

**Mikhail Orlatyy, ScD in Economics**

**Ihor Shlapak**

*National Academy of Public Administration under the President of Ukraine*

## **PARTICULAR QUALITIES OF ECONOMIC GROWTH IN THE REGIONS OF UKRAINE AND IN THE LEADING COUNTRIES OF THE WORLD**

The article analyzes the features of regulatory support for economic growth at the regional level. Significant contradictions were found in the regulation of the administrative and territorial structure of the country, the relationship between the executive and local self-government bodies, duplication of functions at different levels of government. The experience of foreign countries regarding the regional development of territories is considered. It is determined that for improvement of the regional policy in Ukraine a significant role could play: the concept of poles and centers of growth, the policy of development of special economic zones, territorial planning and other achievements of foreign countries.

**Keywords:** economic growth, state regulation, socio-economic policy, management, region, efficiency, regional economy.

*Formulation of the problem in general form and its relation to important scientific and practical tasks.* The current state of the economy of Ukraine and its regions, as well as the need for structural restructuring of the economy, require the identification of sources of economic development, in particular economic growth, which make it possible to identify priorities, directions and solve the problems of sustainable development of both the state and individual regions. It is well known fact, that the economic development of a region depends directly on how effectively the activities identified in the strategic planning process are carried out in the region. Improving the economic efficiency of such activities may be facilitated by the implementation of a development strategy based on the activation of growth points or promising links of the socio-economic system of the region, capable of accelerating economic development through its own innovative components interacting with them in the most general sense the growth of a region can be represented by an individual organization or industry, and a type of activity or project capable of developing itself and spreading innovation in the process of self-development structural changes in the economy of the region.

Each region has specific natural, demographic, economic resources and its own growth points. Their development can have a multiplier effect on the economy of the region as a whole. By leveraging the multiplier effect and channeling resources to the development of growth points, regional governments have the opportunity to create user chains within the region and adjacent territories, ie to form zones of accelerated growth.

Numerous scientific studies show that regional development during the transformation of the economic system is caused by the integral effect of such factors as the possibility of geopolitical position, rational use of the naturally occurring and productive-economic potential of the region, the benefits of the results of market reform of property relations, improving the living conditions and environment of the population, preservation of ecologically safe state of the environment<sup>1</sup>.

The regional governing bodies responsible for the development of an economic territorial complex face the difficult task of managing economic potential, which requires comprehensive modernization and a radical change in development priorities. Therefore, the issue of developing and implementing a development strategy based on the effective management of regional growth points is quite relevant.

The existence of a clear and high-quality legal framework enables to ensure the effective activity of the state in any direction. Modern factors influencing the development of Ukraine are due to both external and internal causes. The spread of separatist sentiment among the population, the emergence

<sup>1</sup> Долишній, М., Мошенець, О. (2001). Ринкові механізми регіонального управління. *Регіональна економіка*, 1, 8.

of hybrid wars between states, the need to overcome the economic, social and political crisis have led to the isolation in the mechanism of state functioning of one of the priority areas related to the creation of an effective state regional policy. The well-reasoned policy of the state in the sphere of regulation of intergovernmental budgetary relations in the context of decentralization makes it possible to solve a number of issues in the field of regional policy, but not all. Priority directions of the state regional policy which have been determined, more than ever, need to meet national interests and needs, reflect existing problems and take into account the socio-economic prospects of the country. Achieving the set goals requires sufficient and proper regulatory support for the functioning of the state regional policy.

Regional development experience in one form or another has been accumulated in many foreign countries. It is important to keep in mind that the boundary between regional and sectoral policies is different in different countries. In a number of countries, such as Finland, Sweden, Belgium, Luxembourg, the United Kingdom, such a traditional element of regional economic policy as the creation of infrastructure (development of transport, communications, education and health) is not officially considered as a regional policy, rather, it can be attributed to national policy. Moreover, according to some researchers, the existence of a regional economic policy in a country can only be addressed if the policy is legislated (ie there is a corresponding law)<sup>1</sup>. Without taking into account such differences between countries, it is possible to draw incorrect conclusions about the existence and scope of regional economic policy in a particular country.

*Analysis of recent publications on the issue and highlighting unresolved areas of the overall problem.* Problematic aspects of the implementation of the state regional policy were highlighted in the scientific works of many domestic scientists, including: M. Dolishniy, V. Kuybida, Y. Makogon, I. Burakovsky, M. Nikula. Attempts to improve the legal mechanism of problem regions were made by such well-known specialists in the field of state and regional government as G. Atamanchuk, V. Abramov, O. Amosha, M. Baranovsky, D. Blakley, Z. Varnalii, A. Granberg, O. Gudyma, M. Dolishnyi, A. Epifanov and others.

*Formulation of research goals.* The purpose of the article is to explore issues of economic growth at the regional level. Ensuring balance in the process of growth of the domestic economy in combination with active implementation of social policy requires qualitatively new mechanisms of state regulation of the development of depressed regions aimed at strengthening regional security of Ukraine, in particular in the socio-economic sphere, and to consider the experience of foreign countries in stimulating economic growth at the regional level.

*Statement of the main results and their justification.* Modern problems of economic development of the region are caused by a variety of historical, natural, geographical, socio-economic, political factors, such as the provision of regions with natural resources, different levels of development of economic infrastructure, communication systems, transport and more. As a rule, in some regions, higher social standards were characteristic of certain regions at the same time, as for others, – lower<sup>2</sup>.

The concept of economic development characterizes the process of transition from one state of the economy to another, more sophisticated – that is, qualitatively new on the basis of appropriate structural and institutional changes, which is comprehensively reflected in the qualitative improvement of the entire economic system, which not only increases the production of the same goods and services, already produced and production of new goods and services using new technologies compared to the previous period.

Among the primary goals of regional economic development it is possible to distinguish improvement of quality of life of the population of the corresponding territory at the expense of: rational use of local resources; diversification of production activity; innovative filling of economic development; achievement of market competitiveness of the region, etc.

The definition of the category of "economic development" is linked to the category of "economic growth", based on an increase in production potential.

Economic growth is the most important macroeconomic category, which is an indicator not only of an absolute increase in the volume of social production, but also of the ability of the economic system

<sup>1</sup> Minstry, P. (2007). *Regional Integration Arrangements in Economic Development: Panacea or Pitfall*. The Hague: FONDAD, 100.

<sup>2</sup> Горленко, І. О. (1999). *Економічні райони України: навчальний посібник*. Київ: УФЕІ.; Зайцева, Л. М. (2004). *Региональная система управления (организационно-методологический аспект)*. Донецк: ІЭП ПАЛУ.

to meet growing needs and improve quality of life. The category of "economic growth" is an important condition for economic development, because it is associated with the positive dynamics of changes in absolute and relative indicators of real GDP (per capita) and with the formation of socio-economic and environmental conditions to ensure quality changes in the standard of living of the population.

The main indicator by which economic growth is measured is usually the gross national product (GNP). Gross domestic product (GDP) dynamics are also used. The GDP of Ukraine and the countries listed in the table increases during 2015-2018, which confirms their economic growth.

Table 1

**GDP dynamics of Ukraine and other countries of the world for 1990-2018, billion USD**

Year	Ukraine			USA		Poland		Japan		Germany	
	GDP	GDP (per capita)	The fate of world GDP, %	GDP	GDP (per capita)	GDP	GDP (per capita)	GDP	GDP (per capita)	GDP	GDP (per capita)
1990	90	1742	3,98	5980	23954	66	1738	3104	25417	1714	22220
1995	49	958	1,61	7664	28782	142	3696	5334	43440	2523	31730
2000	31	632	0,94	10290	36450	172	4459	4731	38532	1886	23719
2005	86	1825	1,85	13095	44307	306	7980	4572	37218	2766	34697
2010	136	2553	2,11	14958	48373	480	12507	5495	44508	3304	41786
2015	91	2125	1,92	18120	56207	477	12475	4383	34474	3364	41177
2018	131	3095	1,54	20400	62606	593	15629	5221	41418	4000	48264

Source: Source-based authors<sup>1</sup>

Solving these problems requires improvement of the organizational and legal mechanism of state regulation of regional socio-economic development, which is foreseen by the Concept of State Regional Policy and should be carried out on the basis of the following main priorities:

- formation of methodological and methodological bases for the assessment of regional social development by introducing complex, systematic criteria for its effective regulation on the basis of diagnostics and monitoring of social processes in the regions;
- defining clear criteria and effective delivery mechanisms providing state financial support to depressed territories, overcoming their depressed states, maintaining the overall macroeconomic and social equilibrium in the country, as well as stimulating the development and strengthening of the potential of structurally strong regions;
- increasing the efficiency of using regional programs development as a tool for state stimulation of regional development, coordination of implementation of measures for implementation of national and regional development strategies, state and regional programs of economic and social development, state targeted programs and programs for overcoming the depressiveness of territories;
- gradual reform of the budgetary system and intergovernmental budgetary relations in order to create favorable conditions for improving the living standards of the population of the regions of Ukraine, ensuring their financial independence, adhering to the socially guaranteed standards for each citizen regardless of their place of residence;
- creation of favorable conditions for the practical implementation of national social standards and guarantees, their development and approval in accordance with the National Classifier of Social Standards and Norms and taking into account the level of European social standards;
- formation of mechanisms for expanding social dialogue at the regional level, development of constructive interaction between the subjects of cooperation, establishment of partnerships between public, private and public sector institutions within the intersectoral partnerships in order to activate the social capital of the region<sup>2</sup>.

<sup>1</sup> Офіційний сайт Державної служби статистики України. <<http://www.ukrstat.gov.ua>>.

<sup>2</sup> Оцінка диспропорцій та стимулювання соціально-економічного розвитку регіонів України. <<http://www.5ka.at.ua/regioniv.referat/40-1-0-25875>>.

The main tasks of the state regional policy are to preserve the integrity and unity of territories, to achieve a balance of national and regional interests, to reduce differences in socio-economic development and living standards of the population, to create a level playing field for all citizens regardless of their place of residence.

These different tasks at first glance led to the separation of several directions within the state regional policy, namely: economic, innovative, social, humanitarian, environmental, migration, industrial, etc. Take into account the fact that they are all represented at both the national and regional levels, there is a need for their harmonization and complementarity<sup>1</sup>.

Among the listed areas of the state regional policy, economic policy is related to state regulation of the socio-economic development of the region and the standard of living of the population, since the aim of such policy is to prevent significant gaps in these indicators, ensure sustainable and balanced development of regions, stimulate economic activity in crisis and backward regions. The implication is that the economic component belongs to the basic level of the state regional policy, since all its other components – social, demographic, environmental depend on the quality of implementation of the state economic policy.

The search for alternative solutions for managing the main factors of resource potential of economic growth will imply the rational use of nature management, intellectual potential of human resources; system of knowledge and management, innovative potential of economic growth, etc.

In the context of economic growth, the importance of the classification of regions, which takes into account inter-regional socio-economic differences, increases immensely. This is explained by the need to monitor the effects of growth and to adhere to the principle of its socially progressive orientation. It is significant that the problem of classification of regions of Ukraine is intensively developed in modern scientific researches<sup>2</sup>.

State regional policy is an integral part of Ukraine's national economic development strategy. The economic development strategy is implemented through the optimal combination of budgetary decentralization and state regulation of macro-economic processes.

Legal support of the state regional policy of Ukraine is a necessary prerequisite for the development of territories. It is necessary to state that the reform of economic relations in Ukraine during the years of independence was carried out in a non-systematic manner, with significant legislative gaps, resulting in the destruction of territorial ties, there are significant disparities in the socio-economic development of regions and their differentiation in terms of social development and power levels. Therefore, effective management of regional development is one of the priorities of public administration, which requires proper organizational and legal support.

Legal conditions for regional development should regulate the following provisions:

1. Regional governance is within the competence of regional government bodies, providing them with the necessary powers and reliable sources of financial assurance. To do this, it is necessary to determine the sources and amounts of funding for local territorial subsections.
2. The activities of economic entities in the territory of the region should not contradict the basic goals of regional governance and should be aimed primarily at meeting the needs of the region.
3. The effectiveness of regional governance is determined by the balanced implementation of national regional policy.

In different periods of state regional policy formation, a large number of legal acts were adopted, the content of which was largely integrated in the text of the Law of Ukraine "On the Principles of State Regional Policy" (2015). In particular, in addition to the named Law of Ukraine, the legislation on state regional policy consists of: the Constitution of Ukraine (1996), the laws of Ukraine "On the principles of domestic and foreign policy" (2010), "On stimulating the development of regions" (2005). ), "On Local Self-Government in Ukraine" (1997), "On Local State Administrations" (1999), "On Cross-Border Cooperation" (2004), "On Regulation of Urban Planning Activity" (2011), "On State Targeted Programs"

<sup>1</sup> Маєв, А. (2015). Державна регіональна політика в Україні: передумови, цілі, законодавче забезпечення. *Державне управління та місцеве самоврядування*, 2 (25), 168-179.

<sup>2</sup> Герасимук, З. В. (2001). Регіональна політика сталого розвитку: методологія формування, механізми реалізації: монографія. Луцьк: Надстир'я.; Герасимчук, З. В. (2001). Класифікація соціально-проблемних регіонів та напрямки формування у них політики сталого розвитку. *Регіональна економіка*, 2, 77-84.; Зайцева, Л. М. (2001). Оцінка сталості розвитку економіки регіону. *Управління сучасним містом*, 1-3 (1), 31-36.

(2004), “On State Forecasting and Development of Economic Programs and social development of Ukraine”(2000), “ On the General Scheme of Planning of the Territory of Ukraine ”(2002), acts of the President of Ukraine, the Cabinet of Ministers of Ukraine, as well as international treaties of Ukraine, the consent of which was provided by the Supreme The Council of Ukraine.

To date, the regulatory framework for the mechanism of state regional policy, in addition to the above normative legal acts, also includes: State Strategy for Regional Development for the period from 2020, Regulations on the Ministry of Regional Development, Construction and Housing and Communal Services of Ukraine, Procedure for preparation, conclusion and implementation of the regional development agreement.

With the adoption of the Law of Ukraine “On the Principles of State Regional Policy” (2015), the legal, economic, social, environmental, humanitarian and organizational principles of state regional policy have been defined, and the concept of “state regional policy” has become legislatively enshrined.

The importance of this Law is that, first, it defines and establishes the legal basis for the formation and implementation of state regional policy as an integral part of Ukraine’s domestic policy; secondly, a legal and conceptual framework has been created that will determine the algorithm of activity of the state and other entities of public law.

In 2016–2017, there is a slight update and expansion of the regulatory framework for regulating regional development. Thus, in 2016, amendments to the Budget Code of Ukraine regarding the formation of budgets of the united territorial communities were amended, on February 8, 2017 the Cabinet of Ministers of Ukraine approved:

- Strategy for reforming the system of public finances management for the years 2017-2021, and on May 24, 2017 – the Action Plan for the implementation of this strategy<sup>1</sup>;
- legislative act that is of great importance for the development of the regions. In particular, the Strategy defines a new clear system of development documents for the country and the regions, which establishes the need for mutual harmonization of regional development strategies and medium-term budgetary declarations. This should ensure that sufficient funds are available to finance the development of regions and communities, and to spend them effectively.

However, it should be noted that the above mentioned legislative acts in the field of regional development regulation can only indirectly affect the development of regions. This is due to the fact that at the present stage it is not possible to unambiguously trace the link between community reunification and the improvement of their financial capacity – on the one hand, and the improvement of the socio-economic status of the region – on the other, as evidenced in particular , improvement of gross regional product indicators per person or change of places of regions in rating of levels of development of regions<sup>2</sup>. It may take longer to find a link between these factors. It is expected that the cumulative positive impact of decentralization (primarily financial) on the development of not only communities but also of regions will manifest itself in 2 years in an increase in construction volumes, increase in employment, increase in capital investment.

In addition, the state regional policy of Ukraine is based on the regulatory documents of the European institutions, in particular: the European Charter of Local Self-Government; The European Convention on Transfrontier Cooperation between Territorial Communities or Authorities, as well as the Additional Protocols thereto; Guidelines for sustainable spatial development of the European continent; a joint decision of the European Parliament and of the European Council on European groupings for the purpose of territorial cooperation and other Council of Europe and European Commission documents. The introduction of new approaches to the implementation of national regional policy should ensure that Ukraine fulfills its commitments to the Council of Europe in the field of regional and local democracy development, as well as the Resolution and Recommendation of the Congress of Local and Regional Authorities of the Council of Europe concerning Ukraine.

Improvement of regional policy in Ukraine could play a significant role: the concept of poles and centers of growth, the policy of development of special economic zones, territorial planning and other

<sup>1</sup> План заходів з реалізації Стратегії реформування системи управління державними фінансами України на 2017–2020 рр. 2017. Кабінет Міністрів України. <[http://www.kmu.gov.ua/control/uk/publish/article?art\\_id=2500III05&cat\\_id=244276429](http://www.kmu.gov.ua/control/uk/publish/article?art_id=2500III05&cat_id=244276429)>.

<sup>2</sup> Юрченко, К. Г. Вплив фінансової децентралізації на соціально-економічний розвиток регіонів. Аналітична записка. <<http://www.niss.gov.ua/articles/2458/>>.

achievements of foreign countries. On the basis of the analysis of international experience, it is established that in order to increase the sustainability of regional development in modern conditions, in addition to institutional prerequisites, it is necessary to create an effective economic base.

The lack of absolute effectiveness of regional policy in the presence of certain positive changes in the economies of problematic regions, which enable such regions to sometimes not increase and in some cases reduce their gap with leading regions – it is typical to the vast majority of foreign countries.

In particular, in the UK, individual tasks have been solved by regulating territorial development. For example, the industrial structure of the depressed areas of the United Kingdom has been leveled (at that in general all regions of the country have become more specialized). However, at the same time, the southern and eastern parts of England remain the most developed areas of the UK. Soft, indirect methods of stimulating and restraining control over production placement have been developed in the UK. Regional policy was based on 3 groups of measures: financial measures that stimulate the placement and growth of production in depressed regions (guarantees for capital investment, loans, tax benefits, regional employment bonuses, etc.); direct investment activity of the state on development of industrial and social infrastructure, first of all transport and housing accommodations; measures of “negative control” on industrial construction, which is providing for a permit for industrial business<sup>1</sup>.

In Germany, before the unification of the country, a large part of the regions that received financial assistance (mainly rural areas) were developing at the lowest rate, ie, lagging further behind. Most of the problem regions were developing at a national average rate, which also did not contribute to reducing territorial disproportions. Only in the state-supported regions of northeast Bavaria the dynamics of economic development could be considered favorable.

After the unification of Germany, considerable amounts of financial assistance were channeled to the Eastern lands, and certainly without such assistance the situation in the new lands would be much worse than it is. However, despite the assistance provided, much of which was intended for investors, East Germany did not become the most attractive region, even for Western – German investors. Although investors were offered a number of benefits, they often located their businesses not in new lands but in countries with cheaper labor (for example, in post-socialist countries in Europe)<sup>2</sup>.

In Germany, a new regional strategy has emerged – a policy of invasion of formed mechanisms of ownership and governance. In view of the credible political credibility and extensive information on this, land was obtained and local government was used by the "middle way" paradigm. Its essence is to combine a renewed traditional economy with innovative development. Supporting by new firms operating in advanced industries (electronics, high-tech engineering, information systems, services, etc.) is provided by local authorities through indirect incentive methods: in the form of special bonuses, bank loan guarantees, tax benefits, depreciation charges. Public investment was channeled into traditional industries (coal-metallurgical complex) and private innovation capital (re-training of workers, expansion of infrastructure, improvement of environmental conditions, development of education and R&D, etc.).

Generally Italy has narrowed the gap in the level of economic development of the North and the South, but it has not been possible to create conditions in the South that would make it possible to catch up with the development of the northern part of the country on the basis of internal resources (which means that without investing more and more money to the economy of the South, its backwardness from the North may increase). But despite the fact that it was possible to change the structure of the economy of the South and increase its degree of integration into the national economy, the gap between the two parts of the country remained large. In addition, the rapprochement of the North and the South in terms of labor productivity and infrastructure development have accentuated regional differences inside the South too. Some problems in the South have simply transformed (for example, there is the problem of attracting only subsidiary factories (foreign, state and northern private firms), small size of local companies<sup>3</sup>).

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<sup>1</sup> Артоболевский, С. С. (2002). *Региональное развитие в Великобритании (послевоенный этап)*. Москва: Ин-т географии РАН.

<sup>2</sup> Кузнецова, О. В. (1995). Оценка эффективности государственной региональной политики (на примере Германии). *Вестник Московского университета*, 2, 60-74.

<sup>3</sup> Галкина, Т. А. (2001). Региональные проблемы в современной Италии. *Регионы и регионализм в странах Запада и России*. Москва: ИВИРАН, 50-62.

In Greece, regional differences at the level of industrial production and employment have tend to diminishing. However, this is due not only to the development of dynamic industries in peripheral areas, but also to the emergence of structural problems in large centers, including the metropolitan area<sup>1</sup>.

There are a number of other examples. One of the main reasons for the poor performance of regional economic policy is the limited financial resources that is might be allocated for its holding. Therefore, it is not by chance that in many countries the necessity of coordinating the regulation of economic development of regions with other directions of economic policy of the state, their harmonization is discussed.

In addition, the effectiveness of regional economic policy can be enhanced by the concentration of scarce resources allocated to the implementation of such a policy. Therefore, in different countries, at different times, regional economic policy is based on the allocation of poles (points) of growth, which are supported financially and which in the future should become a source of diffusion of innovation for the surrounding territories that surround them. There are different approaches to allocating growth poles, which are determined by the level of economic development of countries. In developing countries, growth poles stand out in nationwide, in industrialized countries – only in problematic regions, and if in the first case the main task of the growth poles is to lift the economy of the country as a whole, then in the second case – the economies of problematic territories only.

An interesting example of contradictory regional development is China's experience connected with creating free economic zones (FEZ). On the one hand, the creation of a free economic zone led to an acceleration of economic growth in the country as a whole, and on the other – increased imbalances in the level of economic development of the regions. Since 1978, the regulation of territorial development in China has become closely linked to the country's gradual opening up of foreign economic relations, mainly due to the gradual development of the "open territories" system. In 1979, the concept of "uniform deployment of productive forces" was officially replaced by the concept of "taking advantage of comparative advantages", and the coastal regions with the greatest potential for economic growth became the main object of development. Therefore, the main focus was on the high growth rates of the Chinese economy, not on the whole, but on the ensuring growth in the coastal regions.

China was the exacerbation of regional protectionism in the late 80's and early 90's that led to the introduction of "open areas". In the 1990s, the number of "open territories" was noticeably increased, which should have influenced the acceleration of economic transformation in the inner regions. At the same time, there is an incentivisation are exercised between territorial exchanges, and a number of benefits for seaside provinces are abolished.

Improving regional policy in Ukraine could play a significant role: the concept of poles and centers of growth (France), the policy of development of special economic zones (China), territorial planning (Japan), market programming (France) and other achievements of the countries of the world. National and regional programs of environmental, demographic, agrarian, social and other directions that are being developed and implemented in different countries of the world are noteworthy.

*Conclusions and prospects for further research.* Analysis of the features of regulatory support for economic growth at the regional level shows that significant contradictions in the regulation of the administrative and territorial structure of the country, relations between the executive authorities and local self-government bodies, duplication of functions at different levels of government are revealed. It should be noted that the adopted legislative acts in the field of regional development regulation can only indirectly influenced the development of the regions. In Ukraine, the legislative fields for systematic regional development, harmonization of interests of regions and the state in the sphere of development, creation of conditions for rapprochement of regions and formation of a single all-Ukrainian space within the whole territory of Ukraine have not been formed. There is a need for systematization and streamlining of the legal field, as some issues in this area are still not fully settled. The main instruments for implementing the Law of Ukraine "On stimulating regional development" are agreements on regional development. The proposed procedure for the development, approval, adoption and implementation of such documents calls into question their transparency and effectiveness. The lack of an effective legal mechanism to stimulate regional development causes a deepening imbalance in the socio-economic sphere of regional development. The implementation of the principles of regional development theories implies the creation of the most

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<sup>1</sup> Ларина, Н. И. (1999). Региональные проблемы и опыт региональной политики Греции. *Регион: экономика и социология*, 2, 138-151.

favorable conditions for the development of the region, primarily tax and institutional, but in practice this principle is not effective.

International experience shows that in order to increase the sustainability of regional development in modern conditions, in addition to institutional prerequisites, it is necessary to create an effectively functioning economic base. Among the models that have proven themselves well in solving this problem in foreign countries are: models of regional integration, including cross-border regional entities; models of innovative regional development, focused on mobilization of internal reserves of each region by stimulating entrepreneurial activity on the basis of dissemination of advanced management methods in combination with the use of scientific and technical potential. In terms of the institutional approach, the reason for the complex “survival” of new institutions in Ukraine should be sought in the current state of the existing institutional environment, which does not ensure the unity and integrity of the national economy.

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