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Conceptual approaches to state regulation of the construction industry: the experience of Ukraine and EU states

КОНЦЕПТУАЛЬНІ ПІДХОДИ ДО ДЕРЖАВНОГО РЕГУЛЮВАННЯ БУДІВЕЛЬНОЇ ГАЛУЗІ:
ДОСВІД УКРАЇНИ ТА ДЕРЖАВ ЄС

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Abstract

Ensuring sustainable development of the construction industry is one of the priorities of state policy, and in conditions of socio-economic and socio-political instability the relevance of this issue is particularly exacerbated. The purpose of the study is to substantiate the main conceptual approaches to the state regulation of the construction industry in Ukraine and the European Union. The study uses such methods of economic analysis as analysis, synthesis, abstraction, comparison, analogy, observation, monitoring, systematization, generalization, graphic and tabular analysis. As a result of the study it was established found that the state regulation of the construction industry consists of a complex of legislative and regulatory acts, through which the state has a regulatory influence and determines the main strategic priorities of the construction industry. Among the main problems of state regulation of the building branch weakness of institutional and legal provision, discrepancy of normative-legal and legislative acts to the norms of international

Анотація

Забезпечення сталого розвитку будівельної галузі являється одним із пріоритетних напрямків державної політики, а в умовах соціально-економічної та суспільно-політичної нестабільності актуальність даної проблематики особливо загострюється. Метою дослідження є обґрунтування основних концептуальних підходів до державного регулювання будівельної галузі України та країн Європейського Союзу. У дослідженні використано такі методи економічного аналізу як аналіз, синтез, абстрагування, порівняння, аналогії, спостереження, моніторинг, систематизація, узагальнення, графічний та табличний. В результаті дослідження встановлено, що державне регулювання будівельної галузі складається із комплексу законодавчих та нормативно-правових актів, за допомогою яких держава чинить регулятивний вплив та визначає основні стратегічні пріоритети розвитку сфери будівництва. Серед основних проблем державного регулювання будівельної галузі виявлено слабкість

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and European law in the building sphere, imperfection of technical regulation of town-planning activity, process of licensing and technical supervision, and also insurance of building activity has been determined. It has been cleared out, that in European Union countries the state regulation of the building branch is more perfect and effective than in Ukraine.

Keywords: Construction, state regulation of construction, urban planning, construction industry, construction regulations.

Introduction

One of the strategically important areas of the European economy is construction, since construction creates new jobs and is considered to be a tool for employment growth and reduction of unemployment. In addition, it stimulates social production and contributes to the increase of the quality of life of the population. The emergence of new challenges leads to an intensification of transformational changes that lead to crisis situations and require the search for effective tools to counteract destabilising phenomena. The study of the world experience demonstrates the ability of the construction industry to perform the functions of such a tool and ensure the achievement of the multiplier effect of sustainable development of the country's economy. It is yet clear that the European vector of development requires the creation of appropriate mechanisms for the development of territorial communities on the basis of modernization, which should meet international standards, requiring an effective system of state regulation of the construction industry. These trends actualize the problem of finding innovative conceptual approaches to the state regulation of the construction industry, taking into account the transformational restructuring of the system and structure of public administration. The purpose of the study is to substantiate the main conceptual approaches to the state regulation of the construction industry in Ukraine and the European Union. Significant developments in this direction have already been carried out by leading scientists, who have detailed conceptual approaches to state regulation of the construction industry and formed relevant recommendatory conclusions for its improvement.

інституційно-правового забезпечення, невідповідність нормативно-правових та законодавчих актів нормам міжнародного та європейського права у будівельній сфері, недосконалість технічного регулювання містобудівної діяльності, процесу ліцензування та технічного нагляду, а також страхування будівельної діяльності. З'ясовано, що в країнах Європейського Союзу державне регулювання будівельної галузі є більш досконалим та ефективним, ніж в Україні.

Ключові слова: будівництво, державне регулювання будівництва, містобудівна діяльність, будівельна галузь, будівельні норми.

Literature Review

The process of formation and development of the construction industry is influenced by destabilising factors and innovations and requires an effective management mechanism. In today's environment, state regulation of the construction industry takes place through a set of instruments through which the state regulates the list of requirements for the subjects of the industry. Among the most common of these, Marusheva et al. (2019) highlight:

- 1) laws;
- 2) formal and informal regulations;
- 3) supporting rules.

At the same time, scholars identify the positive aspects of state regulation of the construction industry and argue that it allows to combine the interests of the public and individuals in such a way that a more competitive environment and a balance of savings and investment activities are possible. At the same time, scholars note that state regulation of the construction industry is of particular importance in developing countries, where it is used to ensure a systematic approach to spatial planning, urban zoning, design and construction work. The problem of increasing the efficiency of state regulation of the construction industry has not yet been solved and Marusheva et al. (2019) consider conceptual approaches in terms of:

- 1) deregulation of business activities in the construction sector;
- 2) decentralisation of management activities in this area;
- 3) promotion of regional and local community development;
- 4) transition from functional to project-based management;

- 5) application of risk management principles in the implementation of construction project management.

The importance of using risk management in public regulation of the construction industry is also highlighted by Anslow & Dickinson (2015), who investigated changes in the functioning of the construction industry and their causes.

The US and Botswana Construction Industry Report 2021. (Cision, 2021; Research and Markets, 2021) highlighted the main performance trends and influencing factors for the construction industry and established that the state regulation is based on the active participation of government structures, and among the main destabilizing factors were identified pandemic COVID-19, changes in the economic environment, rising costs of consumables, shortages, delays in the implementation of innovative construction technologies, lack of state incentives, lack of incentives for the construction industry. that in Ukraine there are additional factors that destabilize the situation in the construction industry and need increased state intervention in the regulation of its activities. These factors are interpreted by Bigagli et al. (2020) as the main trends determining the development vectors of the construction industry at the international level.

In this context, Dmytrenko (2018), who emphasizes the need to restructure the domestic construction industry and reorient it towards the norms and standards of the European Union, is valid. This will improve the competitiveness of enterprises and ensure compliance with the principles of sustainable economic development and successful integration into the global space.

Opasiuk (2020) has investigated that in most transition countries, including Ukraine, there is still a dual regulatory system in the construction sector: outdated Soviet norms and new national standards and state construction norms, partially implemented in accordance with European standards. State construction norms are divided into organisational and methodological norms, estimation norms and rules, urban planning normative documents, recommended normative documents and technical normative documents and production technology. At the same time, there are state standards, construction norms and rules, departmental norms of technological design, departmental construction norms and combined norms of technological and construction design.

The legal and regulatory framework for public administration in the construction industry, which must be effective and perfect and also capable of providing the right conditions for construction companies to enter global markets, is of great importance. The scholar is convinced that in the current environment there is an unresolved problem of reducing obstacles for small enterprises to enter international markets, which is particularly acute at the level of the European Union and requires due attention to create a fund of insurance guarantees, harmonisation of liability and insurance systems, consideration of the possibility of developing a single standard construction contract and benefits and preferences for the use of innovative technologies. In this context, the research of Chesterman (2020), who argues for liability insurance in the construction industry and increased consumer protection, which increases the confidence of customers, investors and financial institutions in the industry, is relevant. From this perspective, the scholar proposes to strengthen state regulation of liability insurance processes and to form an appropriate organisational and legal mechanism for such regulation.

Marusheva (2020), Marusheva (2019) proposes a solution to the problem by improving the regulatory mechanism for relations in the construction sector. She argues that implementation needs a system of public electronic records of information and the creation of special registers of information services in the construction sector. Certainly, one cannot but agree with the scientist's opinion, because creation of a single transparent and accessible information environment will simplify the processes and the mechanism of public administration in the construction industry. Moreover, Seleznyova (2017) argues that state regulation of the construction industry should include the main aspects of such regulation of economic entities operating in construction. These aspects have a major impact on economic complexes, both nationally and internationally.

At the same time, the problem of investment in the construction industry is exacerbated, which, according to Kozina & Frolina (2018), requires state intervention by regulating its sustainable investment and innovation development both in the short term and in the strategic perspective.

Equally important is the issue of ensuring environmental principles in construction, which Macaulay (2020) investigated using the UK as an example. He found that the environmental factor

is one of the important factors in construction investment decisions at European Union level.

Edmondson & Earnest (2021) highlight the importance of the impact of digitalisation on public management of the construction industry. They argue that innovative technology, automation and robotics in the construction industry increase its competitiveness and enhance the safety of construction work.

Of course, the conceptual approaches to state regulation of the construction industry in the modern world are characterised by diversity and peculiarities depending on the territorial location and level of development of the country. In the European Union countries there is a higher level of standardisation of norms and regulations of state regulation of the construction sector, whereas in the transition countries there are cases of Soviet standards and a dual system of construction regulation that requires harmonisation with international norms.

The aim of the study is to substantiate the major conceptual approaches to state regulation of the construction industry in Ukraine and the European Union.

Materials and Methods

The study uses such methods of economic analysis as analysis and synthesis, which are used to determine the essence of state regulation of the construction sphere. Abstraction, comparison and analogy, which have been used to identify the main conceptual approaches to state regulation of the construction industry in the European Union and in Ukraine, are also used in the research. Observation and monitoring have been used to clarify the peculiarities of state regulation of the construction sector in the European Union countries and compare with the trends observed in Ukraine. Systematization and generalization were used to formulate hypotheses and based on the obtained results to draw conclusions. Method of retrospective analysis, based on which the experience of the European Union states in providing state regulation of the construction sector was examined, graphical and tabular methods, allowed the results of the study to be visualised.

Countries of the European Union and Ukraine were selected for the research.

In the course of the research the following methods of economic analysis have been used, namely: the analysis and synthesis, with the help

of which the essence of state regulation of the construction sphere was determined; methods of abstraction, comparison and analogy have been used to identify the main conceptual approaches to state regulation of the construction industry in the countries of the European Union and in Ukraine; the method of observation and monitoring has been used to find out the features of the state regulation of the construction industry in the countries of the European Union and compare them with the tendencies observed in Ukraine; formulation of hypotheses and formation of conclusions has been carried out using the method of systematization and generalization; the study of the experience of the European Union states regarding ensuring state regulation of the construction sector has been conducted on the basis of the method of retrospective analysis; visual display of research results has been carried out using graphic and tabular methods.

The information base for the study consists of the scientific works of domestic and foreign scholars and reporting data from international organisations.

Results

Problems of state regulation of the construction industry are in each of the European Union countries and are particularly acute in Ukraine, which seeks to integrate into the European space and is at war. The analysis of modern conceptual approaches to state regulation of the construction industry in Ukraine and the European Union allows to identify the main trends and to form strategic directions of such regulation. Of primary importance, in this context, is the need to provide the population with housing, because the full-scale invasion of Ukraine by Russia has created a number of problems for all countries of the group in question. The construction industry in Ukraine has been the most affected, with a significant part of its housing infrastructure having been fully destroyed and some having been severely damaged, forcing 13.7 million people (World Migration Report 2020 (2021)) to relocate to safer areas of the country. As a consequence, the problem of housing has arisen in all countries and is being addressed through a variety of options ranging from the settlement of temporarily vacant premises to the construction of modular settlements and new housing complexes.

While the countries of the European Union are able to solve the problems of the construction sector more efficiently and promptly, Ukraine is

unable to do so quickly. There are a number of factors that emerged in the pre-war period that hindered the efficient development of the construction sector, creating significant

imbalances in the structure of state regulation of the sector, the main ones of which are systematised in Figure 1.

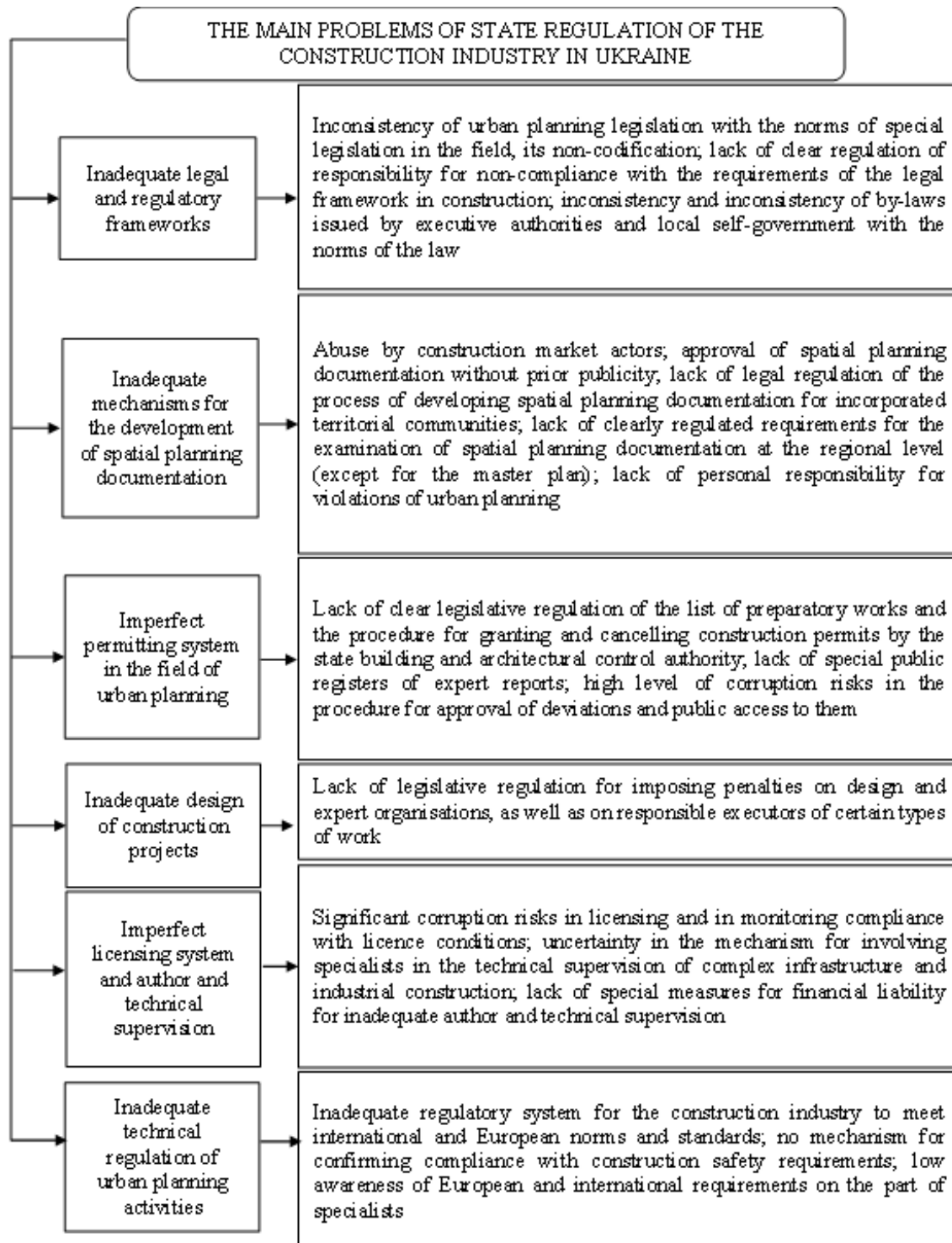


Figure 1. Main problems of state regulation of the construction industry. Formed by the data of: Author's work.

The results of the analysis allow to distinguish a too low level of legal and regulatory regulation of the construction sector. As a consequence, there is a need to develop and approve a Town Planning Code. It would systematise the main regulations in this area and the principles of anti-corruption policy in the construction sector. In addition, its approval would help eliminate inaccuracies and inconsistencies with respect to the powers of state administration bodies. Moreover, the Urban Development Code would regulate the organisational and legal mechanisms for state and public control of activities in the construction sector.

In addition, the problem of approximation of the domestic system of technical regulation of urban planning activity to the model of the European Union countries remains unresolved. This also requires adaptation of national legislation to European standards, for which it is necessary to:

- 1) implement EU Regulation No. 305/2011 of the European Parliament and Council;
- 2) make a transition to the parametric method of standardizing building standards;
- 3) to harmonize EN and IOS standards in the construction industry.

It should be noted that the countries of the European Union use a comprehensive approach to state regulation of the construction industry, taking into account the basics and principles of state programming. In particular, the mechanism of state regulation of the construction sector of such countries as Sweden and Austria can be called the most optimal. The experience of state regulation of the construction sector in France is built in the government management of the development of the construction sector. In Finland, state regulation of the construction sector is carried out at the highest level by issuing state orders and coordinating the activities of construction organisations.

The problem of construction insurance remains equally important for both Ukraine and EU countries and requires the definition of types of insurance and the creation of conditions for the introduction of an insurer's representative in construction. Certain countries have already had some success in this direction, mostly countries with a high level of development. At the same time, the introduction of building information modelling will reinforce the innovative component of state regulation of the construction industry and increase its efficiency.

The experience of state regulation of the construction sector in countries close in development and geopolitical movement to Ukraine, in particular Poland, the Czech Republic and Hungary, is described as positive. It is considered appropriate to systematise the comparative characteristics of state regulation of the construction sector in individual EU countries in Figure 2.

It should be noted that in European Union countries such as Spain, Italy, Germany and France, the main institutions regulating the construction industry are non-governmental bodies and professional associations of builders. A special feature of state regulation of the construction industry in Portugal is the mandatory qualification (accreditation) of construction companies and builders.

Increased attention needs to be given to the problem of investigating a parametric approach to the development of the technical aspects of state regulation of the construction industry. The reason for this is that the European Union countries are fully responsible for the implementation of public safety, energy efficiency and health and safety requirements in construction work, which is not the case in transit countries, in particular in Ukraine. Moreover, there is often a situation where the engineering community is not prepared to apply the parametric approach in standardisation due to a lack of experience in its implementation. Separately, the ambiguity of government policy on the regulation of the construction sector should be noted, which affects the consistency of planning activities and leads to a chaotic prioritisation of activities.

From the said it can be claimed that state regulation of the construction sector in the European Union differs from that in Ukraine. First of all, this is due to the differences in legislative provision.

Discussion

Based on the results of the study of basic conceptual approaches to state regulation of the construction industry in Ukraine and the European Union it can be stated that the positive experience of such regulation is based on the need to choose the European vector of development and strengthening of institutional and legislative changes of state regulation of the construction industry.

Identification of the major aspects of concern of state regulation of the construction sector in the European Union countries and Ukraine allowed to systematise the main drawbacks, most of which are associated with the imperfection of the regulatory and legislative support and lack of harmonisation with the norms of European law.

The European Union countries have provided a higher level of standardisation of regulations and norms of state regulation of the construction sector, and Ukraine is at the stage of transformational restructuring and has partially implemented the European legislation.

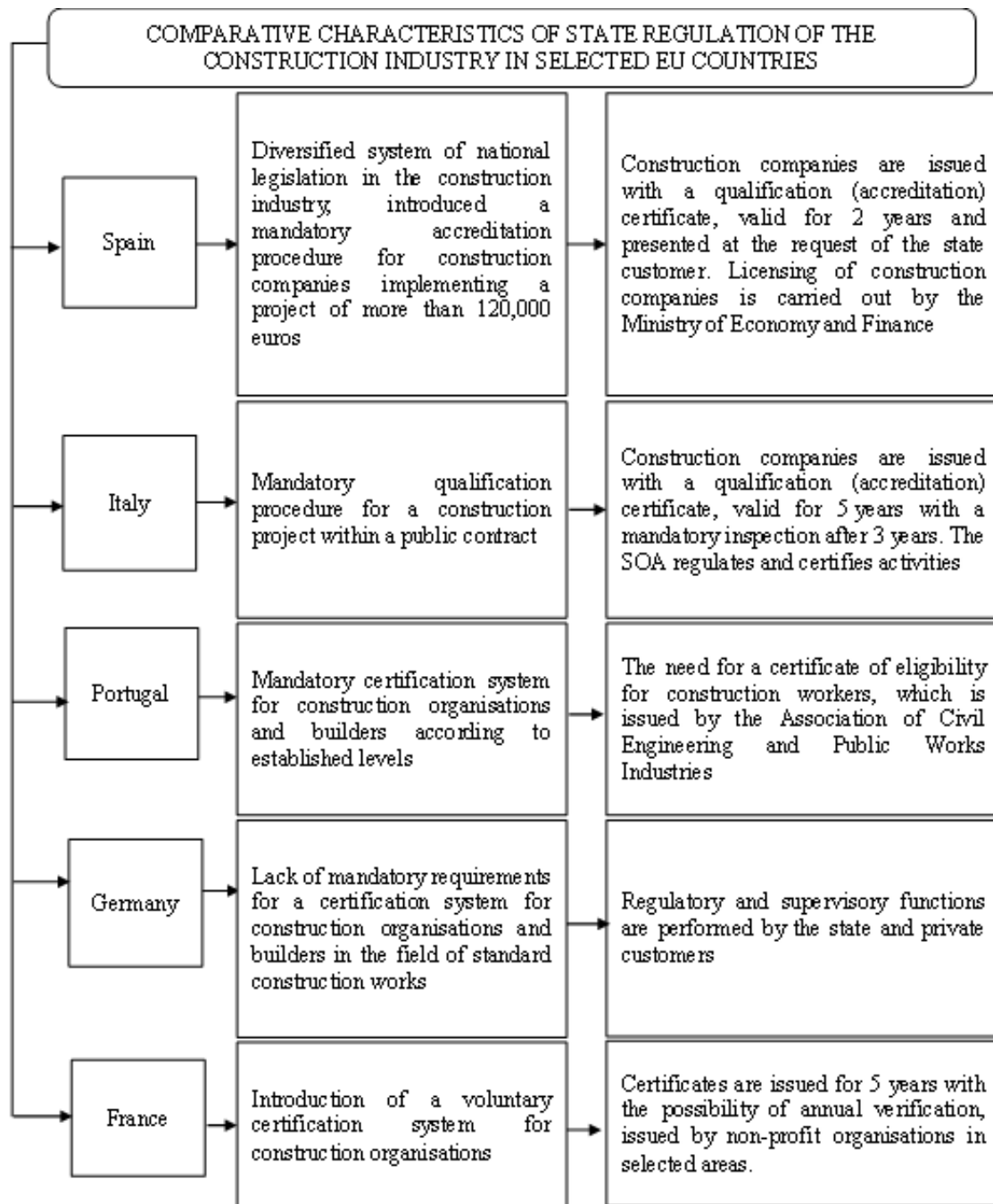


Figure 2. Comparative characteristics of state regulation of the construction industry in selected European Union countries.

Author's work

The parametric approach to technical regulation of the construction sector and the establishment of norms and regulations that will comply with European Union standards requires increased attention, which requires improvements in government policy in this area.

Equally important is the need to intensify the innovative development of the construction industry, which will create additional conditions for construction organisations to enter international markets, improve the skills of specialists and enhance the investment attractiveness of the industry.

These trends allow to formulate the major strategic guidelines for improving state regulation of the construction industry, namely:

- 1) intensifying the establishment of self-regulatory organisations as part of the implementation of the state's deregulation policy for the construction industry;
- 2) improvement of existing legislation to ensure the modernisation of the urban planning system;
- 3) bringing the system of technical regulations in line with EU standards, with a focus on strengthening energy conservation and energy efficiency in the sector;
- 4) the establishment of dedicated innovation centres to coordinate activities for the creation of new technology methodologies and the organisation of construction activities;
- 5) increased accountability for violations of oversight and control requirements;
- 6) creating new training methodologies for the construction industry to take into account current challenges and trends in the global economy.

The methods, mentioned above, aimed at improving the state regulation of the construction industry will improve the development indicators of the construction industry, its competitiveness and investment attractiveness.

Conclusions

Thus, the results of the research justification basic conceptual approaches to the state regulation of the construction industry in Ukraine and the European Union give reason to assert that the existing practice of state regulation of the construction industry in the European Union is more effective than in Ukraine. It has been established that out-of-date norms and standards of building are still used in Ukraine, and the

conformity of the current legislation with the norms of the European Law is low. It has been established that a steady development of the construction branch leads to growth of economic indicators of development of the country and is able to provide growth of employment and quality of life of the population. It is offered to give more attention to the problem of insurance of building activity and estimation of possibilities of an exit of the domestic building organizations to the international market, and also strengthening of digitization of the construction area that will allow to strengthen country's positions in the international rating of the states' competitiveness.

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