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ENDOGENOUS DEVELOPMENT OF UKRAINIAN REGIONS: STUDY ON INTERNATIONAL EXPERIENCE APPLICABILITY

The current problems of Ukrainian regions caused by inefficient use of endogenous potential are reviewed. International experience of endogenous regional development is studied and its factors are systemized. Directions for endogenous regional development in Ukraine are proposed.

Keywords: endogenous development; region; endogenous potential; regional policy; development strategy.

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ЕНДОГЕННИЙ РОЗВИТОК РЕГІОНІВ УКРАЇНИ: ВИВЧЕННЯ МОЖЛИВОСТІ ЗАСТОСУВАННЯ ЗАРУБІЖНОГО ДОСВІДУ

У статті розглянуто проблеми розвитку регіонів України, спричинені неефективним використанням ендегенного потенціалу. Вивчено зарубіжний досвід та систематизовано фактори ендегенного регіонального розвитку. Запропоновано напрями ендегенного розвитку регіонів в Україні.

Ключові слова: ендегенний розвиток; регіон; ендегенний потенціал; регіональна політика; стратегія розвитку.

Табл. 1. Лім. 14.

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ЭНДОГЕННОЕ РАЗВИТИЕ РЕГИОНОВ УКРАИНЫ: ИЗУЧЕНИЕ ВОЗМОЖНОСТИ ПРИМЕНЕНИЯ ЗАРУБЕЖНОГО ОПЫТА

В статье рассмотрены проблемы развития регионов Украины, вызванные неэффективным использованием эндогенного потенциала. Изучен зарубежный опыт и систематизированы факторы эндогенного регионального развития. Предложены направления применения эндогенного развития регионов в Украине.

Ключевые слова: эндогенное развитие; регион; эндогенный потенциал; региональная политика; стратегия развития.

Problem setting. It's known that uneven development of particular Ukrainian regions is caused by such factors as: geographical location, natural resources availability, demographic and historical contributors. Additionally, it is greatly influenced by the lack of systematic governmental support in respect of regional policies and inefficiency of "center vs. regions" relations. On top of it, instability and harsh conditions of global competition to which both highly developed and countries with emerging economies now need to adapt are the reasons for searching new strategic decisions in the process of regional development, aimed at enhancing the endogenous capacity of territories and identification of unused growth sources.

Latest research and publications analysis. The issues of socioeconomic regional development planning are reflected in the papers of Ukrainian scholars such as M.I. Dolishniy et al. (2002), Z.V. Gerasymchuk and I.M. Vahovych (2002), Z.S. Varnaliy et al. (2007), E. Zin and A. Valyukh (2004) and others.

The problems of regional strategies development and implementation are investigated in the papers of such researchers as: A.P. Mishchenko (2004), Z.E. Shershneva and S. Oborska (1999).

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Unresolved issues. It should be noted that in foreign countries effective use of endogenous potential have triggered the powerful development of many territories. So the study of endogenous regional development experience and possibilities of its use in Ukraine are extremely useful for our country.

Key research findings. As the legacy of the former Soviet Union command-and-control system the national economy has received the irrational system of interregional relationships. Centralized system of economic management, achievement of targets at any cost, providing the "center" with goods and services, ignoring the interests of the periphery have led to considerable interregional differentiation in socio-economic development of territories and grave violations of environmental laws.

Among the main problems of Soviet regional development and their aftereffects the following should be named:

- excessive centralization in the development plans made it impossible to take into account regional differences and needs;
- inefficient interbudget relationships formed as a result of all tax revenues going to the "center" where they were distributed to regions (republics), which led to significant decline in economic and social activity of local authorities and population;
- deformation of regional economic systems, caused by the fact that regional specialization was not always consistent with natural conditions;
- inefficient use of natural resources causing significant damage to the environment;
- destruction of regional ethnographic identity, national and local historical and cultural attractions.

Thus, the effects of excessive exogeneity of regional development and ineffective reforms carried out in the post-Soviet period have shown the need to develop new effective ways of development on the basis of reproduction and efficient use of the available regional resources in order to ensure stability and growth of regional economy compliant with national interests. In our opinion, endogenous regional development can provide accumulation of competitive advantages and will solve the problems of socioeconomic development of territories.

Studying the possibilities and conditions for application of endogenous regional development principles in Ukraine, let's focus on the experience of European countries where certain practical implementation of endogenous strategies for territorial development is in place. In particular, foreign researchers noted that implementation of endogenous development strategic goals can be achieved with the following conditions:

- when endogenous development is interpreted not as a strategy directed "inside" (inward-looking), but rather as a strategy that uses endogenous potential to strengthen the competitiveness of a territorial community, national and international levels (Muhlinghaus and Walty, 2001);
- close cooperation and continuous coordination between government, business and community (Stimson et al., 2006).

In our opinion, of interest is the study of Slovak scientists in determining the role of local governments in the development and implementation of endogenous regional development strategies. Thus, in the process of endogenous regional development

local government in Slovakia is intended to perform the following functional roles: "strategist", "leader", "ambassador" and "manager of key management functions" (Koziak and Sofrancova, 2008).

As a "strategist" local government (including government agencies and private sector) "diagnoses" the impacts on regional economy, creates a vision for future development of a region, transforming the vision into practical measures, monitors and adjusts measures to ensure the desired results.

As a "leader" local government is focusing on consensus and support needed for strategy implementation, because many activities are not subject to control of local government, but depend on the effectiveness of non-governmental institutions and enterprises and also on their cooperation. The importance of the role of "leader" is in directing the work of all "participants" at common goals achievement.

It should be noted that regional system functioning is impacted by both neighboring regions activities and central government and also international organizations, especially in bordering regions. Since this activity is outside of direct local government control range, it should act as an "ambassador" taking care and protecting the interests of its own territory.

The role of "manager" is also important in economic issues (business support, technical assistance, technology transfer, marketing etc.) and in education and human development, science etc.

Both in Ukraine and other countries of Central and Eastern Europe, the transition from socialistic system to market economy is associated with deepening of the existing regional disproportions and the emergence of new ones. To overcome these inequalities both in backward regions and developed ones, scientists propose to use the concept of endogenous regional development in the context of effective decentralized government, which aims to transfer decision-making to the local level. This is due to the fact that local authorities, government agencies, public organizations and private sector of a given region possess more information for acting and decision-making than the central government.

We believe that close cooperation of local government with local communities is a prerequisite for implementing the endogenous development strategy. This is consistent with the principles of the so-called "participatory democracy" which means active public involvement in state and local government.

If we look at the achievements of Ukrainian economic science, the most appropriate is Ivan Franco's idea that "each state is made up of communities – rural or urban, and the first and most important task of those who control the state, regions, districts must be directed to best possible organization and ensuring wisely provided rights the smallest, but the main state's entity. For if wrongly managed community is poor, dark and falling apart, it is obvious that the whole regional and state order built on it will not last long" (Warda and Klosowski, 2003).

In our opinion, only the combination of regional policy, on the one hand, based on national culture with its regional features, able to provide favorable conditions for local communities' development, and on the other, – the activities and the desire of local people to build "our home" depends the future of every individual person and the country as a whole.

In summary, we outline the key factors that determine the effectiveness of endogenous development areas in foreign countries and identify the areas for its implementation (Table 1).

Table 1. Factors contributing to endogenous development of the region
(Foreign experience and areas of implementation in Ukraine)

| Factors contributing to endogenous development | Foreign experience | Areas of implementation in Ukraine |
|--|--|---|
| 1. Development of institutional environment | - developed network of civil society organizations; - established links between business entities on a given territory | - promote the development of social movements; - national traditions of economic institutions |
| 2. Innovations implementation | - developed innovation infrastructure; - formation of regional research clusters | - enhancing innovation enterprises in regions; - promote the formation of innovation environment in regions |
| 3. Development of entrepreneurship | - prioritized attention of local authorities and non-governmental organizations to local business; - favorable legal and institutional environment for doing business | - encouraging the development of entrepreneurship in regions (assistance of local authorities, creation of appropriate infrastructure etc.) |
| 4. Regional economic management system, based on the interaction of government, businesses and community | - broad and systematic involvement of local communities and consideration of public opinion in management | - development of partnerships of local authorities and private sector; - implementation and development of feedback means between authorities and public; - strengthening social control over local authorities activities; - study and application of best management practices of regions, cities etc. |
| 5. Orientation on local advantages | - formed image of region, city etc.; - systematic advertising of regional benefits of a given region, city etc. | - creating positive image of areas (to overcome the negative image) etc. |

Given the abovementioned, we defined the formation principles of endogenous regional development strategies, compliance with which will enable its effectiveness and efficiency:

Priority. Endogenous regional development priority is to promote endogenous capacity.

Subsidiarity. Endogenous regional development strategy provides for solving the widest possible range of problems locally.

Innovations. Endogenous development strategy for a certain region should be developed taking into account the widest possible implementation of innovations.

Publicity, transparency. Compulsory participation of local community and dissemination of information (media coverage) in the development and implementation

of endogenous development strategies, which makes it possible to take into account real possibilities and needs of local population.

Balance. Endogenous regional development strategy should ensure the balanced development of social, economic and ecological areas of regions.

Alternative. Strategy-based endogenous development of regions should contain predefined alternatives of internal resources use.

Sustainability. Endogenous regional development strategy should provide for realization of objectives in the long run.

Realistic approach. Regional specifics and possibilities of its objectives achievement must be taken into account in developing these strategies.

Effectiveness. Effects (economic, social) of building competitive advantages in the region exceed local costs and resources involved.

Compliance. Strategic, objectives of regional development must comply with territories' endogenous features. For example, development of tourism is more appropriate in the Carpathians, Crimean peninsula, Volyn etc.

Compliance with national interests. Endogenous regional development strategy should be developed in compliance with the interests of the state as a whole.

Conclusions. Thus, the causes and consequences of excessive exogeneity in regional development in the past have shown the relevance of developing new effective regional development strategies aimed at enhancing local capacities.

Foreign experience in endogenous regional development strategies emphasizes the need for close cooperation between public authorities, local government, business and community in the process of their development and implementation.

The author defines the principles of endogenous regional development strategy formation, the use of which would ensure the strategy's efficiency and effectiveness.

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