

DIRECTIONS OF THE STATE REGIONAL POLICY REGARDING ACTIVATION OF SUSTAINABLE DEVELOPMENT OF REGIONS IN THE CONDITIONS OF DECENTRALIZATION

Nataliia Osadchuk

¹Senior lecturer of Finance, Accounting and Economic Security Department, Uman State Pedagogical University named after Pavel Tychyna, Uman, Ukraine; e-mail: n.osadchuk@udpu.edu.ua, ORCID: <https://orcid.org/0000-0001-5921-3869>

Citation:

Osadchuk, N. (2020). Directions of the state regional policy regarding activation of sustainable development of regions in the conditions of decentralization. *Economics, Finance and Management Review*, (4), 129–137.

Received: November 11, 2020

Approved: December 04, 2020

Published: December 07, 2020



This article is an open access article distributed under the terms and conditions of the [Creative Commons Attribution \(CC BY-NC 4.0\) license](https://creativecommons.org/licenses/by-nc/4.0/)



Abstract. It is established that global trends and Ukrainian realities in the course of a recognized system of sustainable development management of the region prove the strengthening of the role of state regional policy to enhance sustainable development of regions and the country as a whole. It was found that the implementation of state regional policy to promote sustainable development of regions in decentralization can not be considered separately from the reform of administrative-territorial organization, fiscal decentralization, development and promotion of competitive economic principles, strengthening the role of local government. That is why the State Strategy for Regional Development for 2021-2027 defines "coordination of state policy in various areas, achieving efficient use of state resources in territorial communities and regions in the interests of man, state unity, sustainable development of historic settlements and preservation of traditional historical environment, preservation environment and sustainable use of natural resources for current and future generations of Ukrainians" is one of the key tools of state management of regional development, which contributes to solving the problems of the regions. The purpose of the study is to develop theoretical and practical recommendations for improving and effective use of state regional policy instruments to enhance sustainable development of regions in a decentralized environment (based on the materials of the central regions of Ukraine). Against this background and taking into account the peculiarities of the transformation of the regions of Ukraine in the context of decentralization, it is necessary to study the possibility of using the tools of state regional policy to ensure sustainable development of territories. In the article: the characteristic features of the state regional policy are investigated; the peculiarities of the formation of reserves of the regional development fund are substantiated; the principles of the state regional policy are outlined; the directions of use and volumes, and use of means of the State fund of regional development on an example of the central areas of Ukraine are analyzed; generalized proposals for the introduction of a unified approach to setting priorities in regional strategies is appropriate.

Keywords: sustainable development, region, sustainable development of the region, state regional policy, decentralization.

JEL Classification: E27, H41, H70

Formulas: 0; **fig.:** 1; **tabl.:** 4; **bibl.:** 11

Introduction. Sustainable development of the region is the main concept and strategic goal of economic management not only of the regions, but also of the country as a whole. It should, on the one hand, be based on global factors and, on the other hand, take into account the specific features of each region, its transport, natural, economic, social and other conditions, human and labor potential - that is, everything that provides a continuous reproduction process. mandatory requirements of the doctrine of sustainable development.

Today there is instability in the development of socio-economic systems of the regions as a result of the destruction of the foundations of expanded reproduction, production has acquired mainly raw materials, the basis of the economy was the

export of natural resources, decreased production, innovation and scientific and technical potential of regions. internal reproduction processes. In this regard, the need for a multilevel system of regional development management, which should be based on the rational use and construction of relationships between different types and levels of activities, management hierarchy, areas of functional responsibility and resources. Of particular note is the study of the potential of community budgets and their state regional support, which ultimately serves as a prerequisite for achieving a balanced development of territories.

Literature review. Issues of state regional policy to enhance the sustainable development of regions in the context of decentralization have been studied both in the works of foreign authors and among the works of Ukrainian scientists. Among them this problem was revealed by: M. Knogler, M. Dolishniy, O. Kohut, A. Prokopyuk, O. Sekarev. In their works the state regional policy as one of tools and directions of activization of sustainable development of regions of Ukraine is investigated. It should be noted that this tool is not a panacea, but acts as an additional stimulus to the development of the social component of regional policy.

Aims. The purpose of the study is to develop theoretical and practical recommendations for improving and effective use of instruments of state regional policy to enhance sustainable development of regions in a decentralized environment (based on the materials of the central regions of Ukraine).

Methods. In the course of research such research methods are used as: methods of induction and deduction; observation and generalization; graphic methods; methods of system-structural analysis; methods of scientific generalization were used.

Results. The directions of the state regional policy on intensification of regional development should be considered in the context of the implemented decentralization reforms in Ukraine.

The State Strategy for Regional Development for 2021-2027 states that: "the objectives of the new regional policy are to accelerate economic growth of regions, increase their competitiveness through efficient use of domestic potential, create new jobs, improve employment, create conditions for repatriation. migrants. This is what can give a rapid and steady increase in the level of quality of human life, regardless of where he was born, where he lives now and where he will live in the future "[1].

State regional policy, in the context of sustainable development of regions, should be understood as a set of organizational, legal, financial and economic and social measures implemented by the state in the field of regional development, taking into account the current state of regions and strategic objectives. And the directions of the state regional policy on intensification of regional development are directed on stimulation of effective development of productive forces of the region, rational use of their resource potential, creation of normal living conditions of the population, ensuring ecological safety and improvement of territorial organization of society.

According to M. The long-term "state regional policy of Ukraine in the long run should be based on the principles of priority of national interests, and this involves first of all taking into account the characteristics of regions, leveling their socio-

economic development, ensuring equal development conditions for all regions, compliance with laws and stability center and regions "[2, p.11-12].

This definition quite outlines the existing idea of regional policy and indicates the possibility of creating an acceptable mechanism of interaction for both the state and its regions, which will take into account the specifics of individual territories and promote the best use of their endogenous potential.

M. Knogler and O. Sekarev understand regional policy as "a set of measures aimed at eliminating differences in economic capacity and living standards between existing territorially separated parts of the country" [4, p. 65].

It is the effectiveness and efficiency of state regulation of regional development and regional governance depends on the thoughtfulness and validity of the decisions made in stages - the formation of state policy of regional development and its implementation and the construction of effective communication channels between public authorities and local government [4]. Ukraine indirectly, through central executive bodies, traditionally uses such instruments of influence on regional development as: legal regulation, direct state investment, redistribution of budgetary resources, establishment of direct institutional relations between central authorities and local self-government bodies. Each of these state instruments of influence on regional development requires a review of the conditions, expediency and scope of application in order to find the optimal balance "state - region - community" [5].

The Concept of State Regional Policy clearly outlines its principles (Fig. 1) [2].

Decentralization reform in Ukraine was initiated due to the low capacity of local governments to exercise their powers at the appropriate level. Decentralization, which included the reform of local self-government and territorial organization of power, was aimed at ensuring the capacity to provide public services.

Since 2014, as part of the implementation of state regional policy, the Government has annually increased the amount of state financial support for the development of regions and communities. For example, in 2019 the Government is implementing 79 programs of state support for the development of territories for which UAH 84.1 billion is provided, in 2018 - UAH 66 billion.

The creation of the State Fund for Regional Development (SFRD) is one of the conditions for accelerating the socio-economic development of the regions of Ukraine, transferring state instruments for regional development to a new basis, moving away from the old practice of financing only the construction of new facilities. financing at the expense of subventions for social and economic development of regions, subventions for social and economic development of separate territories, state target programs. The creation of the State Fund for Rural Development allows to start financing regional development projects in Ukraine on a competitive basis and in accordance with regional development strategies and action plans for their implementation [6].

PRINCIPLES OF STATE REGIONAL POLICY

constitutionality and legality
rule of human rights - the priority of human and civil rights and freedoms in the process of formation and implementation of state regional policy
unity - the inevitability of ensuring the territorial, political, economic, informational, socio-humanitarian integrity of the territory of Ukraine through a more balanced social and economic development of the regions and increase their competitiveness
complexity - taking into account and spatial coherence of the implementation of all components of state regional policy: political, social, economic, environmental, humanitarian, ethno-national;
coordination - coordination of reforms, relevant priorities and actions of central and local executive bodies, local governments, aimed at implementing state regional policy, which affect the socio-economic development of Ukraine and its regions;
decentralization - redistribution of power in favor of local governments with the transfer of appropriate resources;
accessibility - ensuring proper and timely provision of public services, simplicity and free access of persons to receive them;
priority and phasing - concentration of resources in accordance with the established priorities, defined goals and stages of implementation of the state regional policy;
software - implementation of state regional policy on the basis of interconnected long-term strategies, plans and programs;
partnerships - ensuring close cooperation, cooperation and solidarity between central and local executive bodies, local governments, business entities, civil society institutions in the process of forming and implementing state regional policy;
openness - transparency, predictability, predictability of the activities of central, local executive bodies and local governments in the formation and implementation of state regional policy;
responsibilities - central, local executive bodies and local governments of all levels within the powers granted to them are fully responsible for the formation and implementation of state regional policy;
comprehensive state support for the development of local self-government in Ukraine - the formation of legal, financial and material and organizational independence

Figure 1. Principles of state regional policy

Source: systematized by the author based on [2]

The State Fund for Regional Development (hereinafter - SFRD) has become an effective tool for implementing state policy of regional development has begun. One of the main problems of the State Fund for Rural Development is the financing of small social projects: projects for the construction and restoration of social institutions. These are usually small and point projects that do not stimulate the development of entrepreneurship, economic projects, which will increase the capacity of local budgets and the formation of important economic infrastructure of the regions.

To make the Fund as effective and efficient as possible, the Law “On Amendments to Article 24 (1) of the Budget Code of Ukraine to Improve the Efficiency of the Use of the State Fund for Regional Development” was adopted. The law provides for the division of the fund into 3 parts:

1) 50%, which will finance exclusively projects of national importance for the implementation of the State Strategy for Regional Development until 2027. These are airports, seaports, bridges, modernization of railway connections and other state and development infrastructure projects. As well as complex projects for the

transformation of coal regions, projects for the transformation of production facilities, etc. ";

2) 30% - for the implementation of regional strategies, subject to funding of projects aimed at socio-economic development;

3) 20% - will be aimed at community development and implementation of local projects: lighting, social facilities, equipment for utilities, etc.

Funds for state support for territorial development are directed to: regional development (including the development of innovative economy and investment, human development, rural development, tourism development, all-Ukrainian solidarity, development of problem areas, effective management of regional development), road and transport development) infrastructure, rural development, energy efficiency, environmental security and sustainable development, sports infrastructure development, educational development, cultural development, healthcare development, administrative services infrastructure development (CNAPs), infrastructure development (social security) [7].

Program participants: local and central executive bodies and local self-government bodies (owners of state and municipal facilities). Areas of use of funds: implementation of investment programs and regional development projects (including projects of cooperation and voluntary association of territorial communities) aimed at regional development, creation of infrastructure of industrial and innovation parks, sports infrastructure and meet the priorities defined in the State Strategy regional development and relevant regional development strategies, as well as the implementation of projects - winners of the "All-Ukrainian public budget".

Table 1. Volumes of the State Fund for Rural Development for the period from 2015 to 1.09.2020

Years	Volumes of fund allocations, UAH billion.	Used funds, UAH billion	% of total appropriations
2015	2,9	2,4	82,26
2016	2,9	2,7	93,1
2017	3,5	3,1	88,5
2018	6,0	5,7	95,0
2019	7,7	no data	no data
2020*	4,9	1,2*	24,5*

* as of August 2020

Source: calculated by the author based on the data of the Accounting Chamber of Ukraine and the project "Decentralization"

According to Table 2, in 2015 876 projects were approved, of which 532 were completed, in 2016 810 projects in Ukraine were launched, of which 502 were completed (69 projects were implemented in OTG, which is 8.5% of of their total number), in 2017 less was launched - 803 projects, of which 401 projects were completed (50%), in 2018 - 806 projects were approved, and all of them were completed (according to the Report of the Accounting Chamber of Ukraine for 2017-2018 However, only 707 projects were approved in 2019, of which tender procedures

were not completed for 120 projects worth a total of UAH 988 million. 461 more projects will be implemented in 2020. This decrease is explained by the non-compliance of the submitted projects with the established requirements and / or non-submission of proposals by the regions [8].

Table 2. Number of SFRD projects for the period from 2015 to 1.09.2020

Years	Number of projects	Number completed projects	% completion of the total projects
2015	876	532	60,7
2016	810	502	61,9
2017	803	401	50,0
2018	806	806	100,0
2019	707	немає даних	немає даних
2020*	461	-	-

* as of August 2020

Source: calculated by the author based on the data of the Accounting Chamber of Ukraine and the project "Decentralization"

From the Table 3 we can be seen that in 2015-2017 and 2019, Vinnytsia region among the central regions of Ukraine occupies the largest percentage in terms of the use of funds from the State Fund for Rural Development, and in 2018 and 2020 - Kyiv region. Kirovohrad region only in 2015 occupied the same percentage of use - 3.6%, from 2016 to 2020 - this is the lowest figure among the central regions of Ukraine.

Table 3. Use of funds of the State Fund for Regional Development of Central Regions of Ukraine for 2015-2020*, %

Name of the area	2015	2016	2017	2018	2019	2020*
Vinnytsia	5,3	5,2	5,5	3,2	3,4	3,2
Kyiv	3,6	3,6	2,9	3,9	2,8	3,3
Kirovograd	3,6	2,0	2,1	1,9	2,1	1,5
Cherkasy	2,8	2,5	2,5	2,3	2,3	2,2
Total in Ukraine	100,0	100,0	100,0	100,0	100,0	100,0

* as of August 2020

Source: compiled by the author based on [8]

Project financing through the State Fund for Rural Development is seen as the most promising mechanism, but at the same time it is the most difficult for local communities. Because it requires certain resources to create projects: intellectual - professionals who will support the project, and financial - the ability to co-finance the project by a united territorial community.

We are convinced that the funds of the State Fund for Rural Development in the future can become the main financial support for the development of communities, and especially formed in the process of decentralization of united territorial communities.

Table 4. Directions of selected SFRD projects in the central regions of Ukraine for 2018-2020*, the number of projects

Directions of selected SFRD projects, number of projects		education	health care	culture	sport	infrastructure	landscaping	other	total
Name of the area	Years								
Vinnytsia	2018	10	6	2	7	1	-	4	30
	2019	8	4	4	3	-	1	1	21
	2020	13	4	3	9	-	-	-	29
Kyiv	2018	7	3	2	2	-	-	-	14
	2019	4	3	-	3	-	-	-	10
	2020	11	1	1	2	-	-	-	15
Kirovograd	2018	4	1	1	1	1	1	-	9
	2019	4	-	1	1	1	2	-	9
	2020	5	-	-	1	3	-	-	9
Cherkasy	2018	9	5	4	3	1	25	1	48
	2019	3	3	1	3	-	19	1	30
	2020	4	1	2	4	-	1	-	12

* as of August 2020

Source: compiled by the author based on [8]

From the table. 4. It can be seen that the largest number of projects was selected in 2018 in Cherkasy region - 48. Note that more than half of them were used for landscaping. By areas, most projects relate to educational institutions - mainly major repairs and reconstruction of secondary schools and kindergartens. In 2018, most of them were selected in Vinnytsia region - 10, and the least - in Kirovohrad region - 4.

Discussion. However, along with the positive impact of the Fund's activities, there are a number of shortcomings in its operation, namely:

- stable dominance of social projects, which does not create an investment basis for further economic development of the regions;
- failure to take into account in the formula of distribution of funds of the State Fund for Rural Development of the socio-economic situation of the territory;
- unpredictability of the amount of SFRD funds due to the abolition of dependence on the volume of the general fund of the state budget of Ukraine;
- inconsistency in time of procedures for planning and allocating funds for the implementation of projects with the State Fund for Rural Development;
- strengthening of administrative and political levers of influence on project selection, lack of consultations with community residents.

The shortcomings of organizational and economic nature in the functioning of the State Fund for Rural Development still do not allow it to play a significant role in solving problems of regional development [10].

Another important document of the legislative act regulating the sphere of regional development and development of territorial communities in the conditions of decentralization is the State Strategy of Regional Development for 2021-2027,

approved by the relevant resolution of the Cabinet of Ministers of Ukraine in 2020 [9].

The document states that the strategic goal of regional policy for the period 2021-2027 is development and unity, focused on people - a decent life in a cohesive, decentralized, competitive and democratic Ukraine.

In order to achieve the set goals and implement the State Strategy, it is critical to target state budget funds. Effective state regional policy is impossible without high-quality regional strategies, so the Ministry of Regional Development is working with regional state administrations to update regional strategies to bring them in line with the State.

Thus, the implementation of the state regional policy to enhance the sustainable development of the region is a set of measures at the state, regional and local levels, aimed at sustainable development of the region ...

In accordance with the provisions of the Law of Ukraine "On Principles of State Regional Policy" and the Resolution of the Cabinet of Ministers of Ukraine "On Approval of the Model Regulations on the Regional Development Agency" dated 11.02.2016 № 258. Regional Development Agencies were established in the regions. The main tasks of the Regional Development Agencies:

- promoting the development of entrepreneurship (small and medium business) in the region;
- establishing an effective system of project activities, development of quality regional development projects;
- promoting investment activities and increasing the investment attractiveness of the region;
- participation in the development of draft regional development strategy and action plan for its implementation;
- assistance to local self-government bodies of territorial communities in preparation of community development strategies and relevant action plans;
- participation in the development of regional development projects;
- participation in the organization and carrying out of educational actions and trainings for representatives of local governments.

It is the Agencies that have become a key element of the institutional support system for the implementation of the new state regional policy and to ensure the optimal combination of state, regional and local initiatives with the interests of the private sector within regions and communities.

Thus, in our opinion, Regional Development Agencies are influential institutions of regional and local development, which are the main element of the system of institutional support for the implementation of the new state regional policy to enhance sustainable development of the region.

The implementation of regional policy requires a certain "headquarters" in the system of executive power, which makes major decisions of a tactical nature and ensures the coordination of other institutions and institutions involved in the process of such implementation. Depending on the stage of regional policy development in a country, the goals of state regulation of regional development in European countries

were organized by specialized ministries or the implementation of regional policy was coordinated by non-specialized central executive bodies, which created appropriate structural units.

The expert noted that by combining all opportunities for cooperation between government, local government, business and civil society to achieve the objectives set out in the strategies, it is possible to achieve sustainable development of regions and communities, improve the quality of life regardless of place of residence. Representatives of regional and local authorities need to learn to effectively use all the opportunities provided to them.

Conclusion. Thus, in order to unify the approach to setting priorities in regional strategies, it is advisable to: apply a combination of sectoral, spatial and managerial approaches to the formation of priorities, which will allow the rational use of limited resources, minimizes their loss; will promote the use of existing local potential, intensify the initiative of local authorities in the formation and implementation of priorities and in general, will lead to the formation of a positive synergy effect in the implementation of strategy priorities; determine the priority of regional development on the basis of the following sequential actions: formulation of regional development problems, assigning them a rank or place in importance, making the transition from describing problems to prioritizing their solution in parallel distribution of priorities by value. With this, it is possible to achieve clarity and logic of priorities, structuring their system and maintaining a balance between the problem and the importance of the priority; focus on the European practice of setting priorities through standardization / unification of approaches to the preparation of regional policy documents with EU documents (including creative use of the experience of EU countries in developing strategic documents for regional development).

References:

1. The Cabinet of Ministers of Ukraine. Resolution № 695. URL: <https://zakon.rada.gov.ua/laws/show/695-2020-п#Text>
2. Dolishniy M.I. (2006). Regional policy at the turn of the XX-XXI century: new priorities. - K .: Scientific opinion. 512 p.
3. Knogler M., Sekarev O. (1995) Market reform and regional policy. *Economy of Ukraine*. № 1. P.64-71.
4. Prokopyuk A. State regional policy: scientific approaches and world practices. URL: [http://ird.gov.ua/sep/sep20156\(116\)/sep20156\(116\)_014_ProkopiukA.pdf](http://ird.gov.ua/sep/sep20156(116)/sep20156(116)_014_ProkopiukA.pdf)
5. Ukraine: a year after the election. Monitoring of regions / According to the general. ed. I.O. Roe deer; Laboratory of Legislative Initiatives. K .; Lviv: MS, 2007. 336 p.
6. State Fund for Regional Development (SFRD) URL: <https://dfrr.minregion.gov.ua/pro-konkurs>
7. Decentralization and formation of regional development policy in Ukraine (2020). / for science. ed. Ya. A. Zhalila. - 153 p. URL: https://niss.gov.ua/sites/default/files/2020-09/decentralizatsiya-i-formuvannya-polityky-regionalnogo-rozvytku-v-ukraini_0.pdf
8. State Fund for Regional Development. URL: <https://dfrr.minregion.gov.ua>
9. On approval of the State Strategy for Regional Development for 2021-2027 URL: <https://zakon.rada.gov.ua/laws/show/695-2020-п#Text>
10. Improving the functioning of the State Fund for Regional Development URL: <https://niss.gov.ua/sites/default/files/2020-09/dfrr.pdf>
11. Mihus, I. & Greben S. (2020). Modern approaches to the essence and forms of public administration. DOI: <https://doi.org/10.36690/PADE-06>.