

The peculiarities of the institutional environment for entrepreneurship in Ukraine

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Almost thirty years after proclaiming independence, a comprehensive analysis of the institutional environment for entrepreneurship in Ukraine gives all grounds to characterize it as kleptocratic.

The institutional foundation for kleptocratic economy is the corruption base of the power structure and the motivated social and political elite that aligns with it. Moreover, the actual power in the state belongs to a group of people who either hold senior positions or do not publicly demonstrate their real dominant role in public administration.

In this situation, the entrepreneurial institutional environment is degrading, the specification of property rights is unreliable and eroded, and business is criminalized through distorted incentives, alongside with the complete neglect of the requirements of formal institutions in the court system, prosecutorial supervision, law practice, the activities of law enforcement and government bodies. Corruption of government officials forces businesses to distort financial statements; it slows the flow of foreign investment significantly, impedes the country's socioeconomic growth and undermines credibility of government and legal institutions.

Under these conditions, the bureaucratic-administrative apparatus acts as an institution which subordinates complex administrative procedures and leads to "intimidation" and repression of entrepreneurship. In the future, after institutional adaptation, corruption acts are treated as standard and ordinary behavior. That is, corruption is formalized into an institution when a bribe in the plane of "power – business" is perceived as a type of agreement or standard contract between the representatives of

government and business with the elimination of unnecessary negotiations and approvals.

Formal and informal institutions do not oppose each other, but are in a state of a special symbiosis. The latter is characterized by the fact that institutions that supposedly guarantee the rule of law, while maintaining the formal shell, are either destroyed from within, or even transformed into the opposite. In most cases, the influence of such "subversive institutions" determines negative effects in entrepreneurship practice.

At the same time, it is especially valuable for the kleptocratic regime that the vast majority of national and foreign businesses are forced to find direct or circumventing corruptive communications with senior officials to protect their business, property rights, as well as obtain the necessary business information. It also provides an opportunity for the businesses that are faced with the problems of biased actions of bureaucratic institutions to use privileged connections and convey their appeals to those in power directly or indirectly. In such conditions, none of the so-called anti-corruption measures can eliminate corruption as a systemic phenomenon.

Therefore, compliance with one of the fundamental institutions of competitive economy, i.e. equality before the law, is a prerequisite for the formation and adjustment of the institutional business environment in Ukraine. At the same time, it can be asserted that the quality of the institutional environment for entrepreneurship, which is measured by an integrated indicator of institutional factors, is a key precondition for sustainable economic development.