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## **TERMS AND PERSPECTIVES OF REGIONAL ECONOMIC POLICY REALIZATION IN UKRAINE**

### **INTRODUCTION**

Currently, such problems of regional development as excessive disparity and structural imbalances, redistribution of resources and capital for the benefit of the same regions, imbalance of spatial and economic processes in Ukraine continue to remain unresolved. Moreover, the situation in Ukrainian regions is complicated by modern transformation processes in the economy development connected with globalization challenges, structural changes and new forms of economic activity intensive development. This forms new issues for the regional economic development problems solutions and decision-making at the macro and regional levels.

### **BASIC MATERIAL**

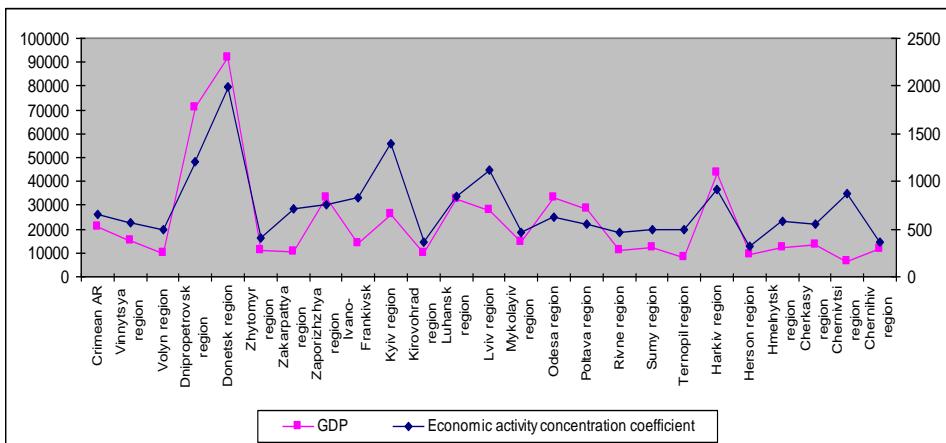
A quite low competitive position of regions in the global market, the low intensity of integration processes in the formation of the domestic market, the existence of dangerous trends in the settlement system skeleton development through the degradation of rural settlement network require new solutions for both state and regional economic space efficiency increase from national and regional authorities.

Systemic structural reforms incompleteness in Ukraine as well as the tendency to strengthening structural imbalances in the Ukrainian region's economy contribute to the failure of traditional Ukrainian national regional policy of solving the problems of the efficient formation of economic structure in the regions and reducing territorial and structural inequalities at the regional and local levels.

Currently, Ukrainian regions significantly differ by the main indicators of social and economic development (fig. 1).

The problem of any economic system asymmetry is associated with its structural characteristics and, consequently, the efficiency of the existing

economic policy of the state and its regions. For many years structural changes in economy have been developing under the absence of a unified strategy of its structural adjustment. Accordingly, the structure of Ukrainian region's economies remains inefficient and ecologically dangerous. Resource-, energy- and material-intensive productions, which lead to natural and human resources overexpenditure are in its basis. Such structure does not satisfy the regions needs in investment resources, consumer goods and services and, that is especially important, in the workplaces. This reduces the potential opportunities for further economic growth of regions, increases the threat of crisis as well as prevents effective interaction of the power vertical.



**Figure 1. Inter-regional comparisons of economic activity concentration coefficient and GRP**

Source: *Statystychnyy shchorichnyk Ukrainy za 2011 rik, 2012, p. 559*

Currently, modern Ukrainian economic development processes effect the regional economies structure formation. It concerns the development of transnational corporations, dealer firms, network business structures in manufacturing, trade and other economic activity spheres as well as establishment of other new spatial forms of economic activity organization (clusters, technopolises, industrial parks, etc.), dissemination of innovative services and so on. All these processes are changing the traditional structure of the regional economy. Therefore, currently, the issue of state and regional authorities' influence the structural – economic and structural-territorial processes effectiveness increase is especially important. This situation is complicated by the fact that the region is not a real subject of economic relations. The negligible share of state ownership in the structure of economic actors activities, a high level of corruption in a society, lack of effective interaction practice between business and government, political

instability in the country and the necessity to consider external effects, globalization challenges, political and economic competition demonstration are not acting for the benefit of rapid and productive reforms. Therefore, the active reformatory state position in regional development and economic change is necessary.

Macroeconomic state policy is effective only in its combination with an effective regional policy. Economic space of the country is formed not only by enterprises of various types of economic activity and ownership, but also territories that constitute an economic space skeleton, are actively involved in the economic and political influences reallocation, are forming state economic potential and react on the globalization trends spread.

The changes in the geopolitical and geo-economic realities, terms of regional economic potential placement and usage, changes in the economic relations type and direction, institutional changes in the economy that led to the formation of new public-private influences proportions, production territorial organization new forms development caused the appearance of new phenomena and processes in spatial economic development. Production location processes and settlement system development is currently based on the location market motivation of the economic actors and new settlement preferences of the population. Such situation requires new regionalistic conceptual theses development as well as involvement of the new methods of regional development particularities and governance mechanisms research.

V.N Leksin [Leksin, 2009, p. 19–40] noticed that regional policy is the process of formulation and implementation of structural and parametric changes in the territorial organization of society. Its implementation implies multi-level influence of authorities, from the state regulatory actions to the instruments of regional and local government.

Regional policy is developed and implemented at three levels: national, regional and local. While on the national level, the influence of national economy regional structure is expected through the regional specialization increase, changes in their role in the territorial labour division and the strategic and regional problems of national importance solutions, on the regional level regional policy is focused on resources mobilization, maintainance of appropriate living conditions for the population of regions and coordination of the interests of the region and lower territorial-administrative units.

Therefore, in the current economic conditions the management of socio-economic development and the civil society formation in Ukraine is focused on determining of the ratio correlation of state-governmental and regional-social impacts.

Regional policy is an important priority of the Ukrainian national policy. Increased attention to the regional policy formation and implementation in the country was observed during the whole period of Ukrainian independence. It is confirmed by consistent steps of the central government towards legislative environment improvement of power decentralization as well as the introduction of new forms and methods of social and economic development.

Summarizing the legal and regulatory framework of Ukrainian regional policy some principal directions of its implementation can be noted. The main documents that define the state regional policy priorities are the following: the Law of Ukraine “About the regional development stimulation”, Decree of the President of Ukraine “About the State Regional Policy Concept”, the Resolution of the Cabinet of Ministers of Ukraine № 1001 as of 21 July 2006 “About the Approving of National Regional Development Strategy till 2015”, Resolution of Cabinet of Ministers of Ukraine № 476 as of 20 May 2009 “About the introduction of the interregional and intraregional differentiation evaluation of socio-economic regional development”, Regulation of Cabinet of Ministers of Ukraine № 41-r as of 21. 01. 2009 “About the establishment of the working group on drafting the Law of Ukraine”, “About the basis of state regional policy”, as well as annual Resolutions of Cabinet of Ministers of Ukraine “About the Approval of the Action Plan for 2010 on the National Strategy of Regional Development until 2015 implementation”, Resolution Cabinet of Ministers of Ukraine № 453-r as of November 14, 2005 “About collective bargaining on the General, sectoral and regional agreements execution” and others.

State participation in regional development problems solving is expressed through:

- Allocation of subventions from the state budget of Ukraine to local budgets;
- Appropriation of funds for the implementation of urgent environmental measures in separate regions;
- Financial support of regional socio-economic development investment projects implementation (from the Stabilization Fund);
- Funding the National Regional Development Strategy strategic priorities implementation;
- Identification of the regional target programs development and financing procedures;
- Creation of the institutions, which are aimed at regional policy activities development and implementation, particularly the Ministry of Regional Policy and Construction of Ukraine, the Council of Regional Development and Local Government, regional innovation development centers, state and local sectoral entrepreneurs councils and others.

The Law of Ukraine “About the stimulation of regional development” declared obligatory agreements between the Government of Ukraine and regional authorities, which are providing the order, amount, form and terms of financing the joint ventures between central and local executive authorities and local self-government on implementation of the State Strategy of Regional Development in the regions. Regional agreements should take into account the priorities of the State Strategy of Regional Development for the period until 2015 and strategies for economic and social development of the regions. Currently, regional agreements have been signed, but unfortunately a small number of involved regions and failure to fulfil obligations stipulated by the agreement, is confirming the low level of their implementation. This is confirmed by the lack of financing of activities that are stipulated by agreements and provided for and efforts of regional authorities of Donetsk and Lviv regions to resolve this issues by the mechanisms provided by regional agreements.

An important step in the formation of regional policy in Ukraine was the signing of the Memorandum about Understanding for the establishment of the dialogue about regional policy and regional cooperation development between the Ministry of Regional Development and Construction of Ukraine and the European Commission. This dialogue will be focused on the understanding and bilateral cooperation strengthening as well as exchange of information on regional policy. It will contribute to the regional cooperation between Ukraine and the EU. The changes in the economic activities organization and territorial development processes management take place in the course of transition to a post-industrial society in Ukraine. The priority control and planning functions are replaced by functions of conceptual, strategic and tactical coordination and management. Successful organization of different regional systems development processes as well as development of the norms of coordination between them will ensure the development of the country in different directions.

Transformations of the system of regional systems management are also connected with the formation of new market-oriented economic systems. Accordingly, the extension of the traditional subject-object field of management activities is associated with the regions involvement in the processes of international and interregional cooperation.

Changes in the system of regional development management are also in:

- Introduction of corporate management tools into the regional management;
- Increasing the level of decisions making publicity;
- Decentralization of the authorities power and strengthening of the local authorities influence and responsibility.

Regionalization processes became structure-determining processes of social development and at the same time remain traditional methodological and

scientific-applied problems of the public administration theory that acquire new features at every historical stage of development.

In the view of the mentioned above, the current regional policy should take into account:

- Objective trends of the global economy development (ecologization, socialization and humanization of the economy, its innovative orientation);
- Socio-historical and geopolitical features of the Ukrainian economy development and its basic principles (necessity to combine market mechanisms and government regulation of socioeconomic processes);
- Necessity to ensure economic efficiency, social justice, protection of the owners interests and social orientation of the economy;
- Emergence of new institutions, integrative and associated forms of businesses that are related with the diversity of ownership forms and business organization;
- Establishment of specific forms of management and business activity based on democratic and competitive basis;
- New ideology of economic relations based on partnership;
- Necessity to improve the qualification level of the skills of the authorities human capacity.

Transformation of the traditional management paradigm for Ukraine regional development should contain the transition from the “paradigm of interregional assignment “, which is based in the budgetary income reallocation between regions, to the network management paradigm, which provides:

- All economic entities and the public representatives involvement in the management processes;
- Creation of the conditions for self-regulation of the local systems development;
- Activization of the information society communication resources usage;
- Activization of the interactions between government authorities and business, as well as expansion of public-private partnerships.

Defining the major influences of regional authorities on the economic system finds its confirmation in the main objectives of regional policy, which are established in National Strategy of Regional Development for the period until 2015. Particularly, this means tasks on creating conditions to improve regional competitiveness, ensuring their sustainable development on the basis of modern technologies, high productivity and population employment.

An important strategic course on the abovementioned optimization is lying in the sphere of improvement of interactions between government authorities and business structures. Modern realities indicate the displacement of the management mechanism of interaction between government and business in the

field of self-regulation. However, currently there are still a lot of unsolved problems in this direction. Business pays taxes and creates jobs but not always receives support from government authorities. Business financial resources are involved primarily in conducting political hospitalities and events [Balabayeva, 2009, p. 3–6]. Neither the authorities nor the entrepreneurs are satisfied with the present relationships between them. This situation contributes neither to solving of areas socio-economic development problems nor to businesses position strengthening. The latter is also caused by the introduction of “differentiated rules through the use of selectivity principle to the business entities and establishment of the primitive force methods of governance undermining the trust between authorities and business” [Vyelkov, 2010, (http)].

In the evaluation of the features of interactions between government and business in Ukraine Velkov V.M. states that:

- Effective management of the interactions between business and government is the basis of public administration improvement by ensuring the feedback and timely identification of the reaction of business sector on the management actions of the state (it is reflected in financial indicators and subjective business assessments), and well as the incorporation of business potential in the economic development strategies;
- Improvement of management mechanism by the specified interaction corresponds with the business sector functioning success, state regulation of social and economic processes efficiency increase and improvement of the quality of management in state organizations, which should have a stimulating effect on the development of economic systems at different levels of the hierarchy;
- The main obstacles for business development are in the sphere of state intervention in economic processes (corruption, high administrative barriers, taxation are among the main problems of business development), and not enough high state machine efficiency (for example, the complexity of the reforming of state management mechanism by internal forces);
- Currently, the process of management of interactions between government and business includes the necessity of favourable institutional conditions for the public-private cooperation creation considering their high differentiation in different socio-economic systems of the regional level; strengthening the organizational, financial, informational and human potential for the changing of the quality and quantity characteristics and interaction results.

Sufficient potential for managing of the interactions between government and business has been accumulated in the Ukrainian regions. Currently, regional authorities are initiating regular meetings of local and regional authorities’ representatives and entrepreneurs. The purpose of these meetings is to enhance

the constructive dialogue between government and business for more favourable conditions for small and medium businesses creation. Such meetings are held in the form of the open dialogue in which entrepreneurs have an opportunity to ask relevant questions to the officials about the development of small and medium businesses, to share their vision of effective cooperation between government and business as well as to discuss ways to solve business problems. The issue of streamlining inspections of entrepreneurs by the controlling bodies and the introduction of electronic reporting of the entrepreneurs to all controlling bodies are the most actual issues in this area. Authoritative institutions are conducting surveys of the entrepreneurs about their proposals in the area of cooperation and urgent problems solving. Effective solutions that are focused on business development in the regions are the aim of such surveys. Besides, the authoritative institutions of regional and local levels are carrying out the local and regional sectoral entrepreneurs' councils organizational support.

Currently, the practice of interactive communication on the problems of business conducting over the Internet is quite common. Forums where entrepreneurs have the opportunity to discuss urgent problems and their solutions and to get professional advices from experts and representatives of the single permissive office and single registration center are created on the Web sites of regional and district state administrations. Legal consultation and informational centers are established within the Administrative Services Centers "Transparent Offices" in the regional centers of Ukraine. Citizens and business entities can get free advices on architecture and urban planning, housing distribution and registration, state registration of business entities, land and other legal questions.

Financial, credit and investment support of the entrepreneurship in the Ukrainian regions is provided through the region, district and local budgets, where the funds are provided for: direct financial support (loans) on a return basis through regional and local funds of entrepreneurship support and partial reimbursement of interest rates on loans obtained by small and medium businesses from local budgets for investment projects implementation. Another important instrument of the entrepreneurship investment support mechanism is the investment fairs and forums organization and conducting. Their purpose is to familiarize investment market participants with the regional opportunities and perspectives, investment proposals as well as to establish direct contacts. Such events participants have the opportunity to get acquainted with the exposition that shows the economic situation, potential and investment proposals of the regions, districts and cities of regional subordination.

Resource and information entrepreneurship maintenance means the information provision through official publications and the Internet about the list



of municipal and state property that falls under privatization. All mentioned above shows that small business development problems and economic reforms in various sectors of economic activity are constantly in the focus of government, but it's not enough to improve effectiveness of the interactions between government and business.

### CONCLUSIONS

Summarizing all abovementioned helps to conclude that currently determining priorities of regional development should be: governance institutions building, regional economic space expanding according to the geopolitical and geo-economic conjuncture, national and regional elites modernization, regional economies spatial organization improvement, progressive social dynamics, rational industrial, social, transport and logistics infrastructure allocation, according to the regions competitive advantages, resources concentration on sustainable relationships between the regions and global economic space building, the introduction of stimulating mechanisms for the efficiency of the entrepreneurship development improvement, etc.

### LITERATURE

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