

DEVELOPMENT OF SMALL BUSINESS IN THE CONTEXT OF CROSS-BORDER COOPERATION

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Abstract:

The article studies development directions of cross-border cooperation. It also reveals possibilities of applying foreign experience of the EU investment policy. The article defines influence of the EU investment policy on small business development within the cross-border region.

Key words: small business, cross-border cooperation, investment policy, cross-border region

JEL classification: F02, M16, M21

1. INTRODUCTION

Availability of the border with the European Union provides with unique possibilities as to improving investment support for the region development. Such possibility is created by the cross-border cooperation (CBC). Cross-border cooperation is a very important factor, which under the conditions of economy globalization, on the one part, makes it impossible to establish new near-border barrier, and on the other part, provides with the possibilities of attracting foreign investments into the development of near-border infrastructure. Later on all these will provide with the possibility of gaining certain economic advantages in a competitive struggle.

Advantages of cross-border cooperation, in particular, of European regions as the highest form of development of CBC, become obvious in domestic economy. Creation of conditions for effective functioning of the European regions gives a possibility to apply integration processes with the greatest advantages and to improve coordination of near-border cooperation with neighboring countries. These should contribute to intensification of the regional economic development of the country, inflow of foreign investments, aimed at the development of the regional and general European cooperation.

Cross-border cooperation as a strategic priority of the development of near-border region is specified in the Strategies for Regional Development of Near-Border Regions (Lviv, Volyn, Zakarpattia and Chernivtsi regions) that border with the EU countries (Poland, Slovakia, Hungary, Romania).

One of the priority leverages of the regional policy of Chernivtsi region is a cross-border cooperation. It is provided through establishment of partnership relations between near-border regions, activation of interregional cooperation in all areas of economy, development of a joint development strategy for the regions-partners.

Cooperation with the European partners contributes to economic recovery. Wide and active participation in the programs financed by the EU and aimed at the neighbors directly will be one of the main factors of the Chernivtsi region role in a successful cooperation between the East and the West.

That is why a problem of cross-border cooperation is very topical nowadays. Improvement of conditions of its functioning and applying of activation directions of small business development through usage of investment financing sources.

2. ANALYSIS OF THE LATTER RESEARCH AND PUBLICATIONS

Scientific publications pay considerable attention to theoretical fundamentals of investment provisioning of the near-border region economic needs. The works of the following scientists are devoted to the problems of investment and economic cooperation of Ukraine with the EU countries: I.Bahrov, I.Burakovskiy, P.Bielienkyi, V.Heyets, M.Dolishnii, Ye.Kish, Yu.Kozyk, V.Kozyk, P.Lutsyshyn, V.Liashenko, Yu.Makohon, A.Mokii, V.Miklovd, N.Mikula, V.Novytskyi, Yu.Pakhomov, V.Pyla, Ye.Saveliev, A.Filipenko and others.

Notwithstanding this, there are a lot of unresolved problems of methodological and applied nature, which restrain development of the investment support of the economy of the near-border region and restrain development of small business. A possibility to apply foreign experience and peculiarities of investment policy of the EU states requires deep analysis.

3. PROBLEM DEFINITION

To study experience and influence of investment policy of the EU on small business development within cross-border region.

4. STATEMENT OF BASIC MATERIAL

EU conducts active policy aimed at development of foreign investment within its borders and on the continent in general. Fundamental principles of this policy are orientation towards implementation of long-term investment projects, which contribute to economic growth, unemployment reduction and increase of human capital growth; ensuring transparency of investment through improvement of regulatory basis, stimulation of competition and open access to the investment market; guaranteeing equal terms of conducting investment activity for entrepreneurs regardless of the country of capital origin; preventing from discrimination of foreign investors etc.

Expansion of the EU to the east of the continent raises attractiveness of the Eastern Europe for foreign investors. Moreover, on behalf of foreign investors cross-border regions, established on the line of Ukraine and the EU, possess a line of specific assets. They include qualitative human capital, developed infrastructure, favorable business environment, and comfortable location in the center of the huge Pan-European market, which envisages a high ability of compete with large markets that are being developed due to engagement of technology capacious direct foreign investments during the next years. That is why the role of investment and economic cooperation in cross-border regions under the conditions of the European integration increases substantially nowadays. In particular, this refers to small business, which the most effectively ensures employment of the population in cross-border regions of Ukraine [2, p.89].

One of the most determinant directions, which should contribute to substantial increase of the effectiveness of implementation of domestic economic potential due to coming into force of the economic part of the EU-Ukraine Association Agreement from the beginning of 2016, is represented by the development of domestic entrepreneurship. This Agreement includes many important provisions, which we may and should use in order to contribute to the best realization of this important strategic task [7, p.27].

In particular, the article of the Agreement stipulates cooperation of the parties for the purpose of implementing strategies for development of small and medium enterprises (SME) based on the principles of the European charter of small enterprises, improvement of normative and legal regulation of SME activity, implementation of the experience of innovative entrepreneurship, and

cluster development [9]. These provisions of the Agreement provide with the fundamentals to expand contacts between respective institutions of Ukraine and the EU and separate countries of the European Union, and on the first place of new members, as to introduction of the European experience, training of managerial personnel, organization of trainings and fieldwork for business representatives, engagement of methodological support to establish institutional support for SME (funds, service and advisory institutions), expansion of contacts between private enterprises of Ukraine and the EU etc. It is important that according to the provisions of the Agreement it is possible to suggest expand a share of financing development programs for SMB within the framework of provided technical assistance. Determining priorities of the SMB development, peculiar to the national interests of Ukraine, will provide a possibility to suggest respective program fundamentals of attracting such assistance. Perspectives are represented by the development of cross-border cooperation with large engagement of local and regional authorities into the cross-border and regional cooperation, strengthening of cross-border and regional economic relations and business partnership (articles 446–447 of the Agreement) [9].

Owing to the fact that Romania entered EU new possibilities emerged both for Ukraine and European region. Romania for Ukraine was always more than just a neighbor. It is related with our region through historical, cultural and economic relations. Improvement of economic development within the framework of programs for cross-border cooperation such as: The Joint Operational Program Romania – Ukraine 2007-2013 pp. and The Program for Cross-Border Cooperation Romania – Ukraine of the European Neighborhood Instrument for 2014-2020 is impossible to implement without establishment of investment process for the economic entities. And this is one of the purposes of establishing harmonized cooperation between the EU member states.

Joint Operational Program for Cross-Border Cooperation “Romania – Ukraine – Moldavia” 2007-2013 within the framework of the European Neighborhood and Partnership Instrument provides a platform for implementation of cross-border measures within the context of the European Neighborhood Policy in order to prevent from emergence of new limiting boundaries between EU and its neighbors and to offer countries-partners to participate in various events of the EU. Currently, in more than 7 years after its approval among 1500 project proposals, sent during two competitions, there were selected 140 projects, which obtained financing to perform measures in the interests of the partners and population within the entire region.

Selected projects were implemented by 491 partner out of three member states that focused their work on improvement of economic, social and ecological situation in the territory of the program, within the framework of safe and reliable borders. Given below accomplishments belong to 126 finished projects as of the end of 2015. Based on the results of project implementation for more competitive able near-border economy, 266 SMB used advantages of the economic entities. There were established 44 partner relations between the universities, scientific and research institutions, business and local authorities, 563 persons passed training courses, there were established 5 joint integrated tourist products. 14 projects still remain on the stage of implementation and new accomplishments on the level of the program are expected till end of 2016, when all projects financed within the Joint Operational Program for Cross-Border Cooperation “Romania – Ukraine – Moldavia” 2007-2013 will be implemented [4].

Recently a number of legislative act that substantially changed legal basis of entrepreneurial and investment climate in Ukraine have been passed. However, serious activation of entrepreneurship and investment attraction has not been observed. Instead, a behavior of economic agents has been recorded, which showed opposite effect that cannot be explained by unfavorable macroeconomic conditions.

Effectiveness of the policy for economic reforms and adequate anti-crisis policy is being hugely reduced due to very slow establishment of holistic and systematic institutional environment, which ensures implementation of legal fundamentals in practical activity of the state governance, entrepreneurship and population of Ukraine. Instead, specified actions and reforms allowed Ukraine to move up in the rating Doing Business – 2015 from 112 to 96 position among 189 countries of the world. However, a range of positive steps are being suspended by their selectivity in terms of

practical application and inability to influence systematically transformation of the economy of Ukraine into a new qualitative growth model. In general these changes haven't ensured significant improvement of qualitative and quantitative characteristics of enterprise development yet. In terms of function and procedures the system preserves main previous weaknesses, which may cause disorganization of management system [4].

That is why development of cooperation between the state and business is one of the major conditions for establishing effective investment policy, increase of innovative activity in economy, development of economic and social infrastructure. Main tasks of the investment policy should be participation in the development of state and private partnership, activation of innovative activity in favor of economy development, forwarding of investment flows into priority sectors, creating and improving development of the highest priority for Chernivtsi region.

In existing conditions investments acts as the most important means for ensuring conditions for overcoming crisis by the country; they contribute to implementation of new technologies, modern types of equipment, leading experience of foreign enterprises, managerial methods and production culture, increase of labor productiveness, development of small business enterprises, increase of population well-being etc.

Unfortunately, financial support and provided access for small business enterprises to financial resources still remains a problem issue, as far as banking system suffers from crisis and the government does not have resources for state microcredit programs. Substantial obstacles for engaging financial assistance to ensure effective cooperation and approximation or usage of joint mechanisms for increase of competitive ability are represented by imperfection of the national legislation and legal basis as to implementation of cross-border projects, financing conditions, high level of economic risks in Ukraine, insufficient qualification level of participants and management of program and project process, as well as bad awareness of the population concerning possibilities of external assistance [7, p. 26].

Within the framework of investment and economic cooperation in cross-border regions it is necessary to develop a respective investment support program for small business, which shall consider priorities and objectives of socioeconomic development of the region. We shall believe that for purpose-oriented management of investment processes it is necessary to apply a program and goal oriented approach to the investment activity in the region under the conditions of cross-border cooperation.

Development of economic mechanism for implementation of the finance support program for small business within the structure of investment program for regional development according to the principles of program and goal oriented management should include:

- defining financial and material resources requirement, volume and sources of financing;
- list of measures and schedule of their implementation;
- mechanism for implementing program that considers stages, cost, performers and control of program implementation;
- assessment of program effectiveness.

Application of program and goal approach to the investment policy in the region will make it possible to use rationally available budget funds, coordinate activity of investment institutions and stimulate development of separate areas of financial market, conduct control and analysis of program realization results.

5. CONCLUSIONS

To ensure effective bilateral cooperation both countries should make the following foreign policy steps:

- on behalf of Romania such as: organization of small and medium business within the near-border territories along with attraction of investments; support for economic and political dialog with Ukraine on all levels; privileges for foods and services exchange; coordination of joint

measures against corruption and organized crime; lobbying interests of Ukraine in EU and NATO structures;

- on behalf of Ukraine, respectively, to carry out the following measures, such as: holding political dialog within the framework of implementation of Ukraine's strategy as to the European integration; support for business projects and cooperation of business circles; mutual participation in peacekeeping activities of the UNO and NATO.

In our opinion, stimulation of foreign investment should be based on establishment of flexible system of national priorities, development of approaches to defining degree of participation of foreign investors in projects of small enterprises, necessity for developing separate industries and fields of activity. For purpose-oriented management of investment processes to apply program and goal approach to the investment activity. Also it is necessary to bring investment process into compliance with the standards of market economy and to develop and approve State Strategy for Investment and Innovative Development, as well as Investment Code of Ukraine.

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