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# Fundamentals of Legal Regulation of Interregional Economic Competition in Ukraine

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**Abstract.** *The purpose of this study is a comprehensive analysis of the institutional environment of inter-regional competition in Ukraine, defining its legal framework, key actors, and mechanisms of influence on this dynamic process. The relevance of the topic is due to the need to ensure sustainable economic development and enhance the competitiveness of regions in the context of decentralization and European integration, which requires a deep understanding of current regulatory norms and practices. The work employs methods of systematic analysis, comparative-legal method, generalization, and logical synthesis for a detailed study of legislative acts that regulate both state regional policy and the protection of economic competition. The analysis established that the institutional environment of inter-regional competition is a multifaceted and complex system, including dispersed norms from a number of legislative acts, as well as the activities of various state and private institutions. It is determined that the main drivers of competition are legislative norms aimed at ensuring the economic autonomy of regions, developing their internal potential, and stimulating local initiatives. It is proven that regional councils, regional state administrations, and regional development agencies play a key role in articulating the aggregated interests of regions, promoting investment attraction, business development, and the formation of partnerships. At the same time, it is revealed that specialized legislation on the protection of economic competition imposes important restrictions on the concerted actions of actors, preventing monopolies and creating equal conditions for all market participants, which ensures the regulation of competition intensity. Thus, central government bodies have a crucial role in maintaining a balance between stimulating regional competitiveness and reducing territorial disparities. The practical value of the obtained results lies in the fact that they can be used by state authorities, local self-government bodies, and development institutions to improve state regional policy, develop more effective strategies for socio-economic development of regions, and enhance the mechanisms for managing inter-regional competition. This will contribute to strengthening the economic, social, and humanitarian cohesion of the state.*

**Keywords:** *region, regional development, regulation, interregional competition, institutional framework.*

**JEL Classification:** *O18, R58*

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## 1 Introduction

The institutional architecture of the state establishes the fundamental prerequisites for the emergence and development of competitive interactions among its regions. In the context of decentralization and the increasing economic autonomy of regions, institutions – both formal and informal – perform a crucial role by delineating the rules governing competition for resources, investments, and political attention. According to institutional theory, this architecture encompasses not only legal acts and governmental bodies but also practices, cultural norms, and international obligations that collectively shape the stable

framework of regional policy (Greif, 2006; North, 1981; Maksymchuk 2016).

The formation of mechanisms for interregional competition in Ukraine occurs against the backdrop of a fragmented legal environment and the absence of a systemic approach to its regulation. Unlike traditional economic sectors, where competition is explicitly governed by antitrust legislation, the field of regional development lacks a dedicated legal act establishing the “rules of the game” for competition between oblasts or communities. Moreover, there is no specialized institutional body responsible for monitoring or controlling the fairness of interregional rivalry. This complicates

the establishment of a transparent competitive environment as well as the substantiated determination of winners in the allocation of resources, projects, or statuses.

Simultaneously, existing legislation contains provisions that indirectly influence the dynamics of interregional relations. For instance, laws defining the foundations of state regional policy effectively set the framework for strategic priorities in the development of specific territories, thereby creating comparatively favorable conditions for some regions over others. In parallel, norms regulating economic competition at large form the basic principles of market functioning and the behavior of economic actors (Lahutin, 2016). Thus, the institutional provision for interregional competition should be considered as an intersection of several normative-legal fields – regional, economic, managerial, and international.

In light of the foregoing, there is a need for an integrative analysis of the current regulatory corpus aimed at identifying factors that either promote or impede the establishment of an effective competitive space among Ukraine's regions. Such analysis will enable the identification of internal contradictions, the determination of "blind spots" in the legal framework, and the formation of a foundation for the further institutionalization of interregional competition as a legitimate mechanism to stimulate regional development.

## **2 Regulatory legal acts in the field of protection of economic competition**

The leading regulatory legal document in this area is the Law of Ukraine "On the Protection of Economic Competition". Its main goal is to counteract monopolistic tendencies in economic activity and to promote the efficient functioning of the country's economic system by developing competitive relations. This act defines the rules of interaction between business entities, state authorities, local governments, and administrative-economic management and control bodies. Importantly, these bodies are also considered business entities if their activities involve the production, sale, or acquisition of goods. Additionally, the law regulates the relationships that arise between business entities themselves and with consumers in the economic competition market.

From the perspective of interregional competition, the concept of concerted actions established in the law is of key importance. It covers the conclusion of agreements by business entities, the adoption of decisions by associations, as well as any other coordinated behavior that affects competition. Special attention is paid to anti-competitive

concerted actions which can lead to the prevention, elimination, or restriction of competition. The legislator clearly distinguishes between such actions committed by business entities and actions originating from government bodies. Both types are prohibited. However, the actions of business entities may be permitted if they contribute to the improvement of production, economic growth, the development of small and medium-sized businesses, as well as the optimization of exports or imports.

Law prohibits state authorities and local governments from delegating specific governmental powers to associations, enterprises, and other business entities if this could lead to the hindrance, elimination, restriction, or distortion of competition. The subsequent sections of the Law regulate issues of business entity concentration, the procedure for obtaining permits for concerted actions, the consideration of cases of violations of legislation in the field of economic competition, and the liability for such violations. The law also includes a list of anti-competitive actions by state authorities, local governments, and administrative-economic bodies. These include "the adoption of acts, oral or written orders, the conclusion of agreements, or any other actions or inactions that result in or may lead to the prevention, elimination, restriction, or distortion of competition.

Thus, the examined law establishes crucial legal safeguards against abuses by both private businesses and governmental authorities that shape the conditions of regional development. The prohibition of anti-competitive coordinated actions and the restriction of governmental interference in economic activities enhance the transparency and fairness of interregional competition for resources, investments, and authority. At the same time, provisions allowing certain coordinated actions when they generate positive economic outcomes create potential for flexible regional cooperation without compromising the competitive balance (Verkhovna Rada Ukrainy, 2001).

The responsibility for ensuring state protection of economic competition and control over compliance with relevant legislation is assigned to the Antimonopoly Committee of Ukraine (AMCU), whose activities are regulated by the Law of Ukraine "On the Antimonopoly Committee" Article 7 of this Law defines the Committee's powers in the following areas:

1. Formulating and implementing competition policy. The Committee plays an active role in developing and implementing state competition policy and promoting the development of competition in Ukraine. Its powers in this area include:

- Cooperation with international partners: Participation in the implementation of international projects and programs, establishing cooperation with international and non-governmental organizations, as well as with state bodies of other countries on issues within its competence;

- Legislative activities: Involvement in the drafting of legislation and other normative acts that regulate the development of competition, competition policy, and the demonopolization of the economy;

- Making proposals: Providing recommendations that are mandatory for consideration and initiating proposals to government and local self-government bodies, as well as business entities, regarding measures aimed at limiting monopolistic practices and stimulating entrepreneurial activity;

- Expertise of normative acts: Conducting the approval of draft normative legal acts that may potentially affect the competitive environment.

2. Control over concerted actions and concentration. The AMCU supervises these processes, making decisions on their permission or prohibition. Within this area, the Committee is authorized to:

- Request information: During the review of applications, cases of violations, or inspections, the Committee has the right to demand necessary information (including restricted-access information) from natural and legal persons (including government bodies and their officials);

- Make decisions: Make decisions on permitting or prohibiting anti-competitive concerted actions and concentrations.

3. Control over compliance with legislation. This area includes the direct monitoring of compliance with the requirements of the legislation on the protection of economic competition:

- Conducting inspections: Carrying out inspections of business entities, associations, and government and local self-government bodies for compliance with legal requirements;

- Issuing recommendations: Providing recommendations, mandatory for consideration, to business entities and government bodies with the demand to stop actions that show signs of violations and to eliminate the causes and favorable conditions for these violations;

- Providing assessments: Conducting a legal assessment of actions in accordance with the norms of competition protection legislation (Verkhovna Rada Ukrainy, 1993).

The analysis demonstrates that this act establishes a fundamental instrument of state oversight to ensure compliance with competition norms, which is vital for maintaining a level playing field among regions.

Through its broad range of powers – from shaping national competition policy to supervising coordinated actions and market concentration – the Committee is empowered to effectively prevent abuses of authority and monopolistic practices that could distort interregional competition. The Antimonopoly Committee's active legislative and expert activities contribute to the improvement of the regulatory framework, while its monitoring and enforcement functions strengthen institutional safeguards for competition protection at the territorial level.

### 3 Regulatory legal acts in the field of domestic policy and regional development

The fundamental normative act that regulates the state's internal policy is the Law of Ukraine "On the Principles of Domestic and Foreign Policy". According to its Article 2, domestic policy must be based on principles that ensure a balance between national, regional, and local interests, with national interests taking priority. The law also emphasizes the importance of citizen participation in the governance of state and public affairs, which is key to democratic administration.

The law outlines specific directions of domestic policy in the economic sphere, specifically:

- Balanced development: Ensuring uniform economic growth across all regions;

- Stimulating competition: Developing a competitive environment as a primary mechanism for increasing economic efficiency;

- Combating monopolism: Preventing monopolistic manifestations at the regional level;

- Reducing interference: Limiting excessive state intervention in economic activities;

- European integration: Implementing European approaches to delegating state functions to the business sector.

In the area of regulating regional development and local self-government, the law establishes the following principles:

- Economic autonomy: Creating conditions that foster the economic independence of regions;

- Interregional projects: Developing and implementing economic projects between regions aimed at strengthening their competitiveness as a basis for sustainable development;

- Decentralization: Expanding the powers of local councils by transferring functions from central government bodies (Verkhovna Rada Ukrainy, 2010).

The specialized law that elaborates on the provisions of regional policy is the Law of Ukraine "On the Principles of State Regional Policy". According to its definition, state regional policy

is a set of goals, instruments, measures, and coordinated actions by executive authorities and local governments. Their common goal is to ensure a high quality of life across the country, taking into account the unique natural, historical, cultural, demographic, economic, and other characteristics of each region. The law also introduces the concept of a beneficiary of state regional policy – this can be a natural or legal person, or a group of people united by common interests, who reside or operate within the corresponding territorial communities.

The main tasks of state regional policy, according to this law, are: creating effective channels for representing the interests of regions and territorial communities at the national and regional levels; supporting local initiatives for the effective use of the internal potential of territories; increasing the competitiveness of regions; reducing regional inequality in key development indicators; strengthening the ability of communities to overcome socio-economic and demographic challenges; and building a cohesive state in all its dimensions. The law also provides for the introduction of energy management systems and the development and implementation of medium-term local energy strategies and programs.

The key instruments for strategic planning in this area are the State Strategy for Regional Development and the corresponding regional strategies. Their development must be based on an assessment of the needs of beneficiaries in different types of territories, with the mandatory involvement of all interested parties. Local state administrations are obliged to take into account the interests of territorial communities and have the right to conduct consultations to harmonize positions.

For the effective implementation of state regional policy, the law allows for the creation of regional development agencies as non-profit institutions. Their founders can be regional councils, chambers of commerce and industry, business associations, universities, research institutions, and public organizations whose activities are aimed at promoting regional development. From the perspective of interregional competition, these agencies perform the following important functions:

- Participation in the formation of regional strategies;
- Promoting entrepreneurship, attracting investment, and facilitating export activities;
- Supporting socio-economic and cultural development;
- Providing consulting services to businesses on entering EU markets (Verkhovna Rada Ukrainy, 2015).

The current State Strategy for Regional Development until 2027 is focused on partnership and cooperation between state authorities, local self-governments, and communities. Its main goal is to strengthen the social, economic, and spatial cohesion of the state, and to increase the well-being and security of citizens through infrastructure modernization, economic renewal based on the “build back better” principle, activation of the internal potential of territories, and the implementation of decentralized, inclusive, multilevel governance. Among the identified priorities that have a direct impact on the development of interregional competition are: creating security and economic conditions for the return of citizens; harmonizing the system of governance with EU practices; and activating citizen participation in decision-making processes at all levels (Kabinet Ministriv Ukrainy, 2020).

The aforementioned laws establish the normative foundation for creating a balanced and effective environment for interregional competition in Ukraine. The first law sets forth the fundamental principles of state domestic policy, ensuring the prioritization of nationwide interests while accounting for regional specificities, promoting democratic citizen participation, and encouraging the development of a competitive economic environment. The second law elaborates the state’s approach to regional development, defining the objectives and instruments aimed at enhancing territorial competitiveness, supporting local initiatives, and reducing regional disparities. Particularly significant in this context are regional development agencies, which act as catalysts for cooperation among government, business, and civil society, thereby facilitating the emergence of new opportunities for interregional competition. Consequently, these normative acts lay the legal, organizational, and conceptual groundwork for strengthening integration and competitive interaction among regions within the national space.

#### 4 Conclusions

The institutional framework within which interregional competition operates in Ukraine represents a complex interplay of state and non-state actors interacting through a fragmented yet interdependent set of legal principles. Although there is no single legislative act that systematically regulates this sphere, certain normative mechanisms provide a foundation for intensifying regional competition over resources, investments, and authority. This established environment fosters the development of the internal potential of territories

and encourages autonomy in the implementation of strategic initiatives.

Representative and executive institutions at the regional level play a significant role in this process. On one hand, regional councils act as bearers of the collective interests of local communities and set strategic guidelines for socio-economic development. On the other, regional state administrations ensure the instrumental realization of approved plans by providing managerial support and attracting investment flows. Meanwhile, regional development agencies serve as a connecting link between political decisions and concrete projects, integrating local initiatives into a broader competitive landscape.

Equally important within the institutional environment is the legal oversight of adherence to the principles of fair competition. Legislative

provisions in the field of antitrust regulation, notably the Law of Ukraine “On Protection of Economic Competition” not only govern the behavior of economic agents but also establish safeguards against abuses by governmental authorities. Special emphasis is placed on the practice of coordinated actions and the prohibition of decisions that may restrict the competitive opportunities of certain regions. In this context, the role of the Antimonopoly Committee of Ukraine is particularly critical as the institutional guarantor of compliance with competition law. Its functions – from monitoring and analysis to influencing regulatory policy – create an instrumental basis for addressing disparities in interregional incentives. Consequently, conditions are established to ensure greater transparency, balance, and fairness in the competitive interaction among regions.

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