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THE OVERALL STRATEGIC OBJECTIVE OF SOCIAL AND ECONOMIC  
DEVELOPMENT OF THE INDUSTRY IN UKRAINE

**Annotation**

*The mechanism of state regulation of the structural development of the industry was developed. The main objective of regional industrial policy as the rational management of social and economic, as well as environmental potential of the regions was defined.*

**Key words:** state regulation, mechanism, industry, structural development, transformational stage.

**Анотація**

*Розроблено механізм державного регулювання структурного розвитку промисловості. Визначено головну мету регіональної промислової політики як раціонального використання соціально-економічного й екологічного потенціалу регіонів.*

**Ключові слова:** державне регулювання, механізм, промисловість, структурний розвиток, трансформаційний етап.

**Аннотация**

*Разработан механизм государственного регулирования структурного развития промышленности. Определены главные цели региональной промышленной политики как рационального использования социально-экономического и экологического потенциала регионов.*

**Ключевые слова:** государственное регулирование, механизм, промышленность, структурное развитие, трансформационный этап.

**Introduction**

The formation of mechanism of industrial policy in modern conditions is connected, first of all, with taking into account the peculiarities of the transformational stage of the economy. There are two main criteria.

The first one is to ensure the preservation and development of market mechanisms, conditions for its normal operation. In countries with long market traditions such conditions include regular demonopolization of the economy, its effective anti-inflationary prevention, support of public finances in the proper amount and deficit-free state, the timely warning, and when necessary – solving the problem of decrease in production and some other issues. The situation is different in the countries that are engaged in the restoration of market relations. In this case the great tasks should be set and it is difficult to find analogues for them in world economic history. Besides the functions, that have already been formulated, the state has to take responsibility for the formation of multi-economy, dismantling of old parts of the former economic mechanism, the inclusion of economic controls, etc.

All government actions that break the connections inside the market mechanism, destroy it are excluded from the system. For example, total directive policy planning, decreed distribution of industrial resources and consumer goods (in funds and coupons), the overall administrative price control and other similar forms of government interventions that have recently been widespread in our economy are not acceptable. However, the market system does not preclude planning at the enterprise level, regions and even the economy in the whole; although in the latter case, it is usually «delicate», limited in duration, scope and other parameters, and thus, presented in the form of national target programs.

The second criterion is the solution of economic and social problems, with the presence of which the market mechanism reveals either its inability or lack of effectiveness. Without the state the market economy can not be made environmentally safe and ensure the compliance with social and economic rights, to level the structural and regional imbalances, etc. The action of the state to improve the efficiency of market mechanisms and mitigate their imperfections is an



important component of modern industrial policy.

As the analysis of the economic reforms shows, up to nowadays the regions have failed to combine the sectoral and regional interests, to form rational economic organization of the vital activity of the population even on a relatively small area.

Nowadays, the authorities at the local level, as well as the whole country, are in crisis, and the authorities can not perform their functions properly, use existing large resource opportunities. To ensure the sustainability of production and social sphere it is necessary to take a set of measures at national and local levels.

#### **Analysis of recent research**

The topicality of the issue of the structural development of the industry as a priority of public policy is pointed out in many theoretical studies and researches of both national scientists, in particular, such as O. Alimov, O. Amosha, I. Andel, B. Andrushkiw, Y. Bazhal, S. Bila, L. Bezzubko, M. Bilyk, V. Bodrov, R. Boyko, M. Butko, Z. Varnaliy, O. Veklych, M. Haman, A. Halchinskiy, V. Hornyk, V. Heyets, O. Hoychuk, B. Hubskey, B. Danylyshyn, Ya. Zhalilo, M. Koretskiy, B. Muntian, B. Paskhaver, Yu. Pakhomov, Yu. Paschenko, T. Pepa, S. Saliga, O. Skydan, A. Sukhodolya, A. Fedorysheva, B. Shlemko, L. Yaremko et al. and foreign ones, such as A. Altukhov, K. Barrett, I. Bohdanov, L. Vodachek, O. Vodachkova, S. Glazyev, A. Gorodetskiy, H. Stolyarov, H. Furs and others.

#### **Statement of research objectives**

– to develop a mechanism of state regulation of the structural development of industry;

– to identify the primary objective of regional industrial policy as the rational management of social and economic, as well as environmental potential.

#### **Results**

Nowadays enterprises themselves can not ensure sustainable development, find stable sales markets, and solve the problem of personnel reform without the help of the state. Available industrial resources are used only partially. Many companies are uncompetitive. The privatization led to the dispersion of property of enterprises among private institutions, most of them do not work. This led to the destruction of industrial and engineering complexes and slump in production.

There are no systemic understanding of production and social processes in the regions in the transition to a market related to

providing multidisciplinary economic relations, reproduction of labour force, setting definite goals, establishing the organizational and economic mechanisms of development. Local budget does not provide for the needs of conservation and development of municipal property, social and industrial infrastructure, support for most sectors of economy, especially industry. There is a considerable intellectual potential, which is not used but is extremely necessary to dispose of existing material and financial resources properly.

The main peculiarity of the target programming is that, unlike the directives that came in the centrally planned system from above, the mechanism of providing state industrial policy should not include compulsory tasks set for business entities.

The procedure of developing such mechanism pursues the task of forming a national consensus on the priorities of social and economic development and is built on the work of institutions of social partnership. Complementing the action of market competition mechanisms, the state reduces uncertainty and volatility of market conditions, helping companies focus on the prospects of production development and reallocate capital timely, directing it on the development of new technologies and sales markets. The measures that are being developed should not interfere with freedom of choice of independent businesses, but should perform functions of signals, showing the perspectives of changing economic conditions and industrial policy of state [3; 4].

The target programs are the tool of integrated action to address specific problems that can not be solved by «the self-regulation of the market» [2]. According to this, the selection of problems for their program development is determined by the following factors: the importance (priority) of the problem; the need to coordinate inter-branch links of technologically related sectors and industries to solve this problem; the inability to solve the problem in complex within the reasonable time by using the current market mechanism and the necessity of state support for its solving.

The great importance in the program performance method of solving economic problems is given to keeping diversity of factors that are not limited by this field, and have a fairly diverse nature of its origin and different time. In this respect the long-term prognosis is of great importance, which would have given the prospects of scientific and technological development and innovation in

the world and in Ukraine, the estimated change in generations of technology and technological structure, proved those technological niches that the country can take, justified the alternative of perspective innovation strategy, the ways and the consequences of its implementation. Such forecasts and programs are needed at national, regional and interregional levels. The measure of any sectoral program should be extended to other areas or activities or a complex of interrelated and coordinated programs with an appropriate goal should be formed [1, p. 126-132].

The main peculiarities of the program approach to solving problems of social and economic development of the industry include:

- target programs aimed at solving both national and local problems of separate regions, cities (development of infrastructure network, improving social and economic standards of living, etc..) and focused on the outcome;

- programs are considered as a complete object of management regardless of departmental affiliation of its elements and are vested with the necessary financial, material, personnel and other resources;

- all programs are interrelated and have a definite place in the overall set of economic activities of government.

The linking of the programs is reflected in the creation and implementation of a planning system. This planning system was, in particular, established by regional public authorities and local governments. It made it possible to connect all the time, functional and sectoral and regional levels in a single planning and budget process.

The following principles formed the basis of this system: continuity and the link of the levels of planning, the possibility of verifying the plans and unity of planning and reporting activities. The latter also consist of many programs of various levels. The division into subprograms is based on the need for rational organization of their development. Subprogram, which includes goals and measures that are used to implement one or more tasks, is relatively independent of the program.

The primary goal of any program on increasing the efficiency is matching supply and demand for this type of product.

The formation of subprograms is performed by selecting intermediate goals within the ultimate goal of the program. Only the development of a complex list of measures that take into account the

interests of a range of businesses and industries within the program target management can ensure the stable growth of industrial production.

The practice of forming the target programs focuses on priority areas, key challenges of current stage of development, which allows combining the solution of interdisciplinary problems and the problems that require a coordinated solution in one block. That is why the development and implementation of target programs is the form of the mechanism of industrial policy, because this process is caused by many factors that are varied and are generated by different spheres of reality (politics, economy, social sphere, etc.)

The study of experience in developing and implementing target programs of industrial production in Ukraine gives grounds to draw some conclusions:

- in our time attempts to use program management techniques are not entirely successful, although in the recent past we widely used program-target method for solving complex problems. It is possible to explain this situation because complex programs as an instrument of state regulation require certain organizational management structure, the established economic mechanism and, the most important fact is high qualification of people engaged in the development, management and implementation of programs, as well as control over their implementation, the use of new methods of market regulation that have not been used before, taking into account the conditions in Ukraine;

- the existing mechanism of the program approach is based on traditional methods of action used in the world market, but it has no structural properties, its direction to complex influence on all stages and elements of the motivational process and in this regard is fragmented. The mechanism that is used is based on the identified negative trends in the work of industrial enterprises that are evident in terms of economic reporting. However, there are many reasons that hamper economic growth and contradict the concept of state orientation. These causes lie outside the direct perception, they are hidden, and they can be revealed by means of «link» of their action to the structure of the motivation of the industrial enterprises.

In particular, social and economic development of Kyiv region is largely determined by the problems that exist in public administration:

- a) in the Kiev region a system of budgeting operates, in which administration of the territories has no legal grounds for confirming the protection

of their revenue base. For years the actual profit base has been significantly diverged from planned performance in budgeting.

A significant budget deficit is formed under sequestration of expenditures from the level of minimum standards and artificially increased profit base. Consequently, this leads to a lack of motivation for the administration to increase revenue base of the region.

The current system does not encourage regions to increase the revenue base, carrying out the rational fiscal policy in the region, since the procedure of adoption of the budget needs for the next fiscal year depends on the actual spending on budget classification in the current year;

b) the system of control is not realized in terms of regulated and clear division of powers between different branches and levels of government. The system of information exchange in the management structure requires improvement. In particular, there is a problem in local government, namely, the functions of control between the administration and local governments are not specified;

c) the correction of training professionals in the region is necessary. Only 8 % improve their qualification per year with the norm of 25 %;

d) the mechanism of state order for the supply of goods and services for budgetary purposes is not effectively used in all the regions;

e) the Program of state guarantees for the provision of free medical care is adopted annually in the Kiev region. However, adoption of the program does not solve the problem of imbalance of government guarantees and their financial support, as it is not provided with the available state funds. The lack of covered expenses forces patients to pay for medicines and medical services. The increase of payment generates the hidden commercialization of state and municipal medical institutions. The available resources of health care system are used with low efficiency. The main reasons are:

- unregulated multichannel system of public funding at the expense of budgets at all levels;

- maintaining the principle of financing health care institutions from the budget per resource indicators (beds, personnel), regardless of the actual work of medical institutions;

- lack of incentives in health care organizations to restructure health care and rational use of available resources;

f) the development and operation of the network of social protection establishments in

terms of social services tends to standard types of social services, although their effectiveness in some cases is lower than in non-standard types of social assistance. In fact, the mechanism of self-financing is not worked out from the technological point of view (especially for non-standard service agencies). The practice of social groups support, capable of creating their own systems of collective social support and protection, is not developed. Overall, the social sphere does not have conditions for rational forms of fund-raising for people;

g) the transformation started within the housing and municipal services system is fragmented. The functions of the customer and contractor are not completely separated. The current system of pricing in this sphere does not stimulate housing and municipal services to reduce costs. The mechanism of differentiating the payment for utilities based on the social norms of consumption is not developed.

11 indicators are established for cities, regions. The values of indices are determined by the regional administration and cities according to the results of auditing financial and economic activities of businesses, cities and regions and are recorded in public procurement. The experience of applying the mechanism has demonstrated the feasibility of development of the system of indicators for assessment of economic entities of the region. Nowadays there is no procedure for establishing the values of indicators for the region for the planned year;

h) a complete registry of municipal property is not formed, which makes it impossible to estimate the share of the municipal property used inefficiently, to ensure involvement in property turnout (in some cases, rights to property are not registered), inadequate land legislation, which regulates the property sales that in its turn causes inconsistencies in the legal use of land, as well as buildings and structures located on them. The public municipal property is used inefficiently:

- the database of state, municipal property is not formed ;

- the mechanism of informing potential leaseholders and buyers of the property is inefficient;

- the order of putting the property on lease hinders the development of medium and small businesses;

- the privatization in the spheres of trade, personal services, catering, construction is not completed;



– in some cases certain elements of the object of management are assigned to different owners, which reduces the efficiency of management;

– the availability of public enterprises that are not used prevents their development.

Thus, the transition of industry to the market economy requires focused regional policy. The rational division of labour within the region and the complex social and economic development of administrative entities facilitate this process to a great extent.

The regional industrial policy is determined by the system of goals and objectives of public authorities to manage the social and economic development within regions as well as the mechanisms of their implementation. As a result, each of them has formed a territorial economic complex, the features of which should be considered in the formulation and implementation of general industrial policy [5].

The state regulation of regional development is managed at different levels of state regulation. The transition to market economy relations changes the forms and methods of interaction of territorial and regional governments, as well as with economic agents of the market system. The clear division of functions of state and local government, their rights and spheres of control while ensuring the most favorable conditions and opportunities for self-government of regions is required. It is caused primarily by the decentralization of management processes, the transfer of some trends of reform at the regional level, especially in small business, social sphere, environmental protection and the use of natural resources, as well as by the increase of responsibilities of the regional administration for the implementation of economic reform. Each region has a right to use its resources, the scientific, technical and social and economic potential to accelerate the development of the region. The differentiated regional policy should be carried out which should take the local conditions into account. However, it is necessary to ensure economic integrity and the unity of the economic system. It is necessary to consider unequal initial conditions of entering the market in different regions, the limited opportunities of self-sufficiency and self-financing.

The state should help support economic, social and political stability in each region; ensure the effective interaction of the regions, the combination of specific approaches to solving problems in some regions and the unity

of the general principles of functioning of the market on the whole. The main parameters of the regional development are set by the center in the form of laws and regulations. The centre should develop a unified scientific and technical policy, which would become the factor in stabilizing the economy in the regions and forming intellectual and human resources.

The unified concept of development and distribution of productive forces with its related pattern of regional division of labour is formed at the regional level, the priority of certain regions is determined as well.

The main directions of social and economic development defined the main objective of the regional industrial policy that is the rational use of social and economic and environmental potentials of regions, the objective benefits of the territorial division of labour to create favourable living conditions in all regions. To achieve it is necessary to:

– to involve the most of the potential of each region;

– to reduce the unjustified gap in the levels of social and economic development of the regions.

In the short-term perspective the most important areas of regional industrial policy are the following:

– the formation of regional systems of social and industrial infrastructure;

– the formation of regional labour markets and the markets of manufactured goods.

Regional industrial policy should be directed to the creation of the resource and financial capacity sufficient to achieve the main objectives of social and economic development in every region: ensuring complex development of regional infrastructure systems, reducing the gap in the level and quality of life.

### **Conclusions**

Therefore, taking the results of the analysis of existing mechanisms of industrial policy in Ukraine into account, it is possible to draw the following conclusions:

– the state has a diverse and very powerful set of actions directed on the activity of industrial enterprises in a market economy, which can be divided into two main groups according to the classification into methods of direct and indirect regulation;

– further analysis shows that many existing methods of state regulation that promote more

active implementation of industrial policy are not used in Ukraine due to imperfect legislation, lack of effective public structures, state property management, information support of industrial policy, etc., as well as due to insufficient study of mechanism of control for enforcement of the adopted laws and regulations;

– relatively low efficiency of the implementation of programs of industrial policy during the transition period, in our opinion, is caused not because by the wrong choice of goals and directions, but by the lack of adequate link to a particular period of mechanism implementation;

– the existing models of industrial policy implementation should be supplemented by the time aspect, taking into account the stages of its implementation, which requires the development

of sound and scientific industrial strategy of production development for the long-term perspective. This will create an opportunity to concentrate efforts and resources of the state in most spheres of state regulation that are of primary importance, will ensure its consistency, continuity, succession and correlation of implementation measures;

– taking into account the overall strategic goal of social and economic development of the industry of Ukraine for the future, we believe that the primary objective of industrial policy is the formation of investment demand, primarily for domestic industry production;

– the transition of industry to a market economy requires the introductions of the goal-seeking regional policy.

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