



Regional Economics

Original article

UDC 332.021.8; 332.025

DOI: <https://doi.org/10.17308/econ.2023.4/11685>

JEL: O43; R11; R13

Institutional support for the development of the Donbas: a retrospective analysis performed upon the inclusion of the region into the Russian Federation

T. O. Zagornaya¹, Yu. I. Treshchevsky², N. V. Dolbnya³

^{1,3} Donetsk National University, 24 Universitetskaya str., Donetsk, 283001, Russian Federation

² Voronezh State University, 1 University sq., Voronezh, 394018, Russian Federation

Subject. Institutional support for the development of the Donbas during the process of its adaptation to the social and economic system of the Russian Federation. The state and development prospects of institutional subsystems: business, public authority, financial, and non-commercial sectors.

Purpose. To study the main parameters of the institutional subsystems in the Donbas and determine the problems and the vectors of institutional, social, and economic development of the region in the situation of an armed conflict running parallel to its integration with Russian institutes.

Research methods. The theoretical basis of the study was the dialectical method, which allowed us to consider social, economic, and institutional systems of the Donbas in the context of integration of the region in Russian social environment. To determine the problems of social, economic, and institutional development of the region, the monographic method was used. It allowed us to review the existing approaches to the state and prospects of the economy and the supporting institutes during the period of integration into the Russian Federation. A retrospective analysis was a key practical research method. It helped to determine the dynamics of the main institutional subsystems of the region from the point of view of modernisation of the functions implemented by such institutes as business, public authority, financial, and non-commercial sector during the armed conflict of 2014–2021 and the special military operation.

Results and discussion. After its inclusion into the Russian Federation, the institutional support of the development of the Donbas requires a fundamental transformation in order to adapt to new conditions. The transformation should involve a comprehensive transformation of the social and economic model of the region and its infrastructure, diversification, and modernisation of the development institutes. At the same time, it is necessary to take into account the weaknesses of the institutional system of the region. They include external threats caused by the armed conflict which started in 2014 and caused damage to the business institute; a dramatic reduction in the number of stimuli for the functioning of financial institutes, especially for the innovative and investment activities; underdevelopment of non-commercial organisations; and a high level of bureaucracy in public institutions. The new institutional model should be aimed at decreasing the vulnerability of the region to geopolitical and economic crises and its dependence on heavy industry and coal mining, while developing high-tech industries and innovations, and investing in education, healthcare, and the retraining of the labour force. It is therefore necessary to develop reasonable adaptation strategies and programmes, including appointing responsible executives to the governmental and municipal bodies and developing mechanisms for the financing of projects aimed at the economic growth and well-being of the population.

Key words: institutions, institutional transformations, institutional adaptation, region, Donbas.

For citation: Zagornaya, T. O., Treshchevsky, Yu. I., & Dolbnya, N. V. (2023). Institutional support for the development of the Donbas: a retrospective analysis performed upon the inclusion of the region into the Russian Federation. *Proceedings of Voronezh State University. Series: Economics and Management*, (4), 46–59. DOI: <https://doi.org/10.17308/econ.2023.4/11685>

Introduction

Institutional support of development is a foundation of the economic growth of any region. Effective institutions can stimulate innovation, investment, and economic growth, and improve the state of the environment, which are key priorities of the social and economic development. These aspects of institutional development are well-studied and described in a large number of scientific works, including those by D. A. Endovitsky, N. A. Klimova (2022), A. Yu. Kosobutskaya, A. A. Prachenko (2021), M. B. Tabachnikova (2017), etc.

Institutes and actors representing them determine development strategies, adopt the necessary laws and regulations, attract investments to the region's economy, and stimulate the development of human resources and technologies. They are also advocates of the interests of the population, which is a driving force of the economic growth. They set the trends of social and economic development and the living standards in the region. Effective interactions within an institutional system play a key role, since they include both the elements and the connections between them, which ensure the necessary conditions for the development of the economy and the society and facilitate the development of a market environment. Institutional development is a process of improvement and transformation of institutes, as well as rules and norms regulating the social life. It is aimed at the progress and improvement of the existing institutions in accordance with the needs of the society based on reforms, changes in the existing laws, foundation of new organisations, etc.

Institutional support of the development of the Donbas region in 2014–2022 has not been thoroughly studied yet. Most studies focus on the time period up to 2014. There are practically

no studies concerning the institutional changes in the Donbas after 2014 and the impact of the conflict on the development institutes. There are just a few studies by researchers from Donetsk. Some of them are reviewed below. S. O. Potorochin (2018) considers the institutional support for the development of the Donetsk People's Republic. The article presents a comprehensive analysis of the legal regulation and control over the development of laws and regulations, programmes and doctrines, including the Doctrine of the administrative-territorial development of the Donetsk People's Republic. A. A. Bachurin (2016) focuses on the assessment of the impact of the existing institutes on the business activity and presents a forecast of further institutional transformations in the region. However, there are few studies focusing on the effect that Russian institutions have had on the Donbas since 2014. Little attention is also paid to the regional and local development institutes, their role and the problems facing them. Also, there are few studies aimed at assessing the effectiveness of the existing development institutes in the Donbas and suggesting recommendations for their improvement. On the whole, institutional support for the development of the Donbas remains a poorly studied issue, especially with regard to the time period between 2014 and 2022. This can be explained by the lack of information and the difficulty of any research in the region.

Between 2014 and 2022, the region's industrial facilities, roads, bridges, infrastructure, and housing facilities were severely damaged. They need to be restored, which, in turn, requires a lot of investment.

Environmental problems in the Donbas have been accumulating for decades. Back in the first half of the 20th century, there was water and air pollution, as well as tons

of industrial and household waste. During the analysed period of time, the situation deteriorated even further: production output decreased while military activities destroyed natural habitats and unique ecotopes and contributed to greater pollution.

Political instability and uncertainty regarding the future of the region drove away potential investors, which resulted in economic destabilisation. The conflict caused a significant decrease in the industrial production and economic activity in the region, which in turn resulted in the growth of unemployment and poverty. The working-age population started to leave the region, and social problems became more acute. Military activities also resulted in a large number of refugees and migrants, which is another negative social, economic, and institutional factor in the region.

The restoration of the Donbas requires an integrated approach, which will comprise investment into the region's infrastructure, stimulation of the economic activity, and resolving the environmental and social problems. One of the solutions to the said problems is the reconstruction and elaboration of the institutional support of the region.

Therefore, we can conclude that the problem of institutional support for the development of the Donbas is of great importance due to the need to integrate the region in the social and economic environment of Russia. Since 2014, the region has been struggling with an armed conflict and political, economic, and humanitarian crises. The state is now facing a multifaceted problem of restoring the Donbas and integrating it into Russian social, economic, and institutional environment.

Research methods

Our study of the problem of improving the institutional support for the development of the Donbas was based on an institutional analysis of the peculiar social, economic, political, and institutional relations formed during a lasting armed conflict. We saw it necessary to assess the impact of the regional and Russian institutes on

the prospects of integration of the new territories into Russian social environment.

A retrospective analysis allowed us to determine the number and state of institutes in the region, their strengths and weaknesses, suggest recommendations on increasing their effectiveness, and determine the priority investment areas. The retrospective analysis can be used to develop an effective state policy aimed at the restoration and long-term development of the Donbas.

The research methodology requires clarity with regard to the structural elements of institutes. The existing scientific literature suggests various options, including classifications of institutes based on the goals and functional characteristics of regions. Thus, M. P. Postalyuk, T. M. Postalyuk (2009. С. 27), E. V. Gordeeva (2022. С. 61–63) et. al. suggest that institutional support for the development of regions can be considered in the functional aspect. They differentiate between the public authorities institutes (the regional government and local authorities), business institutes, financial institutes, educational institutes, scientific institutes, non-commercial organisations, households, etc. A detailed analysis of the existing approaches to the structuring of institutes is beyond the scope of our study. We believe that the above described approach can be effectively used to analyse the situation and make conclusions regarding the vector of activities aimed at the transformation of the institutes of the Donbas. The state of households during the armed conflict is a matter of a detailed discussion, so we do not focus on this institutional subsystem in the article.

We should note that after the beginning of the conflict, Ukraine waived its obligations to the people living in the region. The Donetsk People's Republic lost all the institutes facilitating the social and economic development of the region, including development programmes, privileges associated with the creation of special economic zones, innovative infrastructure, etc. According to V. V. Vvedinskaya (2017. С. 6) "in November 2014, Ukraine ceased to exercise its authority on the territories that were no longer under its

control. All state industries, organisations, and institutions together with their branches closed down, and public servants were evacuated”.

At this time, the region had to form a new government and local authorities, i. e. the institute of public authorities. The Donetsk People’s Republic adopted its own Constitution registered by the Ministry of Justice on 14 May 2014. According to the Constitution the public authorities include the Head of the Donetsk People’s Republic, the Council of the Donetsk People’s Republic (the parliament), and the Government of the Donetsk People’s Republic¹. Following the legal act No. 01-IIHC dated 30.11.2018, an amendment was made allowing the inclusion of another branch of state power – the courts of the Donetsk People’s Republic².

Results

After November 2014, the Donetsk People’s Republic starts forming its ministries and other institutions. Some of the key ministries had been founded even earlier (between May and October 2014). As of 27.09.2022, the Donetsk People’s Republic had a number of executive authorities³. When the Donetsk People’s Republic became a part of the Russian Federation, the institute of public authorities started to transform. Following a project of the Decree of the Deputy Head of the Donetsk People’s Republic “On the system and structure of executive authorities of the Donetsk People’s Republic”, a number of state bodies (ministries, committees, etc.) were created or reformed to comply with the laws of the Russian Federation.

The task of the state institutes is to develop a strategy of economic and industrial restoration of the Donbas and its integration into the Russian Federation. The top priority task is to ensure political integration and form the regional administration in compliance with the laws of the Russian Federation. The region has a great

potential for political adaptation, as it always sought to become a part of the Russian Federation. However, managerial effort is required to perform political integration.

Another problem facing the region is the need to raise the economic activity, which decreased dramatically between 2014 and 2022. Initially, the economic potential of the Donbas was very high. The region is rich in industrial and natural resources required for economic growth. However, the integration process will require a lot of investment into the reconstruction and modernisation of the industrial sector. This problem can be solved by introducing tax exemptions and other incentives that will attract investors to the region, as well as by developing promising industries (e.g. high-tech and resource-saving industries) and decreasing the role of heavy and coal mining industries in the region.

The integration process also requires solving a number of environmental problems, since Russia has high living standards. The Donetsk People’s Republic has a number of very serious environmental problems associated primarily with industrial activities and the transportation system. Therefore, it is necessary to decrease the level of pollution of air, soil, and surface and ground water, arrange for waste utilisation, and introduce new environmental technologies to reach the required level of environmental safety. This will require innovative approaches and investment.

Social integration is expected to proceed quite smoothly, since the region has tight historic and cultural ties with Russia. The integration process will help to raise the living standards in the region, provide the population with social guarantees and norms of living, and develop education programmes. However, special attention should be paid to the support of refugees and migrants in the Donbas.

An important economic factor is the infrastructure destroyed as a result of military activities. The reconstruction of roads, bridges, industrial enterprises, and housing facilities requires a lot of financial and human resources.

¹ Constitution of the Donetsk People’s Republic as of 14.05.2014. URL: <https://t.ly/HqsQf>

² Constitution of the Donetsk People’s Republic as of 27.09.2022. URL: <https://t.ly/OfBXQ>

³ Public authorities of the Donetsk People’s Republic online. URL: <https://govdnr.ru>

The financial subsystem of the region also has several problems associated with the economic, technological, and structural transformations. Thus, according to a report “Economy of the Donetsk People's Republic: state, problems, solutions” (Polovyan & Lepa, 2017. C. 42): “In 2013, the Donetsk Region had a large-scale banking system. It included 10 banks in the form of legal entities registered in the region; 18 bank branches; 1185 accounting and non-accounting branches of the region's banks; and 463 accounting and non-accounting branches of banks from other regions”. In May 2014, banks started to move their assets out of the region of the armed conflict. Financial institutions of the Donetsk People's Republic had limited access to international financial markets and services. Since the Donetsk People's Republic was not recognised internationally, it remained in economic and political isolation. It only had relations with Russia and some partly recognised states. Therefore, it was difficult to attract investments due to a high level of risk. There were also problems with foreign exchange regulations and currency convertibility. The reliability of the banking system was also of a great concern for potential partners because of the monopoly of the Central Republican Bank (CRB), which was essentially a state body and was controlled by the authorities.

In June 2022, first branches of Promsvyazbank (PSB)⁴ were opened in the region, which stimulated financial activities. After the Donetsk People's Republic became a part of the Russian Federation, CRB began to merge with PSB, which is beneficial for the CRB's clients who got access to various bank services for both individuals and businesses.

At the moment, the republic's financial institutions have several problems. Since the inclusion of the Donetsk People's Republic in the Russian Federation has not been recognised globally, the region's financial institutions still struggle with the lack of international

recognition and limited access to international financial markets and services. It is also difficult to attract international investors and other Russian banks to the region for the fear of sanctions. Financial integration of the republic in the economic environment of the Russian Federation is of utmost importance. However, it requires time and effort in order to reach the compatibility of its legal, regulatory, and operational aspects with Russian standards and requirements. At the moment, financial institutions of the Donetsk People's Republic are highly dependent on the Russian economy. This creates risks associated with the economic stability and sustainability of both the region's economy and Russian financial structures.

The Donetsk People's Republic has very well developed educational institutes which are highly effective. In 2014–2022, the Ministry of Education and Science of the Donetsk People's Republic controlled preschool education institutions, general education institutions, secondary and higher education institutions, and a number of research institutions. Thus, according to the Republican Service for Supervision in the Sphere of Education and Science⁵, in 2022 the Donetsk People's Republic had over 500 general education institutions, including 160 in Donetsk, 72 in Makeevka, 59 in Gorlovka, 14 in the Novoazovsk Region, 9 in the Telmanovsky Region, 20 in the Starobeshevsky Region, 6 in Dokuchaevsk, 16 in Snezhny, 19 in Torez, 29 in Shakhtersk, 4 in Kirovsky, 4 in Zhdanovka, 29 in Enakievo, 6 in Debaltsevo, 10 in Yasinovataya, and 21 in Khartsyzsk.

Secondary vocational education is also very common with over 100 institutions, including 41 in Donetsk and 14 in Makeevka. There are also a large number of secondary vocational education institutions in Gorlovka, the Novoazovsky Region, the Starobeshevsky Region, Dokuchaevsk, Snezhny, Torez, Shkhtersk, Enakievo, Debaltsevo, Yasinovataya, and Khartsyzsk. Secondary vocational education

⁴ First PSB branches opened in the Donetsk People's Republic. URL: <https://t.ly/tXL-H>

⁵ Republican Service for Supervision in the Sphere of Education and Science. URL: <https://t.ly/GC5Ac>

in the region is mainly industry oriented. We should note that a high potential of secondary vocational education institutions can significantly raise the level of vocational training in both the Donetsk People's Republic and Russia.

The system of higher education in the Donetsk People's Republic in 2022–2023 included 16 institutions⁶ in Donetsk, Gorlovka, and Makeevka. Most higher education institutions in the region are quite prestigious and have a long history. They offer a wide range of bachelor's degree, specialist's degree, master's degree, and postgraduate PhD and DSc training programmes in sciences, humanities, social sciences, art, engineering, information technologies, etc. In 2014–2015, some education institutions changed their names and accreditation levels, but continued to work. We should also note, that in the challenging environment the Donetsk People's Republic opened new education institutions training specialists in specific areas that were of top priority for the region. Thus, in 2017, the Civil Defence Academy was opened with the support of the Ministry of Emergency Situations of the Donetsk People's Republic. It trains specialists in fire and technosphere safety, which is of utmost importance for the republic involved in an armed conflict. The academy was opened at the Institute of Civil Defence of the Donbas, a part of Donetsk National Technical University. In 2017, another unique education institution was opened at Mekeevka Institute of Economics and Humanities – the Donbas Agricultural Academy. Its purpose is to solve the problem of the lack of human resources in the agricultural sector. Other institutions opened in the republic include a pedagogical institute and an institute of physical culture and sport, now integrated in the structure of Donetsk National University.

There are also a large number of research institutions controlled by the Council of the Donetsk People's Republic, the Ministry of

Education and Science of the Donetsk People's Republic, the Ministry of Coal and Energy of the Donetsk People's Republic, and the Ministry of Emergency Situations of the Donetsk People's Republic⁷.

Institutes, including education and research institutions in of the Donetsk People's Republic, ensure a high quality of human resources for the development of the region. However, the education and research areas now need to be reformed in order to comply with Russian standards and ensure their quick integration. The process has already started. Some universities in of the Donetsk People's Republic have already acquired the status of federal universities and are now adapting their regulatory documents.

Institutes comprising non-commercial organisations are not very well-developed in the region. One of the most developed is the Trade Union Federation of the Donetsk People's Republic. It acts on behalf of employees and negotiates working conditions, payment rates, and other issues with employers. There is a similar institution in the Russian Federation focusing on the same range of issues. We should note that there are a large number of non-commercial organisations in the Russian Federation, including charity and social services organisations, which are not present in the Donetsk People's Republic. This can be explained by the status of the region in 2014–2022. Considering the importance of such institutes, it is necessary to pay attention to a large-scale exchange of best practices between regions.

The business institute in the Donetsk People's Republic remained in decay during the studied period. According to the Development Strategy of the Donetsk People's Republic up to 2020, until 2014 the entrepreneurial activities in the region focused on the industrial sector⁸. The basic industries were machine building, coal mining, and metallurgy. When the armed conflict started, most industrial

⁷ Development Strategy of the Donetsk Region up to 2020 (new edition). URL: https://t.ly/_sKxv

⁸ Development Strategy of the Donetsk Region up to 2020 (new edition). URL: <https://t.ly/4l99W>

enterprises reduced their output dramatically. The political instability resulted in political uncertainty on the microlevel, primarily with regard to financing, because of the economic isolation and the lack of access to international cooperation and resources. Another serious problem is that the region depends heavily on the coal mining industry.

In 2021, the Ministry of Economic Development published a List of Enterprises of the Donetsk People's Republic⁹. The list included over 250 heavy industry enterprises that constituted the basis of the industrial potential of the Donetsk People's Republic: coal mining industry, mining, steel industry, metal industry, machine building, chemical industry, energy industry, and building materials industry. The list also included important enterprises operating in the sphere of light industry, food industry, woodworking industry, furniture production, paper and pulp industry, the agricultural sector, and the transportation system.

The Donetsk People's Republic also had several public enterprises operating in socially relevant industries – GP *Water of Donbas*, GP *Donetsk Railways*, GP *Ritual*, GP *Regional Energy Company*, GP *Markets of Donbas*, ROSS *Phoenix*, GP *Donbas Post*, GP *Donetskstandard-Metrology*, Public Assay Office of the Donetsk People's Republic, etc.¹⁰.

Because of the military activities, the Donbas was severely damaged and now needs investment in order to reconstruct and modernise its industrial infrastructure, roads, housing facilities, etc., stimulate the economic development of the region, create jobs, and raise the living standards. This, in turn, will increase the competitiveness of the region's enterprises and will help to raise the level of environmental safety and innovative activities.

It should be noted that the level of innovative activities in the region up to 2014 was very high. The Donetsk Region housed 6 % of all industries

in Ukraine introducing innovations, 5.85 % of industries developing innovative products, and 6.77 % of industries adopting innovative processes (Fig. 1).

In 2014–2022, the innovative development of the region practically stopped. It is important that now, while the region is integrating in the economic environment of Russia, this process has resumed and intensified. Innovative development of the Donetsk People's Republic as an industrial region is a key factor ensuring its competitiveness and economic growth. The introduction of innovations can significantly increase productivity and give the industrial region a competitive advantage at the Russian market. It can also result in the development of new industries and creation of new jobs, improve the standard of living, enhance environmental sustainability, attract investments, and stimulate the development of science and education in the region.

During the conflict, Russia has introduced various measures to support entrepreneurial activity in the Donetsk People's Republic: financial support for the economy (direct

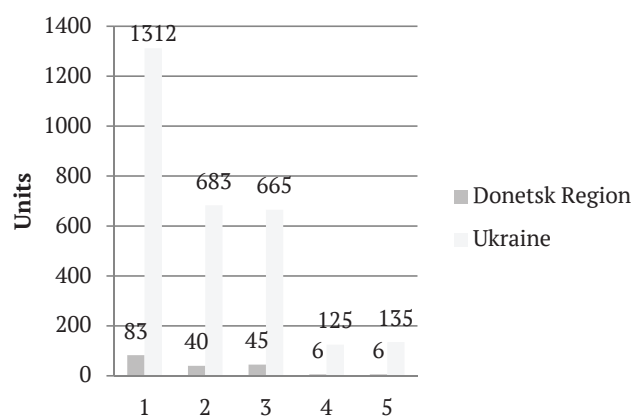


Fig. 1. The number of industries introducing innovations in Ukraine in 2013 grouped based on the type of innovations [compiled by the authors based on the data collected by T. V. Kovalenko (2014)].

Designations: the number of industries introducing
 1 – innovations, 2 – innovative products,
 3 – innovative processes,
 4 – organisational innovations,
 5 – marketing innovations

⁹ Enterprise List. URL: <https://t.ly/1aH2t>

¹⁰ Public authorities of the Donetsk People's Republic online. URL: <https://govdnr.ru>

investments, loans, and grants), trade agreements, educational and training programmes for entrepreneurs, and assistance in the development of infrastructure and technologies. This in turn helped to create a more stable and favourable environment for entrepreneurial activities and development of the business institute. During the integration period, it is important to build a network of contractors between the Donetsk People's Republic and the Russian Federation.

One way to do this is to create partnership programmes that will stimulate long-term mutually beneficial relationships between contractors, organise meetings and conferences, and introduce online platforms and CRM systems at enterprises. Regular communication between contractors will help to establish and maintain partnerships, quickly solve all arising problems, and discuss further partnership prospects.

Another way is to develop the entrepreneurial infrastructure, i. e. to create business incubators, technoparks, and clusters facilitating the development of business. It is also necessary to improve and extend physical and organisational structures required for the support and stimulation of entrepreneurial activity – to develop transportation infrastructure,

communications, energy, financial, educational, and social infrastructure, and other resources required for the effective functioning of businesses. It is necessary to elaborate the legal and regulatory framework in the region to facilitate the development of entrepreneurs, which in turn will stimulate the economic growth and create new jobs.

After the inclusion of the Donetsk People's Republic in the Russian Federation, companies started to re-register in accordance with Russian laws. According to the Registry of Small and Medium-Sized Business Entities of the Russian Federation, the number of registered legal entities and entrepreneurs is growing, with a larger percentage of entrepreneurs (Fig. 2).

Small and medium-sized businesses are important for any economy. They are the main source of new jobs. They are also able to adapt quickly to the changing economic environment, can offer more employment opportunities, and facilitate economic growth through innovations and competitiveness. Small and medium-sized businesses contribute greatly to the state budget by paying taxes and commissions. It is important to support such economic entities during the integration of the Donetsk People's Republic into Russian economy.

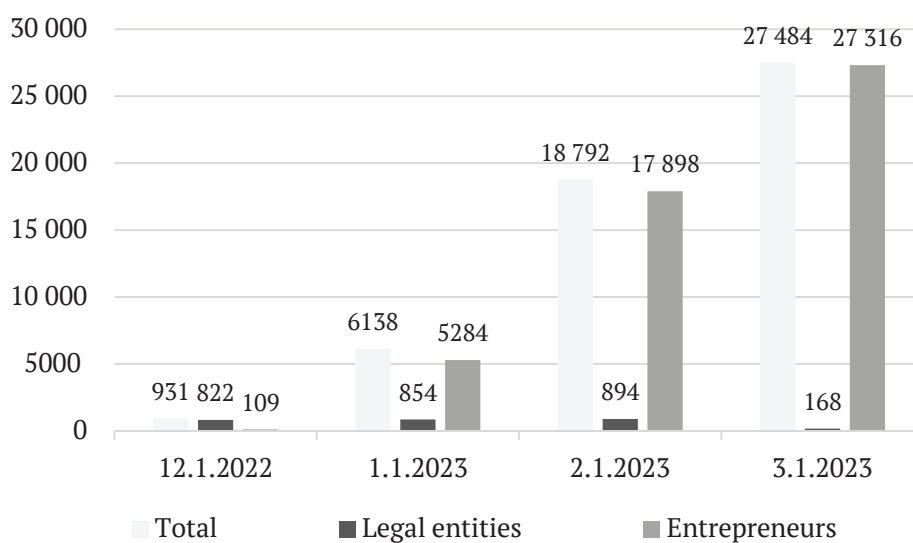


Fig. 2. The number of legal entities and entrepreneurs in the Donetsk People's Republic as listed by the Registry of Small and Medium-Sized Business Entities of the Russian Federation [compiled by the authors based on the official statistics: Registry of Small and Medium-Sized Business Entities. URL: <https://t.ly/EcGGX>]

Discussion

In our study, we analysed the current state of institutes in the Donetsk People's Republic and summarised the results of other studies focusing on this field of social and economic relations. We should note that our assumptions are in agreement with the results obtained by the following scholars with regard to several institutes: N. O. Mikhalenok, and V. A. Noskova (2007), who focused on the problems of managing the development of formal and informal institutions in the education system; Yu. Simachev, M. Kuzyk, and D. Ivanov (2012), who studied the vectors of development of Russian financial institutions; V. V. Akberdina, O. A. Romanova, and N. Yu. Bukhvalova (2016) and their recommendations on the improvement of the industrial policy in the high-tech sector of economy.

At the same time, when developing recommendations on the institutional development of the Donbas, we considered the changes taking place in the social, economic, and institutional spheres in the Russian Federation. Thus, M. K. Ashinova, N. Sh. Kozlova, and R. S. Kozlov (2022) suggested a wide range of measures to support the economy under sanctions that can result in a positive macroeconomic effect. T. N. Margoshvili and M. V. Markina (2020) suggested measures for the legal regulation of banking activities under anti-Russian sanctions. A. S. Kvasov and D. N. Pavlov (2020) suggested effective measures for the support of small and medium-sized businesses in Russia under sanctions. D. V. Manushin (2022) made an assumption regarding the changes in the global exchange arrangement as a result of formation of the global sanctions economy. M. N. Semyakin (2022) assessed the current Russian legal policy with regard to the right of entrepreneurs under sanctions. L. I. Sergeev and D. L. Sergeev (2022) focused on the specifics of reproduction of social product under sanctions. I. D. Kolmakova and E. M. Kolmakova (2022) suggested recommendations on the improvement of the social and labour relations from the point of view of the strategy of sustainable development at the macrolevel.

Although the suggestions on countering sanctions including by means of adaptive institutional mechanisms are of great importance, we should note that the main problems hindering the functioning of institutes in the Donetsk People's Republic are the armed conflict taking place on the territory of the republic and the fact that the republic has not been recognised internationally. Bureaucracy and corruption, which are quite widespread not only in the DPR, but also in the global system as a whole, are significant, but secondary factors. Therefore, we can say that the inclusion of the Donetsk People's Republic in the Russian Federation will help to overcome many obstacles and limitations associated with the functioning of institutes and stimulate the economic and social development of the region.

The analysed studies performed by other scholars and the analysis of the processes taking place in the social, economic, and institutional spheres in the Donbas and the Russian Federation allowed us to determine a number of problems and development prospects of the institutes in the Donetsk People's Republic, as well as the ways of their effective adaptation to the modern environment (Table).

Conclusions

Development institutes play an important role in the economic and social development of regions, including during integration processes and interactions with other social and economic systems. Such institutes have different, though interconnected functions. Laws, informal rules, and norms regulate the economic and social life and ensure the predictability and stability of the system. Business structures are the basis of the regional economy. Non-commercial structures contribute to social well-being. Financial institutes provide a wider access to capital and financial services facilitating the development and modernisation of government agencies, businesses, and households. Educational and scientific institutes ensure the formation of human resources based on the knowledge required for innovations and technological development.

Problems and prospects of the development institutes in the Donetsk People's Republic

Problem / limitation	Donetsk People's Republic as an independent state	Donetsk People's Republic as a part of the Russian Federation
Instability and uncertainty	The armed conflict and the fact that the Donetsk People's Republic has not been recognised internationally result in instability and uncertainty, which hinder the functioning of development institutes	Being a part of the Russian Federation, the Donetsk People's Republic will obtain a legal status, which will create a predictable environment for business and investments
Lack of independence of the development institutes	Legislative and judiciary systems as well as regulatory bodies and other institutes lack independence and are subjected to political pressures	Russian legislative and judiciary systems as well as regulatory bodies and other institutes are more independent and professional
Corruption	The widespread corruption limits the effectiveness of development institutes	Russian practices of combating corruption can be used by the Donetsk People's Republic
A weak financial and banking system	The banking system and financial markets are not developed enough to provide for the needs of the economy	The Donetsk People's Republic will get access to Russian banks and financial markets, which will enhance the economic performance of the region
Underdeveloped education and research spheres	Education and research institutions cannot fully facilitate innovations and technological progress	Russian education and research system can serve as an example for the Donetsk People's Republic and help to develop these spheres
Lack of international recognition	The fact that the Donetsk People's Republic is not internationally recognised limits its access to international financial markets, technologies, and knowledge	Being a part of the Russian Federation, the Donetsk People's Republic will get access to international organisations and markets

Considering these functions, effective integration of the Donbas into the social environment of the Russian Federation and adaptation to the new conditions requires comprehensive transformation of the social and economic development model of the region, including diversification, innovations, and modernisation of infrastructure and institutes. The model should be aimed at decreasing the vulnerability of the region to geopolitical and economic crises and its dependence on heavy industry and coal mining, while developing high-tech industries and innovations. In the social sphere, investments should be made in education, healthcare, and retraining of human resources for the transition to a new economic model involving decarbonisation, environmentalisation, and digitalisation. It is also vital to invest in transportation, logistics, energy, and other infrastructure to support the economic growth and reduce the negative impact on the environment.

At the same time, it is necessary to take into account the strengths and weaknesses of the

institutional system of the region. The latter include difficult social situation, weakness of business institutes, underdevelopment of non-commercial organisations, and a high level of bureaucracy in state institutions. Transformation of the institutional support for the development of the region should result in fundamental changes in the existing institutes, primarily in the adaptation of the legal framework regulating the economic and social life in the region. It is therefore necessary to develop reasonable adaptation strategies and programmes, including appointing responsible executives to the government and municipal bodies and developing mechanisms for the financing of projects aimed at the economic growth and well-being of the population. The effectiveness of the transformation of the existing institutions will determine the prospects of further development of the Donbas.

In our further studies we will focus on developing recommendations on improving the effectiveness of institutional support for the development of the Donbas region taking into account new conditions of regional development

and best practices of successful Russian regions. The recommendations will include changes in the legal framework stimulating the development of effective institutes and creation of new organisations and structures, which can ensure sustainable development.

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Conflict of interest

The authors declare the absence of obvious and potential conflicts of interest related to the publication of this article.

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Tatyana O. Zagornaya, Dr. Sci. (Econ.), Professor, Head of the Department of Business Informatics, Faculty of Accounting and Finance, Donetsk State University, Donetsk, Russian Federation

E-mail: t.zagornaya@donnu.ru

ORCID ID: 0000-0003-0097-9557

Natalia V. Dolbnya, Cand. Sci. (Econ.), Associate Professor, Department of Business Informatics, Faculty of Accounting and Finance, Donetsk State University, Donetsk, Russian Federation

E-mail: n.dolbnya@donnu.ru

ORCID ID: 0000-0001-7087-6786

Yuri I. Treshchevsky, Dr. Sci. (Econ.), Professor, Head of Department of Economics and Organisation Management, Voronezh State University, Voronezh, Russian Federation

E-mail: utreshevski@yandex.ru

ORCID ID: 0000-0002-0039-5060

Received 24.08.2023

Accepted 16.10.2023



Региональная экономика

Научная статья

УДК 332.021.8; 332.025

DOI: <https://doi.org/10.17308/econ.2023.4/11685>

JEL O43; R11; R13

Институциональное обеспечение развития Донбасса: ретроспективный анализ в контексте вхождения в состав Российской Федерации

Т. О. Загорная¹, Ю. И. Трещевский^{2✉}, Н. В. Долбня³

^{1,3} Донецкий государственный университет, ул. Университетская, 24,
283001, Донецк, Российская Федерация

² Воронежский государственный университет, Университетская пл., 1,
394018, Воронеж, Российская Федерация

Предмет. Институциональное обеспечение развития Донбасса в контексте адаптации к условиям функционирования социально-экономической системы региона в составе Российской Федерации. Состояние и перспективные направления развития институциональных подсистем: бизнеса, власти, финансового и некоммерческого секторов.

Цель. Исследование основных параметров институциональных подсистем Донбасса, выявление проблемных зон и обоснование направлений институционального и социально-экономического развития региона в условиях военного конфликта и адаптации к интеграционному взаимодействию с институтами России.

Методы исследования. В теоретическом плане основой исследования является диалектический метод, позволивший авторам рассматривать социально-экономическую и институциональную системы Донбасса в контексте их вхождения в российское общественное пространство. Для выявления проблемных зон социально-экономического и институционального развития использован монографический метод, позволивший исследовать позиции ученых относительно состояния и перспектив развития экономики и обеспечивающих ее институтов в условиях интеграции в Российскую Федерацию. В практическом аспекте решающую роль в получении результатов исследования сыграл ретроспективный анализ, на основании которого установлена динамика основных институциональных подсистем региона с позиций модернизации функций, реализуемых институтами бизнеса, финансов, власти, некоммерческого сектора в период военного конфликта 2014–2021 гг. и проведения специальной военной операции.

Результаты и обсуждение. Институциональное обеспечение развития Донбасса в контексте вхождения в состав Российской Федерации нуждается в радикальной трансформации в целях адаптации к новым условиям, включающей комплексное преобразование социально-экономической модели региона, его инфраструктуры, диверсификацию и модернизацию институтов. При этом необходимо учитывать наличие слабых сторон институциональной системы региона, к которым авторы статьи относят: наличие угроз внешней среды, вызванных военным конфликтом, начавшимся в 2014 г. и обусловившим ослабление институтов бизнеса; радикальное снижение стимулов для полномасштабной реализации функций финансовых институтов, особенно в части их инновационно-инвестиционной деятельности; неразвитость некоммерческих организаций;

выраженную компоненту бюрократизма в государственных институтах. Новая институциональная модель должна предусматривать снижение уровня уязвимости от геополитических и экономических кризисов, а также зависимости от тяжелой промышленности и угледобычи; развитие высокотехнологичных отраслей и инноваций; концентрацию инвестиций в образование, здравоохранение, переподготовку рабочей силы. Инструментальная база таких преобразований требует формирования обоснованных стратегий и программ адаптации институтов, включая подбор ответственных исполнителей для работы в системе государственных, муниципальных органов и формирование механизмов финансирования проектов для экономического роста и благосостояния населения.

Ключевые слова: институты, институциональные трансформации, адаптация институтов, регион, Донбасс.

Для цитирования: Загорная, Т. О., Трещевский, Ю. И. & Долбня, Н. В. (2023). Институциональное обеспечение развития Донбасса: ретроспективный анализ в контексте вхождения в состав Российской Федерации. *Вестник Воронежского государственного университета. Серия: Экономика и управление*, (4), 46–59. DOI: <https://doi.org/10.17308/econ.2023.4/11685>

Загорная Татьяна Олеговна, д-р экон. наук, профессор, Донецкий государственный университет, Донецк, Российская Федерация
E-mail: t.zagornaya@donnu.ru
ORCID ID: 0000-0003-0097-9557

Долбня Наталия Валериевна, канд. экон. наук, доцент, Донецкий государственный университет, Донецк, Российская Федерация
E-mail: n.dolbnia@donnu.ru
ORCID ID: 0000-0001-7087-6786

Трещевский Юрий Игоревич, д-р экон. наук, профессор, Воронежский государственный университет, Воронеж, Российская Федерация
E-mail: utreshevski@yandex.ru
ORCID ID: 0000-0002-0039-5060

Поступила в редакцию 24.08.2023
Подписана в печать 16.10.2023