between 1937 and 1951, with a focus on the political, social, and economic conditions that laid the foundation for the modern European Union. The author highlights how this period witnessed crucial changes catalysing subsequent European integration. Segers argues that rising inter-state conflicts and the desire to prevent further wars prompted initiatives such as the Schuman Plan, ultimately leading to the establishment of the European Communities. A strong aspect of this study is its rich historical context, offering insights into the factors that continue to influence the EU today. However, a noted limitation is the narrow focus of the study on the role of non-governmental organisations and civil society within the integration process, which could have enriched the understanding of EU policy evolution. Overall, the paper is a valuable resource for exploring the history of European integration.

E. Ciappi (2023) offers a fresh perspective on the early stages of European integration, focusing specifically on the post-World War II period and the development of the Schuman Plan. The study emphasised how military strategies played a central role in shaping post-war integration and how economic cooperation became vital in securing lasting peace in Europe.

P. Liargovas & P. Christos (2024) analyse the progression from the Schuman Declaration to the formation of the

European Communities between 1950 and 1958. The authors provide an in-depth exploration of the key political decisions and economic strategies that contributed to European integration. The paper also addresses the institutional transformations that enabled a shift from individual national interests to common, supranational resolutions. The study examines the challenges these nations faced in adapting to new governance structures and collective decision-making.

S. Meunier & K. McNamara (2023) review the state of the EU fifty years after its formation, with a focus on historical moments of integration and institutional adaptation. The authors emphasise the importance of political institutions adjusting to new challenges facing the EU, such as economic crises and changes in the global landscape. In examining the evolution of EU policy, the paper underscores how institutional changes were responses to the needs of Union members and their interactions. A primary limitation is the limited attention to informal aspects of the integration process, which could have enriched the understanding of decision-making mechanisms.

I. Baltazar (2021) provides a comprehensive analysis of the integration within the historical context and contemporary challenges. The study thoroughly examined the socio-economic disparities among member states, a crucial factor in understanding the dynamics of integration. A central theme of the paper is the concept of a “Europe of different speeds”, which suggests that individual member states may progress in various areas of integration at differing rates. The author concludes that the future stability of the EU depends on how the integration process can accommodate the differing development paces of its member states.

B.C. Valli & S. Weerts (2022) highlight the imbalance between economic interests and citizens' rights. The authors note that policy concerning access to public information is often more focused on economic benefits, which could threaten individual rights and transparency in decision-making. They underscore the importance of establishing a balanced system that considers both economic and social aspects to ensure sustainable EU development. The strengths of the study include the relevance of its subject in light of current challenges, although it lacks a deeper analysis of the specific impact of certain policies on different citizen groups.

M. Chovet (2023) explores the concept of “regional Europe” and its impact on EU borders and regions. The study examines how this slogan, initially used to promote regionalism within the EU, has materialised in real-world policy and influenced EU borders. The analysis demonstrates the growing role of regions in EU policymaking, particularly in cross-border cooperation and regional autonomy. The strength of the study lies in its thorough analysis of regional governance models within the EU. However, it predominantly focuses on successful examples, which limits its coverage of regions facing integration challenges, presenting an incomplete picture of the broader effects of regionalisation across all EU borders.

M. Jarrín & S. Riordan (2023) focus on the history of interregional relations between the EU and regions such

as Latin America and the Caribbean. Their work provides a detailed analysis of cooperation in trade, politics, and culture. A notable strength of this study is its interregional approach, which deepens the understanding of the dynamics within the EU foreign policy. However, the authors pay limited attention to the internal challenges within the EU and their impact on these interregional relations. Addressing these internal factors could offer a more comprehensive analysis of the difficulties faced by the EU in shaping its foreign policy.

The evolution of EU institutions and policy changes highlights the Union's adaptability to the new challenges faced by its member states. The ongoing expansion of its institutional structure and its adaptation to current needs reflect the EU's commitment to ensuring stability and effective governance. In addition, the focus on common policies across various sectors, such as economy and security, demonstrates the Union's growing influence within Europe and on the global stage. This progression illustrates the readiness of the EU for further development and support for integration processes within the region.

■ Conclusions

The foundations underlying the establishment of the EU involve a complex interplay of historical, economic, political, and social factors that necessitated the unification of European nations. Deepening cooperation among countries not only facilitated the economic recovery of Europe after the war but also laid the groundwork for long-term peace on the continent. These factors influenced the formation and helped shape the European Union, which has gradually expanded to become one of the largest and most influential political-economic organisations in the world.

The primary differences between EU policies at its inception and those in place today lie in the expansion of integration areas, strengthened political cooperation, the development of social and environmental policies, and the adoption of unified approaches to foreign policy, security, and migration. These changes reflect the evolution of the EU from an economic union to a comprehensive political and economic entity capable of responding to contemporary challenges.

The European Union has undergone a complex and lengthy evolutionary path, progressing from an economic community to a formidable international organisation with a broad range of policies and spheres of influence. Its successful development has been rooted in a gradual deepening of integration processes, beginning with the Paris Agreement of 1951 through to the signing of the Lisbon Treaty in 2007, which established the modern framework for its operation.

EU policy, focused on achieving peace, stability, economic growth, and social cohesion, is the outcome of multilateral agreements among member states and EU institutions. It encompasses not only economic but also political, social, environmental, and security dimensions, enabling the EU to engage effectively at both domestic and international levels.

An emphasis in EU policy is placed on supporting social rights and standards, environmental protection, the development of a unified digital policy, and the assurance of security and external cooperation. This has positioned the EU as one of the most influential and stable integration structures in the modern world, continuing to play a pivotal role in global processes. The study indicated that the increasing role of the EU on the global stage largely depends on its capacity to adapt to new challenges and expand its areas of influence.

Future research may focus on evaluating the impact of EU enlargement on the political and economic stability of member states. Key areas of investigation may include

the effectiveness of EU common policies in fostering social cohesion and economic development, and analysis of changes in decision-making mechanisms in light of increasing member numbers. The effects of European integration on the security and trade relationships with neighbouring countries also remain a relevant subject.

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■ Conflict of interest

None.

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Розвиток та еволюція політики Європейського Союзу

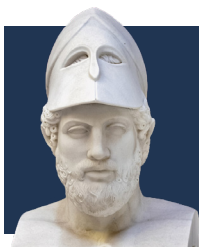
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■ **Анотація.** Європейський Союз (ЄС) є ключовим гравцем у світовій політиці та економіці, а його стратегічні рішення впливають на міжнародні процеси. ЄС відіграє активну роль у сприянні стабільності, безпеці та економічному розвитку як у межах своїх держав-членів, так і в глобальному масштабі. Метою цього дослідження було вивчення основних етапів еволюції політики ЄС, простеження її розвитку від моменту створення до сьогодення, а також виявлення основних чинників, які вплинули на ці зміни. Методологія дослідження охоплювала історичний аналіз, порівняльну оцінку міжнародних угод та огляд нормативних документів ЄС. Ці підходи надали уявлення про те, як політика ЄС змінювалася з часом. Результати дослідження показують, що ЄС пройшов кілька трансформаційних етапів. Спочатку зосереджувались переважно на економічній співпраці в рамках Європейського економічного співтовариства (ЄЕС), Союз поступово перейшов до глибшої інтеграції у політичній, соціальній та безпековій сферах. У перші роки акцент був на зміцненні економічної інтеграції та створенні єдиного ринку, що відіграло вирішальну роль у стимулюванні торгівлі та економічного зростання серед держав-членів. 1990-ті роки стали поворотним моментом: підписання Маастрихтського договору офіційно заснувало ЄС і запровадило євро як спільну валюту. Після цього важливого кроку політика ЄС почала орієнтуватися на зміцнення спільних зовнішніх та безпекових стратегій, а також на розширення свого геополітичного впливу через ініціативи розширення, які привели нових членів. Дослідження підкреслює, що як внутрішні, так і зовнішні виклики значно вплинули на розвиток політики ЄС. Серед них – фінансові кризи, питання міграції та далекосяжні наслідки Brexit. Ці фактори змусили ЄС адаптуватися до нових обставин та здійснити реформи, що вплинули на його політичні, економічні та безпекові стратегії. Це дослідження може стати основою для прогнозування майбутніх змін у політиці ЄС, оскільки Союз продовжує адаптуватися до нових глобальних викликів. Воно може бути корисним для політиків, дослідників та установ, зацікавлених у розумінні постійної трансформації політичного ландшафту ЄС

■ **Ключові слова:** європейська інтеграція; Європейський парламент; Європейське співтовариство; економічні відносини; політична трансформація



Prospects for the use of artificial intelligence in the legislative process of Ukraine

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■ **Abstract.** The purpose of this study was to identify the prospects for the use of artificial intelligence (AI) in the rule-making activities of Ukraine. The methodology included several key stages: theoretical aspects of the use of AI in the law-making sphere, assessment of the current state and comparative analysis of the use of AI in the legislative process in the UK, USA, and Ukraine. The study presented the interpretation of the concept of “artificial intelligence”, its features and ways of implementation in the legislative process of Ukraine. An important aspect is that AI increases the level of legal analysis of draft laws, simplifies monitoring of changes in legislation, and improves the accuracy of forecasts regarding legal consequences. In particular, AI can help to automate the development of laws, increase the transparency and quality of legislative initiatives, and improve the effectiveness of analysing large volumes of legal texts. The results of the study highlighted the importance of proper regulation and ethical control of the implementation of such systems, since there are risks of loss of responsibility in decision-making and possible dependence on algorithm errors. The use of AI in the legislative process of Ukraine is at an early stage, but in the future, it will help to simplify the codification of legislation, provide legal clarity, and increase the availability of legal norms for society. In addition, automating some aspects of legislative work using AI will help to reduce the human factor in data processing, which can reduce the risk of errors and increase the objectivity of assessing legal initiatives. The use of such technologies may also facilitate the creation of integrated information systems capable of uniting various levels of legislative activity. This opens up new opportunities for implementing innovative solutions in the field of digital justice

■ **Keywords:** AI; law-making process; innovative technologies; automation; legal regulation

■ Introduction

In Ukraine, the introduction of artificial intelligence (AI) in the legislative process began in the 2020s, when state representatives began to explore more opportunities for automation and optimisation of legislative procedures. In particular, AI has been used to analyse large amounts of legal data, monitor legislative changes, and generate draft laws based on existing norms. This technology provides an opportunity to increase the speed and efficiency of developing new laws and reduces the likelihood of errors in the process. The use of AI has begun to gain momentum as part of the digitalisation of public administration. These

technologies are being actively implemented in various areas, including the analysis of legal information, automation of routine legal processes, and improvement of interaction between government agencies and citizens. AI can provide a fast process for analysing legislative acts, which, in turn, increases the efficiency of drafting new laws. These technologies can be used to automate document compliance checks, analyse legal precedents, and predict the impact of new legislative initiatives. For example, AI-based systems can process important data to identify trends or identify potential impacts of new regulations. This allows lawmakers

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to make informed decisions based on analytical data. In modern conditions, the issue of introducing AI in the legislative process of Ukraine is new and requires relevant research on the effective and safe use of AI in public administration, which will contribute to the development of the legislative process in Ukraine. Many countries are already successfully applying innovative technologies in their legislative processes. At the same time, the legal and ethical aspects of AI use require in-depth analysis, as it is important to guarantee citizens' rights and justice in law enforcement. The study of the problem of assessing the effectiveness of AI implementation in the legislative process will contribute not only to improving the quality of legislative proposals, but also to ensuring transparency and openness of the system.

A number of researchers have considered various features of the introduction of innovative technologies in relevant fields of activity, in particular, the study by M.C. Gamito (2024) focused on the rapid development of AI technologies that bring important public implications related to privacy, transparency, and fairness. The researcher found that it is necessary to provide legislative solutions and a regulatory framework that will ensure the safe and successful integration of AI systems into society.

L. Carrasquilla-Díaz *et al.* (2024) examined the introduction of AI in legal contexts, its capabilities, and the challenges faced by representatives of Colombia for the successful integration of AI into the judicial system. Analysing examples from other countries and current legislative initiatives in Colombia, these researchers highlighted the possible benefits of AI, in particular, optimisation of case management and improvement of decision-making, which can significantly increase the efficiency and effectiveness of the country's legal system. A. Alcoforado *et al.* (2024) researched and developed AI techniques for separating, studying, extracting, and synthesising information contained in the minutes of parliamentary sessions to make the information obtained more accessible to citizens and specific professional groups.

T. Bui & V. Nguyen (2023) suggested that it is necessary to update laws to ensure the same control over the development of digital technologies, in particular the use of AI, in different countries. These rules should help streamline the digital transformation process, but not hinder the development of new technologies. T. Gudima & V. Kamishanskyi (2023) determined that the use of AI should be based on ethical principles to avoid discrimination and bias. The researchers stressed the importance of developing ethical standards for regulating AI in the legal sphere. K. Yilma (2023) investigated new technologies and human rights at the United Nations and international experience in the use of AI in legislative activities. According to the researcher, international cooperation in this area remains an important aspect, and each state should take these practices into account to improve its own legislative system.

The issue of EU regulation of the use of AI was investigated by F. Massadeh *et al.* (2024), highlighting that

existing copyright legislation does not meet the challenges in many countries that arise in connection with the creation of AI texts. This creates legal gaps, as the conventional concepts of authorship and rights to a work cannot be adequately applied to the results created by AI. Therefore, it is necessary to introduce specialised legislation that would not only regulate copyright issues for works created by AI, but also identify prohibited actions that may pose risks to various industries. The legislative process in this context includes an analysis of existing norms, identification of shortcomings, consultation with experts in the field of law, technology, ethics, and the development of new norms that could protect the interests of all participants – from AI developers and users to society as a whole. This will provide a fairer and safer legal framework for the use of AI technologies. S. Mecaj (2022) noted that there is currently no full legal framework for regulating AI, but some countries and international organisations are already taking certain steps in this area. For example, the EU is actively working on creating a regulation on AI, which provides for the introduction of a risk-based approach to regulating AI. This means that AI technologies will be classified according to the level of risk from minimal to critical, and each category will have appropriate requirements for security, transparency, and accountability.

The purpose of the study was to identify the opportunities and challenges of using AI in the procedure for adopting laws in Ukraine based on the experience of other states.

■ Materials and Methods

This study included several key milestones that were based on a comprehensive approach to achieving the goal. At the first stage, theoretical aspects of the development of AI technology and its application in various spheres of public life were investigated. Based on the analysis of scientific sources, the main approaches and concepts developed in modern world science were identified, and gaps in knowledge that require additional attention were determined.

The second stage of the study was a comparative analysis of the use of AI in the legislative process in the UK, USA, and Ukraine. This analysis examined the approaches of each country to integrating AI into the process of formulating and improving legislation, and evaluated the effectiveness of these approaches in solving modern challenges related to the protection of intellectual property rights.

The third stage of the study was an analysis of various aspects of AI implementation in the legal system of Ukraine, and a forecast of expected results. The SWOT analysis method was used at this stage. The weaknesses and strengths, opportunities and threats of implementing AI in the legislative process were investigated. Next, several possible scenarios for the introduction of AI in the Ukrainian legislative process were modelled: full automation of individual stages of law development; the use of AI as an auxiliary tool for legal analysts; partial implementation at the level of automation of routine tasks (for example, analysis of existing laws, creation of new draft laws).

The last stage was to determine the prospects for the use of AI in the legislative process using predictive research methods. The expected results were evaluated, such as improvement of the quality of legislative acts, reduction of corruption risks, acceleration of the development of laws, and increase in public confidence in the legislative process. The analysis of causal relationships allowed considering potential problems that may arise in connection with the introduction of the latest technologies, in particular, related to insufficient control over AI, the possibility of loss of privacy and human rights violations. The use of these methods provided a comprehensive approach to the development of recommendations on ways to adapt the legal system to new conditions.

■ Results

Theoretical aspects of AI implementation in the legal sphere

AI can be described as a technology capable of performing actions that normally require human mental skills, such as mastering new knowledge, understanding speech, identifying images, and making decisions. This helps to create algorithms and applications that can process information, learn from experience, and adapt to changes in the environment. A distinctive feature of AI is its ability to analyse large amounts of data and identify patterns, which allows getting useful insights and making predictions. This opens up new opportunities for various areas, including the legislative process. One of the main features of AI is its adaptability. AI algorithms can learn from new data, which makes them efficient. For example, in legislative activity, this can manifest itself in automated analysis of draft laws and identification of potential legal conflicts. This greatly facilitates the work of lawyers and legislators, reducing their workload and increasing productivity. In addition, AI can help to improve the quality of decision-making. With powerful analytical tools, it can analyse and process information from a variety of sources, giving lawmakers the opportunity to see the full picture of the consequences of their decisions. This is especially important in conditions when society requires efficiency and transparency in solving pressing issues. An important aspect is the introduction of a system that monitors public opinion, which allows legislators to respond in a timely manner to the needs of the population and consider their interests when developing new legislative initiatives. Collecting and analysing data on public attitudes to certain draft laws can significantly improve the quality of legislative proposals.

However, the introduction of AI in the legislative process requires solving a number of issues. Among them are ethical issues related to the transparency of algorithms and the protection of personal data. It is necessary to create clear regulations that ensure the ethical use of technology, avoiding possible abuse. AI has significant potential to improve the legislative process in Ukraine. It can be used to improve the efficiency of government agencies, ensure better interaction with the public, and promote better

informed decision-making. The use of AI may include the development of tools for automated bill creation, which will help optimise work processes in parliament. This opens up opportunities for a more flexible response to public requests, because systems can quickly analyse trends and needs of citizens. An important aspect of implementation is the training of specialists who will be able to work with new technologies, ensuring the integration of AI into legislative practice. In particular, ethical and legal issues remain critical for the development of a legal framework governing the use of technologies in the field of law to avoid possible negative consequences.

There are several main types of AI that can be applied in legislative activities. The first of them is analytical AI, which is used to analyse large amounts of legal data and predict the consequences of legislative decisions. It can help in evaluating draft laws and their impact on the economy, society, and the environment. The second type includes chatbots that can provide legal advice, reducing the burden on lawyers. The third is the automation of routine processes, which reduces the likelihood of errors in document management. For example, an AI system can automatically generate legal documents, reports, and analyses, which improves operational efficiency. The fourth type is decision support systems that help legislators to evaluate different options and make informed decisions based on data. The introduction of these technologies can be useful for legislative initiatives such as health, education, and economic reforms, ensuring transparency and accountability in the legislative process. For effective implementation, Ukraine can borrow the experience of other countries.

The US House of Representatives has implemented an AI-based tool to automate the process of comparing bills, amendments, and current laws. This helps legislators to better understand how bill amendment provisions affect legislation going through the legislative process. Using natural language processing technology, the tool can analyse references to legislative provisions specified in draft laws, receive them, interpret them, and follow instructions for changes. The tool, which is already available to the legislative advisory department, is currently working successfully, and user feedback is gradually improving its accuracy over time (Agostini *et al.*, 2024; Goldmann, 2024). These promising generative AI initiatives, based on modernisation efforts over the past five years, suggest that the House of Representatives will be able to adapt to the challenges of our time. An important example is the recently launched Comparative Print Suite (CPS). CPS uses natural language processing to compare bills, because it can visually show changes made through edits or amendments, and show how the bill will change current legislation. The CPS exit demonstrates that Congress can go beyond standard cloud services and develop unique solutions that clearly meet the needs of the legislative process. This shows that even if generative AI is still in the early stages of development, legislatures are already using automated technologies to improve work processes and administrative functions, while

also implementing measures to protect the interests of society (Bharti, 2022; Kornberg *et al.*, 2024). Comparative Prints Suite automates most of the reporting process for any bill, using a dedicated XML database with version control for storing laws and a natural language processing tool for implementing amendments. This software is available as a browser-based programme for staff and members of the U.S. House of Representatives, as well as, if necessary, for other congressional offices where it is used as part of the federal legislative process (Boone, 2023; Hershowitz & Mador-Haim, 2023).

Parliaments and governments of the United Kingdom and Scotland are discussing the introduction of AI in legislative processes, especially focusing on a tool called “Lawmaker”. This innovative tool was designed to facilitate the preparation of amendments, allowing lawmakers to directly edit a digital copy of bills. This method aims to optimise the legislative process, make it more efficient and less time-consuming. In addition to editing capabilities, the Lawmaker tool contains features that help ensure compliance with legal standards and consistency of legislative texts. The automated checks provided by the tool help lawmakers create accurate amendments, which ultimately improves the quality of legislation. Lawmaker has a single common system for different users, allowing multiple users to participate simultaneously in the development process, which is especially useful during important legislative sessions (Rangone, 2023).

In Ukraine, AI technologies are still at the initial stage of development and implementation in the legislative process, where their status, legal regulation, and capabilities are just beginning to be determined. To date, there is no information about the practical use of AI for automating legislative functions or processing regulations. Ukrainian legislatures have not yet implemented AI-based systems similar to the Comparative Prints Suite in the United States, which automates the comparison of bills. However, in recent years, Ukraine has been discussing ideas for the potential regulation of AI and the creation of a regulatory framework for its application in state structures. In December 2020, the Cabinet of Ministers of Ukraine adopted the concept of AI development in Ukraine, which emphasises the need to finalise issues related to the regulation of public relations in the field of AI. At the moment, the most discussed issues are related to copyright in the texts of draft laws created by AI, and the protection of personal data (Petriv, 2023; Trincado Cast, 2024).

Unlike in the United States and Great Britain, AI technologies are at the initial stage of development in Ukraine. There are no systems in the country that would automate the legislative process, such as CPS or Lawmaker. Although Ukraine discusses the possibilities of regulating AI and creating a regulatory framework, the practical use of these technologies in legislation remains limited. The main focus is currently on copyright and personal data protection issues, which indicates that the regulatory framework in this area still needs to be developed. The United States and

the United Kingdom are actively implementing AI in the legislative process, while in Ukraine this technology is just beginning its integration into government structures, focusing on creating a regulatory framework for future use.

State and prospects of AI introduction in legislative activity in Ukraine

Since 2020, when the Ministry of Digital Transformation of Ukraine first included the development of AI in its strategy for digitalisation of the country, lawmakers and experts have been actively discussing the need to regulate AI at various levels. One of the areas of work is the adaptation of EU legal norms, which have already begun to be implemented in Ukraine within the framework of integration processes and the Association Agreement, and the development of draft laws on AI considering EU standards. In Europe, since 2021, the Law on AI, which defines legal boundaries for developers and users of AI, has been actively discussed (Misechko, 2024). Ukraine is actively implementing such initiatives. Ukrainian experts and lawyers also investigate these issues, in particular, the National University of Kyiv-Mohyla Academy conducts research in the field of digital rights and regulation of new technologies, in particular, the educational programme “Computer Science” aims to train specialists in the field of information technology. Specialists of the Faculty of Computer Science are recognised leaders in the fields of AI, data analysis, software development, BigData, machine learning, information and search engines. Academic institutions such as the Institute of Law and Technology and think tanks are actively discussing how AI standards should be integrated into Ukrainian legislation. In addition, the Verkhovna Rada is working on the preparation of draft laws related to various aspects of these technologies. Soon, a number of convenient and useful online tools for people’s deputies, journalists, and citizens will be launched on the website of the Verkhovna Rada. Among the new web services developed by the Office of the Verkhovna Rada of Ukraine will be a visualisation of the process of consideration of draft laws, a timeline of plenary sessions and a page dedicated to adapting Ukrainian legislation to EU norms (Salizhenko & Oliynyk, 2024). One of the most important is the protection of personal data, especially in the context of AI working with large amounts of information. Given that AI technologies are used in various fields, such as public administration, finance, healthcare, and transportation, questions arise about who will be responsible for mistakes or unethical decisions made by AI. This issue is particularly relevant for legislators, as it requires clear legal regulation. Ensuring transparency and ethics in the use of AI will also be an important element of future legislation. In this context, the issues of the need to explain to citizens the principles of AI functioning, ensuring transparent decision-making processes and preventing possible abuse of technology are considered. It can be used to automate data analysis, identify contradictions in draft laws, or even predict the consequences of certain legislative initiatives. However, the introduction of such

technologies requires detailed regulation to avoid risks associated with data privacy and citizens' rights.

Ways to introduce AI into legislative activity are currently limited, but there are already several important areas that are actively developing both in Ukraine and in the world. In Ukraine, AI is being implemented in government agencies to automate analytical work and analyse legislative initiatives, for example, through visualisation of the passage of draft laws and processing large amounts of data. In the world, AI technologies are used to predict court decisions, automate legal documentation, and create systems to support lawmakers in decision-making, as is observed in the United States and the EU. One of the first stages is automation of data and document analysis. AI can analyse large volumes of text, helping legislators quickly obtain the necessary information, make a comparative analysis of the laws of other countries, predict the possible consequences of new laws based on historical data, and help in assessing their impact on society. Another important step in the introduction of AI is the creation of intelligent analytics platforms. AI can help develop recommendations for changes to existing laws based on an analysis of socio-economic factors and statistics. For example, such platforms can predict the consequences for the economy, environment, or social sphere as a result of the implementation of certain legal norms. This allows lawmakers to make more informed decisions, reducing the likelihood of negative side effects. It is assumed that in the future AI can be entrusted not only with analysis and automation, but also with the development of new forms of communication between the state and citizens (Ortega Esquembre, 2023; Spesivtseva, 2023). For example, AI tools are possible to collect feedback data from citizens about draft laws, which will allow governments to better understand society's expectations. Such systems may include intelligent assistants that help to better understand complex legal acts. They can also provide legal advice on

everyday issues. Another promising area is the introduction of algorithms that will help to model possible scenarios for the development of situations in the event of the adoption of new laws. This will allow lawmakers to model different variants of economic, political, and social changes and predict their impact on different population groups. This will significantly facilitate the decision-making process and reduce the level of risks associated with incorrectly assessed consequences of implementing new standards.

A separate aspect of the future implementation of AI in legislative activities includes its participation in the processes of monitoring and implementing laws. Due to the development of technologies, it becomes possible to automatically monitor compliance with legal norms and identify violations. Such a system can help government agencies to respond to violations in a timely manner and ensure more accurate compliance with laws. The introduction of AI in legislative activities requires close cooperation between technical experts, lawyers, and government agencies. Only in this way can ensure the development of effective tools that will meet not only modern challenges, but also adapt to the rapidly changing legal environment. In the future, this can significantly improve the quality of the legislative process in Ukraine, making it more transparent, efficient and modern.

Advantages and risks of using AI in the legislative process

The introduction of AI in the Ukrainian legislative process is designed to qualitatively improve the work of the entire system of analysis and preparation of laws and regulations in Ukraine. However, it is necessary to investigate and consider all the advantages and disadvantages of such a step. In the current study, both the strengths and risks of using these technologies in the state's legal system were analysed using the SWOT analysis method (Table 1).

Table 1. SWOT analysis on the implementation of AI in the legislative processes of Ukraine

Strengths	Weaknesses
■ AI allows automating routine tasks, such as analysis of bills, which reduces the burden on people; ■ AI reduces the likelihood of subjective decisions or mistakes due to the human factor; ■ ability to quickly process large amounts of data.	■ AI has not yet reached the level of perfection that can solve all complex legal issues. There is a risk of misinterpretation or inaccurate decisions; ■ legislative framework does not yet consider the full use of AI in law-making, which requires adaptation of laws and regulations; ■ there is a risk of bias in AI algorithms or lack of transparency in decision-making, which raises concerns about fairness.
Opportunities	Threats
■ AI can analyse huge amounts of legal data and provide a deeper analysis of draft laws, which improves the quality of decisions made; ■ automating routine tasks and reducing analysis time can significantly speed up the legislative process; ■ the use of AI will increase the transparency of the legal process, make it more open to the public and provide better access to legal information.	■ AI can be used for manipulation or unethical actions that can lead to biased or illegal decisions; ■ Ukraine lacks a proper technical base and a sufficient number of qualified specialists to implement AI projects in law-making; ■ the introduction of AI may meet with resistance from government officials who are not ready for rapid changes or see risks in losing control over processes.

Source: compiled by the author

One of the key results of AI implementation should be to improve the quality of legislative acts, namely, the

use of algorithms can help to identify shortcomings, contradictions, inconsistencies, and gaps in legal norms that

previously could have gone unnoticed by analysts. AI has the potential to reduce corruption risks by creating more transparent procedures based on data rather than individual subjective decisions (Qian *et al.*, 2023). Speeding up the process of developing laws is another important aspect of implementing AI. Digital systems are able to automate various stages of the rule-making process, which reduces the duration of preparation of draft laws, speeding up the adoption of necessary legal norms. This is especially important for adapting legislation to the conditions of the modern world, where technology and the economy are rapidly developing. One of the positive consequences is an increase in public confidence in the legislative process. With the help of AI, it is possible to create an open and accountable system that would allow tracking all stages of law preparation, where the opinions of experts and the public will be taken into account through digital platforms. Citizens will have the opportunity to better understand how laws are created, which will increase their confidence in the process.

Despite the benefits, there are a number of risks. One of the biggest ones is the lack of control over AI. On the one hand, complex algorithms can be opaque to the public and even to lawmakers themselves, which raises concerns about how and for what purpose the data is used. It is necessary to ensure appropriate mechanisms for monitoring AI activities and create tools for verifying the solutions that the system offers to avoid abuse. There are risks associated with data privacy. The use of AI to analyse large amounts of information can lead to the fact that personal data of citizens can be collected, stored, or used without their consent. This creates a risk of violation of privacy rights, and possible legal disputes. It is necessary to develop special laws and procedures that will regulate data protection when using AI. Adapting the legal system to new conditions remains an important problem. The introduction of AI requires profound changes not only in the legislative procedure, but also in the legislation itself. Current regulations do not always provide for the possibility of integrating the latest technologies, which complicates the digitalisation process. To solve this problem, it is necessary to reform laws, develop new regulations that would meet modern challenges, and create new standards and ethical standards for the use of AI in the legal sphere. To minimise risks, it is important to develop comprehensive recommendations for implementing AI. One of the steps is to establish clear regulations regarding the use of AI in the legal field, in particular, regarding data analysis, surveillance procedures, and liability for incorrect use of algorithms. It is also necessary to implement the principles of ethical use of AI, considering human rights and confidentiality. The introduction of AI requires new knowledge and skills in the field of data analytics, understanding technologies and opportunities for their use in legal practice. This will allow for more efficient use of digital tools and make the law-making process more flexible. However, to achieve this, it is necessary to solve a number of key challenges, in particular, to

ensure proper control over technology, protect the rights of citizens, and adapt the legal system to new conditions.

■ Discussion

The results of the study showed that the introduction of AI in the legislative process is becoming an increasingly relevant topic in modern society. In light of the global trend towards digitalisation and innovation, there is a growing interest in using AI to optimise legislative processes, in particular in Ukraine. Various researchers emphasise the significant benefits of using AI, which can significantly increase the effectiveness and transparency of public policy. In particular, AI can help to analyse large amounts of data, automate routine tasks, improve communication between lawmakers and citizens, and predict the consequences of decisions made. This opens up new opportunities for improving the quality of legislation and improving state governance. The study by A. Agostini *et al.* (2024) analysed the impact of generative AI on the legislative process. The researchers investigated how automated systems can improve decision-making by lawmakers, reducing the likelihood of negative consequences. The researchers also discussed how these technologies can help identify gaps in legislation, automate document creation, and improve the effectiveness of legal regulations. In general, the study focused on the opportunities that AI opens up for improving legislative activity and improving the quality of legal decisions.

Other researchers, such as G. Hill *et al.* (2024), confirmed this opinion and added that AI can transform legislative processes, making them more efficient and accurate. They stressed that AI can analyse large amounts of legal documents and data, helping policy makers predict the consequences of legislative changes based on socio-economic indicators. In this study, it was revealed that AI has a significant potential for optimising the analysis of legislative initiatives, namely, drafting laws, analysing existing legislation and identifying inconsistencies. Comparing the results with these studies confirms that the introduction of AI can be an important step towards improving Ukrainian legislative work.

The study by L. Lucke *et al.* (2022) defined the use of AI to track changes in legislative processes. They focused on the AI's ability to analyse legal documents, track amendments, and predict the possible consequences of legislative updates. The study also included the use of machine learning algorithms to automate the processes of comparing laws and identifying patterns of changes in legal acts over time. These findings are consistent with this study, which highlighted the importance of transparency in legislative activities. Using AI to automate the processes of monitoring and tracking changes in legislation can be an important step to prevent corruption and ensure accountability of public authorities.

Due to the openness and accessibility of information, trust in the authorities can significantly increase, because citizens will be able to see how and why certain decisions are made, and this will contribute to the development of a

positive image of state institutions. The use of AI systems can also encourage active public participation in the legislative process, because involving people in the discussion of draft laws and the ability to express their opinions and suggestions makes the process more democratic and open. This study showed that the introduction of AI in legislative activities can significantly improve interaction between the government and citizens, which can increase the involvement of the population in the decision-making process and increase the level of trust in government structures.

In the field of law, the use of AI was investigated in various aspects, including automation of legal processes, processing large amounts of legal information, and decision support. This approach not only improves the accuracy and speed of data processing, but can also help to identify legal conflicts or duplicate regulations. N. Rangone (2024) clarified the impact of AI on the processes of formulating legal and regulatory rules, in particular, on legislative activities and procedures that ensure compliance with laws. The researcher focused on how AI can change conventional approaches to legislation, increasing the efficiency and speed of developing new regulations. The results showed that AI technologies can affect the quality of law-making, including the ability to automate certain aspects of the legislative process, and potential ethical and legal challenges associated with it. In particular, the issue of responsibility for decisions made based on algorithms was considered, and the need to create a regulatory framework that would ensure transparency and accountability in processes where AI was involved. The importance of integrating new technologies into public administration, considering the social, economic, and legal consequences that may arise from their use, was emphasised. Legislative activity is a truly complex process that requires comprehensive analysis and can significantly improve the process of AI implementation. Theoretical aspects of the use of innovative technologies in law-making discuss such issues as automating the analysis of legal texts, predicting the effectiveness of draft laws and providing legislators with reasonable recommendations based on the analysis of large amounts of data. This is especially important for parliaments and government agencies, where the analysis of a large number of legal documents and their interaction with other regulatory acts takes a long time. AI can help to reduce errors and speed up the bill preparation process.

In particular, S. Kreps & M. Jakesch (2023) analysed the process of using AI technologies in the political process, in particular, in legislative activities, to increase the responsibility of legislators. The researchers analysed how AI-based language systems can help lawmakers to process voter requests, in particular, by automating responses to frequently asked questions. The study included experiments that compare the perception of legislative correspondence written by humans and generated by AI, pointing out the potential benefits and risks of such cooperation, in particular, the impact on voter confidence. As a result, these measures will contribute to greater transparency of

legislative processes and greater participation of citizens in political life. The researchers noted that AI has the potential to speed up the processing of citizens' appeals to the authorities, improve the quality of responses, and increase the level of public involvement in political discourse. This, in turn, can increase confidence in legislative bodies and ensure a faster response to citizens' requests. The introduction of AI in the legal process of Ukraine should be considered a complex and multifaceted task that requires both theoretical knowledge and practical skills and further improvement of the Ukrainian legislative process. The conclusions of this study were confirmed by the findings of other researchers, which determine the importance of an individual approach, the application of theoretical models, investigating the possibilities of new technologies and training specialists in practice.

■ Conclusions

Thus, this study highlights the importance of implementing AI in the legal process. AI can be a powerful tool for improving efficiency, transparency, and accountability in the work of legislative bodies. Through the use of analytical systems, automation of routine processes and chatbots, legislators can respond faster and more effectively to the needs of society, simplify access to legal information, and improve the quality of legislative initiatives. The introduction of AI reduces corruption risks, as automated systems are less susceptible to manipulation and can provide clear control over the implementation of laws.

In addition to the technical and financial challenges that may arise when implementing AI in legislation, it is important to pay attention to ethics and human rights issues. For example, automating legislative processes can lead to discrimination or human rights violations if AI systems are incorrectly configured or trained on biased data. Therefore, it is necessary to develop ethical norms and rules for the use of AI to ensure that its implementation does not harm society. The study of the practices of other countries that have already implemented similar projects will help Ukraine to avoid possible mistakes and adapt the relevant solutions to Ukrainian realities.

However, there are also challenges associated with the use of AI in legislative activities, such as ethics, confidentiality, and the need to adapt the legal system to new technologies. It is also necessary to consider the technical and financial limitations that may prevent the successful implementation of such solutions. In addition, it is important to provide appropriate training for working with new technologies, since without knowledge and skills in this area, legislators will not be able to maximise the use of AI capabilities.

Successful implementation of AI in legislative activities will require integration with existing systems, training of specialists, and public involvement in the process. It is important to address potential legal consequences and create a framework to ensure responsibility for decisions made based on algorithms. A systematic approach to the

introduction of AI can help Ukraine embark on the path of more effective legislative activity.

The limitations of this study are the lack of available empirical data on the actual use of AI in Ukraine, which makes it difficult to comprehensively analyse the effectiveness of such initiatives. Prospective areas of research may include analysing the impact of AI on the quality of legislation, evaluating the implementation of technologies at the development stages, discussing and adopting laws, and

developing models that would consider the needs of different stakeholders. This will ensure a more reasonable and comprehensive use of AI in the legislative sphere.

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None.

■ Conflict of interest

None.

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Перспективи застосування штучного інтелекту в законодавчому процесі України

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Аспірант

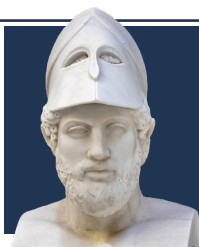
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■ **Анотація.** Метою даного дослідження було виявлення перспектив застосування штучного інтелекту (ШІ) у нормотворчій діяльності України. Методологія включала кілька ключових етапів: теоретичні аспекти застосування ШІ у правотворчій сфері, оцінка поточного стану та порівняльний аналіз використання ШІ в законодавчому процесі у Великій Британії, США та Україні. У дослідженні подано трактування поняття «штучний інтелект», його особливості і шляхи впровадження у законодавчий процес України. Важливим аспектом є те, що ШІ здатен підвищувати рівень юридичного аналізу законопроектів, спрощувати моніторинг змін у законодавстві та покращувати точність прогнозів щодо правових наслідків. Зокрема, ШІ може сприяти автоматизації процесів розробки законів, підвищенню прозорості та якості законотворчих ініціатив та покращенню ефективності аналізу великих обсягів правових текстів. Результати дослідження підкреслили важливість належного регулювання та етичного контролю впровадження таких систем, оскільки існують ризики втрати відповідальності при прийнятті рішень та залежності від помилок алгоритмів. Застосування ШІ в законодавчому процесі України перебуває на початковій стадії, проте, на перспективу це допоможе спростити кодифікацію законодавства, забезпечити правову ясність та підвищити доступність правових норм для суспільства. Крім того, автоматизація деяких аспектів законодавчої роботи за допомогою ШІ сприятиме зменшенню людського фактору при обробці даних, що може знизити ризик помилок і підвищити об'єктивність оцінки правових ініціатив. Використання таких технологій також може сприяти створенню інтегрованих інформаційних систем, здатних об'єднати різні рівні законотворчої діяльності. Це відкриває нові можливості для впровадження інноваційних рішень у сфері цифрового правосуддя.

■ **Ключові слова:** ШІ; правотворчий процес; інноваційні технології; автоматизація; правове регулювання



International diplomacy of Saudi Arabia in the Middle East: Strategies for strengthening regional leadership

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■ **Abstract.** The Kingdom of Saudi Arabia (KSA) is one of the key players in the Middle East and plays a major role in shaping the regional agenda. Its strategic rivalry with Iran poses new challenges to stability in the region, so an analysis of the changes in economic and foreign policy activities carried out by the country's leadership in the 2020s is relevant to understanding the development of the political situation in the Middle East. The purpose of the study was to analyse the main principles and changes in the KSA's diplomatic strategies, as well as to study the mechanisms and tools used to ensure stability and strengthen its position in the region. The research was conducted using the methods of analysis, synthesis, comparison, and specification of information. The study found that an important factor driving changes in the KSA's policy is the implementation of the Saudi Vision 2030 initiative, introduced by Crown Prince Mohammed bin Salman. This strategy focuses on diversifying the economy, reducing dependence on oil and stimulating growth in sectors such as tourism and renewable energy. The KSA is also actively expanding its foreign policy ties, seeking new partners and reducing its dependence on the United States. Within the six-country Gulf organization, there are internal contradictions that lead to conflicts, including the 2017 diplomatic crisis with Qatar, but the KSA is changing its approach, which helps to resolve such conflicts. The KSA plays an important role in the Organization of the Petroleum Exporting Countries (OPEC) and the United Nations, promoting its interests at the global level. The results obtained allow us to understand the actions of the KSA in the context of regional and global politics, and can be used to develop strategies for interaction with this country

■ **Keywords:** Middle East region; foreign policy strategy; diplomatic crisis in Qatar; Gulf Cooperation Council; Saudi Vision 2030 programme

■ Introduction

The study of the international diplomacy of the Kingdom of Saudi Arabia (KSA) reveals the problem of the complexity of relations in the Middle East, where religious, political and economic interests of different states intertwine. These factors have led to rivalry not only between the KSA and Iran, but also within the broader regional context, which includes the struggle for political and economic influence, resource allocation, and interaction with external actors. The KSA occupies a leading position in the Middle East due to its strategic location, large oil reserves, which make it one of the richest countries, and religious significance. The

reforms introduced by Crown Prince Mohammed bin Salman are aimed at economic and political modernization of the country to strengthen its regional leadership. Against the backdrop of growing tensions and competition with Iran, the role of the KSA is becoming critical to ensuring stability and security not only in the region but also globally. Therefore, the study of changes in the KSA's economic policy and diplomatic strategies is of great interest to many scholars.

The study by K. Czornik (2020) analyses the factors that allow the KSA to maintain its status as a regional power and assesses the effectiveness of reforms aimed at shaping

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the country's new image. The author notes that one of the key elements of the transformation is changes in the religious sphere. In particular, the KSA has limited the powers of the religious police, allowing greater social freedoms, such as the reopening of cinemas, music concerts, and the gradual granting of rights to women. Thus, the changes in the religious sphere were demonstrated, but it was not indicated how this affects relations with other countries.

In particular, F.J. Hasanov *et al.* (2020) analysed the Saudi Vision 2030 state programme and pointed out that its main goal is to significantly increase non-oil exports to 50% of gross domestic product (GDP). This study analyses the impact of key factors on KSA's non-oil exports in the context of reforms and changes in the oil market. The author's modelling to 2030 highlights the importance of industrial production, the financial sector and transport. However, this study focused exclusively on economic factors, without taking into account geopolitical aspects.

B.R. Pridham (2020) examines various aspects of the relationship between the Gulf states and the Western powers, focusing on historical, economic, cultural and international aspects. It provides a view from both sides – both from a Western perspective and from the perspective of the Gulf states. One important aspect of this topic is the conflicts between Arab countries, but the book focuses on the position of all Arab countries, without a detailed analysis of the KSA.

S. Parvathy (2021) focused on the 2017 diplomatic crisis between Qatar and several Arab states, including the KSA, the United Arab Emirates (UAE), Bahrain, and Egypt, which led to the severance of diplomatic relations and the imposition of economic sanctions. The coalition led by the KSA accused Qatar of supporting terrorism and violating the agreements of the Gulf Cooperation Council (GCC). The criticism also concerned the role of Al Jazeera and Qatar's relations with Iran. Various world powers supported the diplomatic settlement. The author examines the topic of resolving the diplomatic crisis in general, without a detailed review of the role of the KSA's changing approaches in solving this problem.

T. Borck (2024) offers a new analytical framework for understanding the concept of stability and its impact on the foreign policy of the Gulf states, demonstrating that declarations of stability do not always lead to strategic coherence. However, his book did not address the economic factors that play an important role in the current policy of the KSA and the Middle East in general. It was also important to study the issue of relations between Iran and the KSA. In one of the articles by S.U. Jalal *et al.* (2023), the authors analyse the recent reconciliation between these countries after a long period of confrontation. The article examines the causes of the conflict, the negotiation process in Baghdad, the role of Oman and China as mediators in reconciliation, and the changing geopolitical situation in the Middle East. This study clearly describes the influence of foreign countries in the context of resolving conflicts between Iran and the KSA, but does not focus on the key factors of the confrontation between these countries.

A review of existing studies shows that, despite the considerable interest in politics and reforms in the KSA, they either do not focus on the topic of international relations of the KSA, but rather examine a single component in detail; or the study of international politics is carried out without analysing structural components, such as economic strategy, problems of regional organisations, etc. This study aims to examine the issue of KSA's diplomatic strategies in the Middle East region.

The purpose of this study was to analyse the main principles of the KSA's foreign policy in the Middle East, aimed at strengthening the country's position as a regional leader. To achieve this goal, it was necessary to study the changes in the KSA's economic and foreign policy strategy; the activities of the GCC; the role of the KSA in the Organization of Petroleum Exporting Countries (OPEC); the conflict with Iran, including its causes and current state.

■ Materials and Methods

At the beginning of the study, the method of document analysis was used. In particular, the initiative "Saudi Vision 2030" was analysed, which provides for economic, political, social and religious reforms. A detailed analysis of the document allows us to understand to a large extent the changes in the directions of the KSA's activities. In particular, we are talking about plans to change the economic structure of the kingdom, and develop tourism and international relations. In addition, the content analysis examined the founding documents of the KSA's cooperation with the United Nations (2020).

The historical method was used to study individual events. In particular, it was applied when considering the Qatari diplomatic crisis. The events that took place during the confrontation between Qatar and the KSA were described, and the positions of each country and their actions to resolve the conflict were examined. This allowed us to fully understand the causes of the diplomatic crisis and its subsequent resolution.

The comparative method was used to analyse the KSA's policies and actions in the context of confrontation with Iran and other countries in the region, such as the UAE and Qatar. This made it possible to identify differences and similarities in their approach to regional security, economic and political reforms, strengthening their status among other states and consolidating their position as a leading power in the Middle East. The article analyses the economic competition between the KSA and the UAE. The comparison was based on the analysis of economic and diplomatic steps within the GCC organization, which allowed assessing the effectiveness of KSA's cooperation within regional initiatives and studying the global policy of the state, which is at the forefront among other Arab states in the Middle East, as well as its communications in the international arena from the perspective of a state that is updating its status among other developed countries.

An important method was the analysis of statistical data. The study used data from the international analytical

company S&P Global on oil exports and non-oil GDP growth (Gnana, 2022). This made it possible to examine how economic reforms, such as economic diversification and reduced dependence on oil, were the main indicators that influenced the country's position. In addition, a synthesis of the results obtained in the course of the study was used to formulate generalized conclusions. This made it possible to identify the links between the KSA's economic and political reforms, its international diplomacy, and strategies for conflicts in the region, including the confrontation with Iran at various levels of activity of both countries claiming leadership.

Another important method was the case-study method. Its essence lies in the detailed study of a particular element of the topic in order to reach new conclusions. In this study, this method was used to examine the topic of the KSA's confrontation with the Gulf countries, such as Qatar, the UAE, and Iran, the KSA's participation in the settlement of regional conflicts and its influence on international organisations. The forecasting method is used to assess the prospects for the development of diplomatic relations between the KSA and its future influence on regional leadership.

■ Results

Key aspects of political and economic reforms in the KSA

To understand the latest political innovations in the KSA, it is important to pay attention to the Saudi Vision 2030 programme. The main goal of this programme is to strengthen the KSA's position in the global transition to clean energy sources through economic diversification. Reducing dependence on exports of natural resources, in particular oil, which accounts for 74% of the country's total exports, has long been on the agenda. This issue has become even more important after the economic turmoil caused by the COVID-19 pandemic, when oil prices fell to record lows (Hasanov *et al.*, 2022). The impact of the coronavirus pandemic on KSA's oil exports is demonstrated in Figure 1, which shows the dynamics of KSA's oil exports over the period 2014-2020.

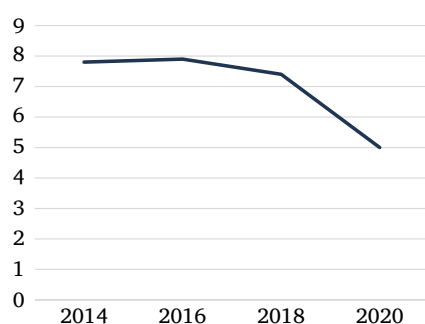


Figure 1. KSA oil exports in 2014-2020, MM bbl
Source: compiled by the author based on J. Gnana (2022)

Thus, it is important for the KSA to develop various sectors of the economy so that it is not dependent on a single oil sector, which, as demonstrated by the pandemic, can be unstable. In order to expand non-oil economic

activities, KSA is taking significant steps towards economic diversification. One of the proofs of this is that the Vision 2030 Strategy envisages intensive involvement of the KSA's sovereign wealth fund, worth USD 700 billion, to invest in the development of non-oil sectors. These include renewable energy, sports, tourism, entertainment, and artificial intelligence (Guendouz & Ouassaf, 2020). Key initiatives include privatization efforts, increasing private sector contributions, and attracting foreign investment. Ambitious infrastructure projects such as NEOM and The Line focus on sustainability and smart technologies, and the kingdom is also investing heavily in renewable energy and clean hydrogen production. These reforms and projects are transforming the KSA economy and positioning it for a diversified, sustainable future.

To support economic diversification, the Crown Prince has initiated a series of reforms aimed at opening up the KSA's conservative society, focusing mainly on the social and cultural spheres. In particular, these reforms include the promotion of a more tolerant interpretation of Sunni Islam, replacing the traditional Wahhabi approach, religious, and labour reforms aimed at empowering women, including the elimination of religious police, allowing women to drive vehicles, and abolishing the requirement to obtain a guardian's permission to work or travel (Czornik, 2020; Al Zomia *et al.*, 2024). Such reforms are of great importance for the development of international policy, as the move away from dogmatic Islamism creates more favourable conditions for attracting foreign investment to the country and for the development of international relations in general.

To expand its foreign policy relations, the government organized several events that provide the basis for future dialogue with various world powers. In particular, the KSA held a series of summits with the participation of the GCC, as well as representatives of the United States, China, and Central Asian countries. In addition, the KSA took part in the sixth Russia-GCC Joint Ministerial Meeting on Strategic Dialogue held in Moscow (Lima, 2023).

The first-ever Sino-Arab Summit was held in Riyadh on 9 December 2022 with the participation of representatives of 21 Arab League countries and China. President Xi Jinping proposed "eight joint actions" for cooperation, and the summit concluded with the Riyadh Declaration to build a Sino-Arab community of shared destiny. The summit emphasized strengthening ties in areas such as development, peace and mutual prosperity.

On 19 July 2023, the KSA organized the first Gulf-Central Asia Summit, dedicated to strengthening strategic and political ties between the Gulf and Central Asian countries. Discussions focused on economic cooperation, investment, culture and trade, with a particular emphasis on energy partnerships and infrastructure projects. The summit marked a shift in geopolitical dynamics, highlighting the growing importance of Central Asia for the Gulf's foreign policy and economic strategy (Lima, 2023).

KSA's relations with the United States play an important role. Over the past 20 years, there has been a certain

distancing of the KSA from its long-standing strategic partner. The KSA's desire to distance itself from the United States is due to several factors. The kingdom is seeking greater autonomy in its foreign policy and regional leadership, partly due to disappointment with past US decisions, such as the Obama administration's nuclear deal with Iran and its reluctance to intervene in Syria. In addition, the KSA is cautious about Washington's changing priorities, such as the US pivot to Asia and America's reduced dependence on Middle Eastern oil. The kingdom has also faced criticism from the US over its human rights record and involvement in Yemen, which has further strained relations. This distancing reflects the KSA's efforts to diversify its alliances, exploring stronger ties with states such as China and Russia, while maintaining a certain level of cooperation with the United States to protect common interests (Melkumyan, 2024).

However, it should be understood that relations between the United States and the KSA are at a high level, as evidenced by the preparation of a major agreement between the two countries. Its essence is to create a comprehensive pact that covers strengthening bilateral defence cooperation, economic and technological initiatives, and support for the KSA's civilian nuclear programme. The key component of the agreement is the normalization of relations between the KSA and Israel, which should go hand in hand with the identification of a reliable path to the creation of a Palestinian state. This agreement, which should reduce Iran's regional influence, is part of a broader US strategy to stabilize the Middle East and strengthen the alliance with Riyadh amid growing activity of Russia and China (Anderson *et al.*, 2024).

As part of this agreement, the United States lifted the ban on the sale of offensive weapons to the KSA, resuming supplies. This step is aimed at strengthening the regional alliance with Riyadh, curbing Iran's influence, and ensuring stability in the face of threats from other states, including Russia and China. The United States seeks to complete the deal before the presidential election to record diplomatic achievements and strengthen its position in the Middle East (Pamuk *et al.*, 2024a).

The problems between the US and KSA in signing a major agreement arise from geopolitical instability and divergent priorities. The KSA demands that Israel accept conditions for normalizing relations, including ending the conflict in Gaza and finding a reliable path to the creation of a Palestinian state, which the Israeli government is not yet ready to do. At the same time, the kingdom has alternative options for cooperation with China and Russia, which weakens the US negotiating position. The difficulties are also related to the fact that any formalised agreement will require the approval of the US Senate, which may block it without normalizing KSA's relations with Israel. This creates a risk of a breakdown in negotiations and forces the US to seek a compromise approach, in particular through defence agreements that bypass the need for Senate ratification (Pamuk, 2024b).

Thus, Saudi Arabia is undergoing a profound transformation through economic diversification, social reforms, and an active foreign policy agenda. In particular, Riyadh is strengthening ties beyond its traditional partners, including the United States, by fostering relationships with China, Russia, and Central Asia. However, balancing these relationships remains challenging, especially as Riyadh negotiates a significant agreement with Washington, which is contingent on sensitive regional issues such as relations with Israel and Palestine. Through these efforts, Saudi Arabia seeks to redefine its role on the global stage as a diversified, progressive, and geopolitically influential state.

KSA's regional leadership policy in the Middle East

The KSA primarily seeks to play a key role in the region and maintain its leadership. The main platform for this is the GCC. It is a regional intergovernmental organization that functions as a political and economic union. It consists of six countries: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE. The organization is headquartered in Riyadh, the capital of the KSA (Yousef & Abdel Ghafar, 2022). The KSA plays a leading role in the organization, as it is the largest country among the Council members by area and population, and has significant energy resources, making it a leading force in the organization's political and economic issues. The Kingdom is actively promoting joint defence and security initiatives, especially in view of regional threats such as Iran, and supports a collective response to challenges in the Persian Gulf. In addition, the KSA plays an important role in energy policy issues aimed at stabilizing oil markets.

An important point is that the KSA advocates the integration of GCC members' efforts to develop economic cooperation, including initiatives to create a common market, customs union, and a single currency in the region (Pridham, 2020). As the largest country in the region, the KSA is actively promoting key initiatives and programmes aimed at integrating and unifying policies in various sectors, such as religion, finance, trade, customs, and tourism, as reflected in the decisions of the GCC Supreme Council. In addition, the GCC aims to increase the region's competitiveness, with a focus on promoting scientific and technological progress. The Kingdom is actively investing in the creation of research centres, scientific research and technological innovations, especially in the areas of mining, agriculture, water management and livestock, and the development of joint ventures. The KSA also encourages the active participation of the private sector in the development of the economy and social ties between citizens of the GCC member states, which contributes to the integration and development of the region as a whole. Besides, the KSA initiated the formation of the joint armed forces "Shield of the Peninsula" to ensure collective regional security and joint rapid response to threats. Efforts were also aimed at promoting cooperation with the private sector and strengthening social ties between citizens of member states (Grabowski, 2019).

At the same time, there are quite strong contradictions between the GCC members, which lead to frequent regional conflicts, with the KSA playing a leading role in their course and resolution.

KSA's disagreements with the countries of the Middle East (Qatar, UAE, Iran)

The diplomatic crisis in Qatar (2017-2021) was caused by regional geopolitical contradictions that escalated after the Arab Spring. The key reason was Qatar's multi-vector foreign policy, which contradicted the strategic interests of the KSA and other GCC countries. Qatar supported revolutionary changes, while the KSA sought to maintain the status quo (Albasoos *et al.*, 2021). Tensions between the two countries were exacerbated by the activities of Al Jazeera, which provided a platform for covering protests in the region, perceived by the KSA as a threat to stability. Qatar's deepening cooperation with Iran also caused concern in the KSA, as Tehran was considered a strategic rival (Aljassar & Rosenson, 2022). Historical tensions were exacerbated by Qatar's support for Islamist movements, in particular the Muslim Brotherhood, which the KSA considered a threat (Gibran, 2023).

The KSA took measures that led to Qatar's isolation, including a blockade and ultimatums, including demands to close Al Jazeera and limit ties with Iran. Qatar rejected these demands, considering them a violation of sovereignty (Gibran, 2023). In the international context, the crisis caused concern, and Qatar received support from Turkey and Iran, which increased their supplies of goods. The situation began to change in early 2021, when the KSA, the UAE, Bahrain, and Egypt agreed to lift the blockade of Qatar during the GCC summit in Al-Ula. This decision was the result of lengthy negotiations and an awareness of the need for Arab unity in the face of common threats (Parvathy, 2021). The diplomatic crisis ended with the restoration of relations, but left deep divisions in regional politics.

The rapprochement between the KSA and the UAE was driven by several political and geostrategic factors. One of the main reasons for this rapprochement was the common threat that both countries perceived in Qatar's support for Islamist groups such as the Muslim Brotherhood. In June 2017, the KSA, the UAE, Bahrain, and Egypt cut off diplomatic relations with Qatar in an effort to isolate it and force it to stop supporting radical groups that Riyadh and Abu Dhabi believed could threaten the stability of the region. This decision helped strengthen ties between the KSA and the UAE, which was also reflected in their foreign policy cooperation (Van Slooten, 2019).

In addition, the UAE and KSA formed a new political and military alliance, which was announced at the GCC summit in December 2017. This contributed to the formation of their joint strategy in the region, which emphasized their common interest in maintaining stability in the Middle East. This alliance seemed to be a response to the crisis within the GCC caused by disagreements between the members of the organization.

Soon after the initial rapprochement between the KSA and the UAE, disagreements over the situation in Yemen emerged. The main disagreement was over the KSA's support for the Hadi government, while the UAE financed local militias with different goals. Particularly important was the difference in approaches to the Islamist movement Islah: the KSA cooperated with it, while the UAE categorically rejected the Muslim Brotherhood.

Economic competition between the KSA and the UAE intensified significantly in 2019-2021, causing serious disagreements between the two countries. Both states, being the most influential members of the GCC, are actively working to diversify their economies, which has led to increased rivalry at various levels (Parvathy, 2021). One of the key aspects of economic competition is attracting foreign investment. The UAE has been a leader in this aspect due to its attractive business environment, developed infrastructure, and liberal economic laws. In 2022, the UAE attracted a record USD 23 billion in foreign direct investment, which was significantly higher than the KSA, where investment inflows fell by 59% to USD 7.9 billion (Coates Ulrichsen, 2024).

The KSA, in response to the UAE's success, has begun to implement policies aimed at increasing the competitiveness of its economy. One example of such measures was the restrictions on imports from the Gulf countries introduced in 2021, which effectively limited duty-free access for goods produced in free economic zones, which are located mainly in the UAE. This decision of the KSA can be perceived as a direct challenge to the economic interests of the UAE.

The KSA is actively working to attract major international players to do business in its territory. In December 2022, the country introduced new rules prohibiting government agencies from cooperating with companies headquartered outside the KSA. This measure is aimed at encouraging multinationals to open their regional offices in the KSA rather than in the UAE. The KSA aims to attract up to 480 companies to establish their regional headquarters in the country by 2030 (Coates Ulrichsen, 2024).

Based on the material presented, it can be summarized that the KSA is trying to establish relations with its neighbours when there are disagreements over the support of certain social movements or positions on certain events, as was shown by the example of the settlement of the diplomatic crisis in Qatar. Instead, it should be understood that the KSA has clear economic priorities, and the actions taken by Riyadh often contradict the UAE's priorities. Thus, it can be assumed that conflicts between the KSA and the UAE will continue.

In general, within the GCC, the KSA is actively working to overcome conflicts with other members of the organization, as demonstrated by the diplomatic crisis with Qatar. Although formally the KSA maintains friendly relations with the UAE, there is a risk of new conflicts in the future due to the difference in the economic priorities of these countries.

The contradictions between the KSA and Iran are a complex and multifaceted phenomenon that includes regional, political and economic aspects that affect bilateral relations between these countries. Firstly, the main reason for the disagreements between the KSA and Iran is religious differences, which lead to deep geopolitical differences. Conflicts between the KSA and Iran are deeply rooted in religious differences between Sunni and Shiite Islam. Since the founding of the Islamic Republic of Iran in 1979, relations between these countries have remained tense due to their opposing political and ideological positions. The KSA, as a Sunni monarchy, actively opposes the Shiite influence promoted by Iran. This leads to support for different sides in numerous regional conflicts, such as the civil war in Yemen and the war in Syria. These religious differences are reflected in their impact on the Muslim world, as Iran actively supports Shiite groups and governments in the region, including Hezbollah in Lebanon and the Houthis in Yemen. This support is a cause for concern in the KSA, which seeks to maintain its leading role among Sunni countries.

Secondly, the geopolitical ambitions of the KSA and Iran come into conflict in a number of strategic aspects. Iran's involvement in the conflicts in Syria and Yemen, as well as its support for regional allies, is perceived by the KSA as a threat to its security and stability. In Yemen, the conflict between government forces backed by the KSA and Houthi rebels backed by Iran has become an important element of the dispute. The Houthis, a Shiite group, regularly attack Saudi territories and commercial shipping in the Red Sea, which negatively affects the security and economic interests of the KSA.

Thirdly, disagreements between the countries also affect their economic interests. For example, the disputes over the Dorra oil and gas field in the Persian Gulf reflect not only territorial but also resource disputes that complicate cooperation between the KSA and Iran, which has different positions on resource allocation (Haidar & McGrin, 2018).

In Syria, Iran actively supports the government of Bashar al-Assad, while the KSA supports various opposition groups, which also contributes to the escalation of the conflict between the two states. An important role in this context is played by Iran's support for Shiite groups such as Hezbollah in Lebanon, which exacerbates disputes with the KSA, which sees these actions as a threat to its security (Mabon, 2022).

In the early 2020s, efforts were made to ease tensions, including the restoration of diplomatic ties between the KSA and Iran. In March 2023, the two countries agreed to restore diplomatic relations after a seven-year break, which was an important milestone in the normalization process. These discussions took place in Beijing, marking a significant change in Middle East diplomacy, which has been marked by hostility since 2016. The agreement includes commitments to respect sovereignty and a renewed security cooperation pact, indicating a potential shift towards regional stability. Both countries reopened their embassies and held high-level talks, and Iranian President Ebrahim Raisi visited Riyadh in November 2023 (Jalal *et al.*, 2023).

However, despite these diplomatic achievements, significant contradictions continue to exist. Firstly, this concerns issues of security and influence in the region. For example, the conflicts in Yemen and Syria, as well as the disputes over the Dorra oil and gas field in the Persian Gulf, continue to be sources of tension. Disagreements over Iran's policies in the region, including its support for regional allies such as Hezbollah and its influence on Shiite groups that the KSA views as a threat, are an obstacle to full normalization of relations (Jalal *et al.*, 2023).

Thus, although recent steps in the diplomatic sphere indicate some progress, the deep contradictions between the KSA and Iran in religious, political and economic aspects remain significant and continue to determine the nature of their relations. And in the future, these factors may cause new conflicts. In view of this, the KSA is changing its approaches to geopolitical activities in order to increase its influence in the region. By engaging in a dialogue with Iran, the KSA demonstrates its commitment to diplomacy over confrontation, which can contribute to joint efforts to address common security challenges. In addition, its partnerships, especially with China, demonstrate a balanced approach to foreign policy that takes into account both regional interests and global economic dynamics.

The role of the KSA in international organisations OPEC and the United Nations

The KSA seeks to play a leading role not only in the Middle East region, but to be a significant player in the world. Firstly, the KSA seeks to gain a leadership position in OPEC due to its strategic role as the largest oil exporter and an influential player in the global energy arena. In the context of growing competition among oil-producing countries and dynamic changes in the global market, KSA is aware that ensuring oil price stability and maintaining unity within OPEC are critical to protecting its economic interests. At the same time, the KSA's aspiration for leadership in OPEC is also linked to its intention to strengthen its geopolitical influence in the Middle East and to assert its role as a key player in shaping global energy policy.

OPEC is an international association of oil-producing countries founded on 14 September 1960 in Baghdad by five countries: Iran, Iraq, Kuwait, KSA and Venezuela. OPEC unites 12 countries that account for approximately 30% of global oil production, of which 38% is accounted for by the organization's member states as of 2022. In addition, OPEC members hold about 79.5% of the world's proven oil reserves, of which 67.2% are located in the Middle East.

In 2014-2015, OPEC countries exceeded their oil production limits, while US oil production doubled due to hydraulic fracturing. This led to a reduction in US oil imports, an increase in global reserves, and a drop in oil prices until early 2016. The KSA, under the leadership of Minister Ali Al-Naimi, refused to cut production in an effort to maintain its market share and displace shale oil producers. In 2016, prices began to rise amid the production cuts, and in 2017,

OPEC and countries including Russia agreed to a production cut known as OPEC+.

In 2017-2020, KSA continued to play a key role in OPEC, promoting its economic and foreign policy interests. The period was marked by challenges, including lower demand due to the COVID-19 pandemic and growing competition from other oil-producing countries, especially Russia. KSA actively participated in the negotiations on the OPEC+ agreement, coordinating production cuts with countries such as Russia. Cooperation with Russia was important geopolitically, but often led to disagreements: conflicts of interest led to a short-term price war in early 2020, which affected the oil market (Alsahlavi, 2021).

After 2020, OPEC faced serious challenges due to internal conflicts among members caused by different national interests and economic strategies. KSA, as the largest oil exporter and OPEC leader, tried to balance its interests with the need to maintain the unity of the organization. The main conflict arose over the OPEC+ agreement to cut oil production in the context of the COVID-19 pandemic. The KSA insisted on a cautious approach to resuming production, while the UAE sought to take advantage of favourable market conditions as soon as possible. This led to tensions within OPEC that threatened to derail the deal. The KSA's role in conflict resolution caused dissatisfaction among some member states, making it difficult to reach a consensus.

After 2022, the KSA's position on reducing oil production became a key aspect of its energy policy and significantly affected relations with the United States. KSA continued to play a leading role in OPEC, focusing on stabilizing oil prices and maintaining a balance between supply and demand. However, these aspirations for stability have often run counter to the interests of the United States, which has sought to reduce oil prices to support its economy and fight inflation (Rudiany & Kusumawardhana, 2023).

One of the key aspects of the KSA's post-2022 policy was the decision to cut oil production under the OPEC+ deal. This decision was made amid fears of a possible oversupply of oil on the market, which could lead to a sharp drop in prices. KSA, as a leading OPEC member, advocated production cuts to maintain prices at a stable level. This decision caused dissatisfaction on the part of the United States, as high oil prices put additional pressure on the US economy, contributing to rising inflation and worsening the economic situation.

Conflicts between the KSA and the United States in this context escalated when the Joe Biden administration publicly expressed its dissatisfaction with the OPEC+ policy, accusing the KSA of contributing to the rise in world oil prices at a critical time for the global economy. The KSA, for its part, stressed the need to maintain a balanced approach to oil production, emphasizing its role in maintaining the stability of the global oil market. Relations between the two countries deteriorated, as the KSA believed that its decisions were in line with economic realities and strategic interests, while the United States saw this as a threat to its economic interests.

As a result, the KSA's position after 2022 on reducing oil production became an important factor in its foreign policy, which led to conflicts with its traditional ally, the United States. However, it is worth noting that the KSA successfully uses its position in OPEC not only for economic development, but also to increase its influence in the Middle East.

The development of KSA's international relations within the United Nations is of great importance for this state, since in its foreign policy activities, KSA focuses on openness to new investments and the development of peaceful relations. In view of this, cooperation within the United Nations as one of the world's largest international organisations, of which the country has been a member since 1945, is of great importance.

Now, the KSA cooperates with 23 United Nations agencies, funds and programmes, including regional offices. All of these organisations operate within the United Nations Development System under the leadership of the Resident Coordinator, contributing to the achievement of results that support the implementation of strategic initiatives such as Vision 2030 and the National Transformation Programme, as well as the 17 Sustainable Development Goals adopted in 2015 (Lima, 2023).

The partnership between the KSA and the United Nations is formalised in the form of a five-year Framework for Sustainable Development Cooperation, which is based on the United Nations Development System Reform. As part of this agreement, the United Nations Country Team has identified four strategic priority areas that are aligned with the United Nations 2030 Agenda. These priorities cover the 17 Sustainable Development Goals and the 5Ps concept: people, planet, prosperity, peace, and partnership (Table 1).

Table 1. Priority areas for the development of the SA in the context of cooperation with the United Nations

Priority area	Explanation
People	The focus is on the principle of "Leaving No One Behind", which ensures that every person has the opportunity to fulfil their potential with dignity, justice, and equality in a healthy environment
Planet	Protection against degradation through the use of sustainable consumption and production methods, effective management of natural resources and the implementation of urgent measures to combat climate change
Flourishment	Aimed at developing social policy so that people have an equal right to develop their personal well-being
Peace and partnership	Focused on promoting the development of peaceful, just and inclusive societies, as well as mobilizing the necessary resources to realize these goals

Source: compiled by the authors based on United Nations (2020)

The United Nations Commission on the Status of Women unanimously elected the KSA to chair its 69th session in 2025, with Ambassador Abdulaziz Alwassil appointed to the post. This decision has been criticized by human rights organisations such as Amnesty International and Human Rights Watch, which accuse the KSA of systematic discrimination against women and persecution of female activists. In particular, Amnesty International Deputy Director Sharyn Tadros stated that the KSA's appointment as head of the commission contradicts its history on women's rights and indicates a disconnect between the realities in the country and the commission's goals. Instead, the KSA argues that the appointment confirms its commitment to expanding women's rights and supporting international efforts in this area. In response to the criticism, the KSA government emphasises that its development strategy, Saudi Vision 2030, aims to ensure equal opportunities for women and integrate their abilities at all levels of society (Al Muhanna & McNally, 2024).

Thus, it can be argued that the KSA's cooperation with the United Nations is carried out within a clearly defined programme and the principles set out in it coincide with the principles of the current KSA policy. However, there are contradictions in some aspects, as illustrated by the example of women's rights. Overall, such activities have contributed to a positive global perception of the KSA and the development of its relations with many countries.

■ Discussion

As noted in the results of the study, since the late 2010s, the KSA has been actively changing its geopolitical vectors and ways of interaction with other states in the Middle East. This topic includes numerous aspects that have been studied by a number of scholars.

C. Georgios (2024) argued that terrorist activity in the Middle East causes a consistently negative reaction to the economic performance of the states of the region, including the KSA. In the conclusions to this scientific work, the author noted that the countries of this region need to focus on cooperation to counter terrorism rather than building up military power. It is worth agreeing with the author that increased military spending has a negative impact on economic performance. It should also be agreed that the conclusion that the most effective way to solve the problems of terrorism is to unite the countries of the Middle East is superficial, since, as already noted in the results of this study, the KSA has conflicts with a number of countries that are its neighbours, and in the course of these conflicts, ambiguous actions are taken against terrorist groups. Thus, the creation of a counter-terrorism strategy for all countries in the Middle East region is an effective solution to counteract this phenomenon and promote economic growth, provided that all states are united.

Q. Zhang *et al.* (2024) emphasised that energy is a key factor in ensuring the stability of national economies, and the role of the KSA in the global energy market remains extremely important. As one of the largest oil exporters, the

KSA shapes the global energy landscape and determines oil prices, which affects the economies of many countries. However, in order to reduce its economy's dependence on oil exports, KSA is reviewing its geostrategic priorities, focusing on cooperation with Asian countries and the introduction of innovative green energy technologies. This strategy not only contributes to economic diversification, which is one of the KSA's key priorities, but also has the potential to change the global energy situation. The introduction of green energy technologies and reduced dependence on fossil fuels may lead to a shift in energy priorities in the world, including increased investment in renewable energy sources. Thus, the KSA can not only strengthen its position in the international arena, but also become an important player in the transition to a sustainable energy future, which, in turn, will affect the structure and dynamics of the global energy market.

D. Wearing (2024) argued in his study that the British political discourse around the KSA Crown Prince Mohammed bin Salman often highlights his "reforms". This narrative unfolds within the framework of orientalist notions, where the progressive and modern West is contrasted with the allegedly backward Arabia. In this context, the Arab "reformer" is portrayed as an ideal ally of the West, seeking to bring his society closer to Western standards, particularly in terms of women's rights. This racial narrative is used to justify British support for authoritarian regimes in the Gulf, helping to maintain the political economy of these international relations at the political level. Thus, it argued that the current Prince of KSA cannot be seen as a promising ally because his reforms are fictitious, and he is actually committed to reformist policies. One should disagree with these theses of the author, since, as shown in the study, the KSA has several goals to reform its own system in order to develop international relations. The government's strategy is not only economic reforms, but also a revision of Islamic values that help to reduce the rigid religious factor. In addition, the Saudi Vision 2030 envisages the expansion of women's political and civil rights in the country.

T. Borck (2024) argued in his book that in the 2010s, the Middle East underwent significant transformations and conflicts that culminated in the Arab uprisings and the global pandemic. During this period, the KSA, the UAE and Qatar, the three leading countries in the region, declared stability as the main goal of their policies. However, instead of uniting them, this common goal of stability has revealed hidden differences between their competing strategies. Although all three Gulf monarchies agreed that the Middle East had witnessed unprecedented instability in the wake of the Arab uprisings, their assessments of the causes and nature of the unrest differed significantly. This has led to different and sometimes contradictory approaches to regional policy and the role of external forces in maintaining stability. The absence of a single definition of stability has led to the creation of an analytical framework that links the concept to the idea of order, providing a valuable perspective for understanding the foreign policy of the Gulf

states. The author believed that in order to avoid further conflicts, these countries should develop an effective diplomatic strategy of cooperation that can ensure a high level of stability in their relations. This point of view can be confirmed by looking at the relations between Qatar and the KSA, where diplomatic concessions during the 2017-2020 crisis helped resolve the conflict. However, in the case of conflicts between the KSA and the UAE, the economic strategies of each country are the main reasons for disagreements, and therefore a solely diplomatic approach may not be sufficient to resolve them.

A. Moghadam *et al.* (2023) noted that in recent years, the Middle East has faced large-scale socio-political upheavals and numerous conflicts. The leading countries of the region, instead of direct interstate confrontation, preferred to implement their strategic goals through the use of proxy forces. The geopolitical struggle for spheres of influence has led to complex security dilemmas, forcing states to use different methods to protect their interests. Proxy actors have become key elements of their security strategies. In this context, there are five main players in the Middle East: Iran, Qatar, KSA, Turkey and the UAE, which actively use proxies in regional conflicts. The study shows that the growing dependence of these countries on proxies to achieve strategic advantages and strengthen national security increases the sense of insecurity and rivalry, which in turn contributes to the consolidation of complex and protracted conflicts. These conclusions are convincing, as the use of proxies is one of the main characteristics of instability in the Middle East region, and it is important to counteract this phenomenon.

In general, the issue of KSA's foreign policy is a rather complex and extensive topic that includes a number of aspects that may cause discussions. However, it should be understood that the KSA is currently doing a lot of work to change its imperatives and develop comprehensive international activities.

■ Conclusions

The study found that the main factor behind the changes in KSA's policy was the implementation of the Saudi Vision 2030, developed by the Crown Prince in 2016. The strategy prioritizes economic diversification, reducing dependence on oil and promoting growth in new sectors such as tourism, renewable energy, sports and artificial intelligence. In addition, KSA is developing ambitious infrastructure projects such as NEOM and The Line. The KSA is also expanding its diplomatic relations, focusing on strengthening ties with neighbouring countries, resolving regional conflicts, and increasing its influence globally. At the same time, the country is working to reduce its dependence on the United States by diversifying its international relations. However, the level of cooperation between the KSA and the United

States is quite high, as evidenced by the preparation of a major agreement that provides for the development of nuclear, defence and economic cooperation, and which aims to strengthen the US position in the Middle East and develop the security sphere in the region.

The GCC, which comprises six Gulf states, is a key platform for political and economic cooperation between these countries. However, the organisation faces numerous internal contradictions that sometimes escalate into open conflicts. A striking example of such disagreements is the diplomatic crisis with Qatar that began in 2017, when the KSA and its allies broke off diplomatic relations with Qatar, accusing it of supporting terrorism. Despite the severe restrictions imposed by the KSA against Qatar, the conflict was resolved due to changes in the KSA's priorities. Although the KSA and the UAE actively cooperate in many areas, economic differences still exist between them, especially in attracting foreign investment, which increases competition. The KSA tries to maintain good relations with the UAE, but economic interests may lead to new conflicts in the future. In general, the KSA successfully uses its activities within the GCC to strengthen its influence in the region.

The conflict between the KSA and Iran has deep historical, religious and geopolitical roots. It is a rivalry for regional leadership in the Middle East between two countries representing different branches of Islam – Sunni KSA and Shiite Iran. The combination of these factors creates a complex and multifaceted situation that continues to affect stability and security, both in the region and beyond. Accordingly, the KSA is focused on the development of international relations to strengthen its economic position and expand its influence in the region. The KSA plays a significant role in international organisations such as OPEC and the United Nations. It uses these platforms to promote its economic and political interests on the world stage and to expand international relations with other states.

The main limitation of this study is its broad scope, which concerns general trends in the evolution of KSA's international relations. Given the complexity of the topic, a more detailed analysis of each specific aspect under consideration is needed. In addition, given the dynamic nature of international relations and the possibility of changing priorities over time, it is necessary to update the study regularly to accurately track the progress of KSA's global partnerships.

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None.

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Міжнародна дипломатія Саудівської Аравії на Близькому Сході: Стратегії для посилення регіонального лідерства

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■ **Анотація.** Королівство Саудівська Аравія (КСА) є одним з ключових гравців на Близькому Сході і відіграє основну роль у формуванні регіонального порядку денного. Його стратегічне суперництво з Іраном створює нові виклики для стабільності в регіоні, тому аналіз змін економічної та зовнішньополітичної діяльності, які проводить керівництво країни у 2020-х роках, є актуальним для розуміння розвитку політичної ситуації на Близькому Сході. Метою дослідження став аналіз основних принципів та змін у дипломатичних стратегіях КСА, а також вивчення механізмів і інструментів, що використовуються для забезпечення стабільності та зміцнення її позицій у регіоні. Для проведення дослідження було використано методи аналізу, синтезу, порівняння та конкретизації інформації. Дослідження виявило, що важливим фактором, який зумовлює зміни в політиці КСА є реалізація ініціативи “Саудівське бачення 2030”, запровадженої спадкоємним принцом Мухаммедом бін Салманом. Ця стратегія зосереджена на диверсифікації економіки, зменшенні залежності від нафти і стимулюванні зростання в таких секторах, як туризм і відновлювана енергетика. КСА також активно розширює свої зовнішньополітичні зв'язки, шукаючи нових партнерів та зменшуючи залежність від США. Всередині організації з шести країн Перської затоки, існують внутрішні суперечності, що призводять до конфліктів, зокрема дипломатичної кризи з Катаром 2017 року, проте КСА змінює свої підходи, за рахунок чого вдається вирішувати такого роду конфлікти. КСА грає важливу роль в Організації країн експортерів нафти (ОПЕК) і United Nations, просуваючи свої інтереси на глобальному рівні. Отримані результати дозволяють розуміти дії КСА в контексті регіональної та світової політики, та можуть бути використані для розробки стратегій взаємодії з цією країною

■ **Ключові слова:** Близькосхідний регіон; зовнішньополітична стратегія; дипломатична криза в Катарі; Рада співробітництва арабських держав Перської затоки; програма “Saudi Vision 2030”

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