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## **THE VALUE OF REGIONAL STRUCTURAL POLICY IN MODERN CONDITIONS OF RESTRUCTURING AND REGIONAL DEVELOPMENT IN UKRAINE**

### **Summary**

*The paper presents the essence and principles of regional structural policy. It was shown its main components and strategic objectives. Were established control subjects of structural policy in the region. Was determined that the goal of regional structural policy is to create conditions for entry into the market of all interested entities, communities and citizens considering territorial and economic specifics strategic direction of the country.*

*Key words: interregional relations, regionalization, regions, restructuring, regional structural policy development.*

### **Introduction**

Global goal of socio-economic development of Ukraine, is to improve the quality of life. To achieve it is necessary to ensure a decent standard of living for the entire population, to build a democratic unitary state, an effective competitive economy in the world community.

In modern, complex, socio-economic and political conditions of Ukraine, under calls for federalism and the split of the state and the struggle of region to extended its rights, the political and economical formation, restructuring and development of the state and regional structural policy is important.

Problems of regional structural policy were examined by local researchers like S. Bila, J. Zhalilo, M. Kobzystyj, O. Luckiv, M. Maksymchuk, L. Fedulova, A. Cherevko, T. Shinkorenko S. Schultz et al.

However, despite the large number of publications in this area, in the national theory and practice of structural formation processes of the regions there is no comprehensive strategic approach to the realities and prospects of the development of region.

### **The value of regional structural policy**

The aim of the study is to establish the merits of regional structural policy in terms of economic restructuring and regional development in Ukraine.

Regional structural policy includes a set of legal, administrative, economic and social activities undertaken by regional authorities<sup>1</sup>.

Change of the content of regional structural policy sets in front of the regional economy new theoretical and practical problems.

The transition to a market economy has led to deep social and economic failures due to various conditions of the region to adapt to market conditions. In our view, particularly vulnerable regions are:

- highly concentrated industries that were unprofitable at market prices or sharply lost demand for their products;
- obtained earlier from the state budget significant subsidies and suddenly lost them.

Existing socio-economic differences of regions and the current structure of the state does not provide effective reform. Since the restructuring of regions is carried out in line with the strategic direction of the country and accounting for general economic trends, the need for economic restructuring has to clever combine two trends – regionalization and integration.

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<sup>1</sup> S.O. Bila, (edited by Prof.). *Mechanisms of formation of regional development priorities*, Kyiv 2013, p. 53.

The essence of regionalization is accounted for in the all-region-specific structural, investment, financial policy; transferring a number of areas of reforms at the regional level (for example, reform in the residential sector); developing special programs for reforming regions with special conditions of development.

We believe that the spatial integration of the economy of the state and the regions should be directed to:

- stabilization of infrastructure integrating systems (main and regional transport links, energy and water systems);
- improve the mechanism of vertical and horizontal interactions of regions in market conditions<sup>2</sup>;
- a unified foreign economic and interregional policy creates for all regions of the general conditions for entry into foreign markets.

Thus, state and regional structural policy must take into account combine the regionalization and integration as objective factors of dynamic economic development of the region and state.

### **Main directions of regional structural policy**

Regional structural policy must be shown in the management of economic and social development defining inter-relationships, and must be a part of the strategy for socio-economic development of the region and the state as a whole. It should include the following main areas<sup>3</sup>:

- formation of the ratio of driving forces of regional development and ensure their cooperation;
- determination of the ratio of the regional aspects of development and management of the economy;
- formation of a system of tools implementing structural policy in the region;

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<sup>2</sup> P. Dudkin, A. Dudkina, *Structural transformation of the regional economy development and its institutional support*. Galician Economic Journal, 2010, p. 95.

<sup>3</sup> N.M. Popadynets, *Structural policy of the region: trends and goals*. Materials of the conference, 2014, p. 370.

- support for depressed regions through the use of legislative and financial instruments;
- the development of underdeveloped areas, restructuring depressed industries;
- decentralization of agglomerations and areas of concentration of industrial production;
- the formation of technopark not associated with existing centers of industry;
- development and implementation of innovative projects in promising sectors of the economy;
- the creation of a vertically integrated manufacturing and industrial complexes;
- effective development of natural and human resources;
- an effective conversion of the military-industrial complex;
- rational distribution of innovative projects.

Without restructuring of structural policy distortions in both the region and across the country will grow.

For Ukraine the regional structural policy is crucial and has specific meaning.

Due to the huge local, natural and geographical differences, national demographic, socio-economic and other conditions of a unified approach to the regions is impossible. During the formation of market relations role of regional structural policy is further increased for the following reasons:

- necessary to account for specific regions in the course of economic and structural reform;
- transfer of a number of powers from the national to the regional level, accounting differences at regional economy<sup>4</sup>;
- inconsistency of long transformation of the national polity and the distribution of powers of government and regional authorities in the administrative reform;
- increasing the exploitation of raw materials and natural resources;
- high dependence on imports of high-tech and high-tech products;
- a significant proportion of industries with the moral and physical deterioration.

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<sup>4</sup> S.O. Bila, (edited by Prof.). *Regional dimension of socio-economic development and foundations of a new regional policy*, Kyiv 2013, p. 19.

## Strategic goals and objectives of regional structural policy

Given this, the strategic goals of regional development should be<sup>5</sup>:

- the formation of structural policy in market conditions with a high degree of competitiveness;
- diversification of the economy of industrial regions and major metropolitan areas through conversion of defense and civilian industries, infrastructure upgrades;
- revival of small towns and villages, restoring livelihoods in rural areas, the development of the municipal economy industrial and social infrastructure, restoring degraded agricultural lands;
- the formation of clusters by investment and production of integrated use of local raw materials and natural resources;
- development of export and import industries in regions with this most favorable conditions;
- formation of free economic zones and technology parks as regional centers of science;
- the preservation and further development of regional and inter-regional infrastructure networks (transport, communications), providing incentives and regional structural changes and efficiency of the regional economy;
- reduction and alignment gap on the level and quality of life of individual regions.

Regional structural policy, in our opinion, should consider how features of the socio-economic situation in the country and production dynamics are inherent in a particular region.

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<sup>5</sup> N.M. Popadynets, *Regional structural policy in strategic management of region* [Internet resource], [In:] [http://www.conf.inem.lviv.ua/?page\\_id=142](http://www.conf.inem.lviv.ua/?page_id=142)

Hence, the purpose of regional structural policies is to create conditions for market entry of all interested entities, communities and citizens on the basis of territorial and economic specifics, the strategic direction of the country.

The strategic objectives of regional structural policy should include:

- implementation of major regional programs in terms of mutual participation of private investors and public investment;
- a combination of principles of the new economic mechanism of regional relations and the development of effective economic mechanism in the emerging market economy<sup>6</sup>;
- development and adoption of the program bringing the economy of Ukraine and its regions from the economic crisis with maximum use of existing opportunities and benefits from specialization and updating of economy;
- identification of regional advantages of economic and social development that should be considered when implementing innovation, financial, investment and foreign policy<sup>7</sup>;
- implementation mechanism of state and market regulation of regional economic development.

According to this, it is necessary to create the concept of long-term socio-economic development of Ukraine and provide a balanced socio-economic development of regions that require synchronization of three regional structural policy areas:

- stimulate economic growth by creating new centers of growth in the regions on the basis of competitive advantage;
- coordination of infrastructure investments and investment strategies of the state of business in regions with spatial development priorities and resource constraints, including demographics;

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<sup>6</sup> M.O. Kobzystyy, *Institutional conditions of realization of structural changes in the the transformation economy*. Scientific and technical information, 2005, p. 35.

<sup>7</sup> L.V. Shynkaruk, *Structural changes and economic development of Ukraine*, Kyiv 2011, p. 385.

- reduction of differentiation in the level and quality of life in different regions and the territory of each of them through effective mechanisms of social and fiscal policies that support the expansion of human potential in all regions of Ukraine.

Implementation of these areas should be aimed at creating optimal conditions for the potential development of the region by addressing infrastructural and institutional constraints, improve coordination of government agencies, local government, business, people.

Basic principles of state policy aimed at regional development should consist of the following:

- coordination of adoption at the regional and local level measures to create conditions for economic and social sphere, their restructuring [3, p. 371];
- formation of advanced centers of economic growth in the regions on the basis of competitive advantage;
- providing financial support to the regions in terms of reduction of differentiation and transformation;
- use mechanisms to encourage public authorities of regions and local authorities to effectively carry out their responsibilities;
- creating favorable conditions for complex socio-economic development.

### **An innovative component of regional structural policy**

To ensure the competitiveness of the regional economy structural policies should take into account the innovation component.

We need to work out the Concept of innovation and social vector of long-term socio-economic development of Ukraine in a regional perspective, the essence of which should be the following:

- restructuring of scientific, technical and educational potential of large urban agglomerations with a high quality environment and human potential, dynamic

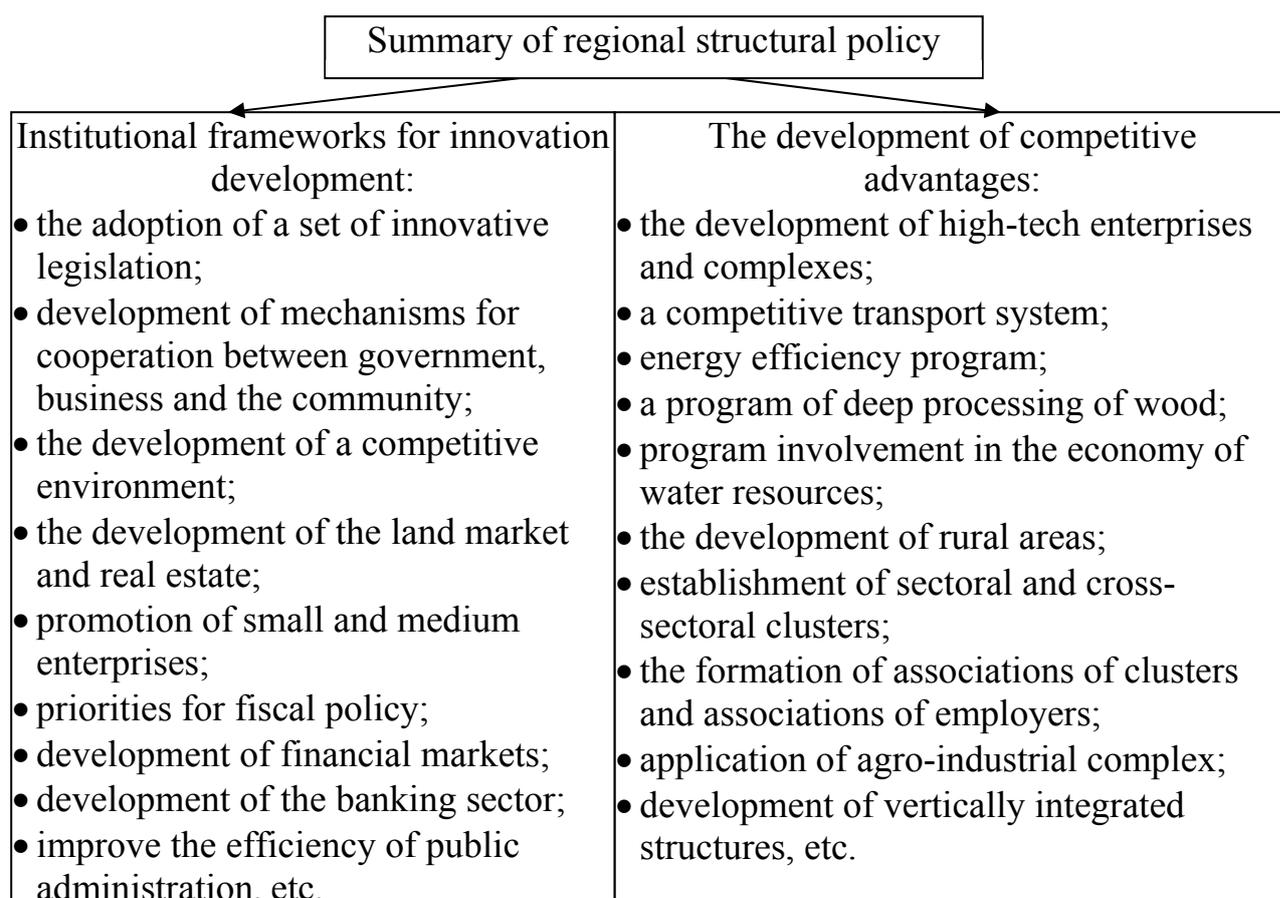
innovation and educational infrastructure (Kyiv and Kyiv, Kharkiv, Donetsk, Dnipropetrovsk, Odessa, Lviv regions);

- formation of territorial-industrial clusters focused on high-tech industries in the priority sectors of the economy of the state, the concentration of clusters in urban regions (all regions of Ukraine);
- formation of territorial-industrial clusters in less developed (poorly mastered) areas targeted for deep mining and processing of raw materials, energy production using modern technology (mechanized, resource and environmental) (Donetsk, Luhansk region, etc.);
- development of tourist and recreational areas with high levels of service delivery service in unique climatic conditions (Ivano-Frankivsk, Lviv, Zakarpattya and Chernivtsi regions, Crimea, etc.);
- the development of large transport and logistics and production units within the formation of core national transport network, which has the necessary potential of bandwidth and provides a holistic relationship centers of economic growth, with its gradual integration into the global transport system (Volyn, Dnipropetrovsk, Donetsk, Kiev, Lviv, Kharkiv region, etc.);
- reducing inter-regional and intra-regional differentiation in the level and quality of social protection and income, living standards convergence between the capital region and the provinces, cities large and small, urban and rural settlements (all regions of Ukraine);
- preservation of cultural diversity, traditional ways of life and employment of different nationalities in different regions of Ukraine (all regions of Ukraine).

Figure 1 shows the components of regional structural policy, including a number of directions for their implementation.

An innovative component of regional structural policy, in our view, involves the formation of a regional innovation system.

Figure 1. Composition of the Regional structural policy



Source: own elaboration.

Innovative direction of regional development includes not only a set of relevant laws, but also a new relationship between the key stakeholders: government, business and community with permeate economic life of the region and the role of locomotive in innovation given medium and small businesses, the development of which is necessary to form adequate infrastructure through innovative structural policies.

### Conclusions

Structural policy in the region should include the modernization of the economy with the creation of high-tech enterprises, increasing energy efficiency, development of communications of all kinds, rational use of natural resources in the region, the formation of clusters in new and traditional sectors.

Structural policy of regions is realized through the interaction of government, business and the community, providing reforming and restructuring the economy and economic system based on innovation. Thus, the regional structural policy emphasis moved from extensive problem solving approach to the use of intensive methods; to limit the growth of large cities - the revival of small cities, satellite towns and rural settlements.

Thus, the content of structural policies can be represented as a set of legal, economic, organizational and administrative institutions designed to implement the goals and objectives of the regional government to manage political, economic and social development of the subject, to form innovative competitive economic system.

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