

THE DEVELOPMENT OF MECHANISMS OF COORDINATED MEASURES
OF NATIONAL, REGIONAL REGULATION AND STIMULATION OF INVESTMENTS

Annotation

Effective implementation of investment projects aimed at socio-economic development of the region is determined. Mechanism of state's stimulation of economic entities to carry out economic activities on the defined area is grounded.

Keywords: public policy, investments, stimulation mechanism, implementation, region, socio-economic development.

Анотація

Визначено ефективність реалізації інвестиційних проектів, спрямованих на соціально-економічний розвиток регіону. Обґрунтовано механізм стимулювання державою суб'єктів господарювання до здійснення економічної діяльності на визначеній території.

Ключові слова: державна політика, інвестиції, механізм стимулювання, регіон, соціально-економічний розвиток.

Аннотация

Определена эффективность реализации инвестиционных проектов, направленных на социально-экономическое развитие региона. Обосновано механизм стимулирования государством субъектов хозяйствования к осуществлению экономической деятельности на определенной территории.

Ключевые слова: государственная политика, инвестиции, механизм стимулирования, регион, социально-экономическое развитие.

Introduction

Construction of the rational models of state regional policy plays an important role, namely it ensures the realization of long-term goals of socio-economic development of regions and country; helps to realistically assess the potential of regions and the possibilities of maneuvering with it; takes into account possible options for the emergence and impact of investment climate's factors and helps to minimize their negative influence on the economy; reflects the advantages and disadvantages of the respective regions' development; provides a combination of national and regional interests; identifies the main criterion of evaluation of the ways of the developed models' realization and preconditions of strategic changes in the overall structure of management of regional development.

Under conditions of social and economic relations' transformation solving this problem requires formation of such a management model on the regional level, the basis of which will be the establishment of an effective cooperation of the authorities with businesses.

Analysis of recent research

Problems of state regulation of the regions' development are investigated by both foreign and

local scientists. Works by P. Samuelson, A. Smith, J. Fischer, D. Hicks, and W. Sharp should be noted among the foreign scientists; local scientists are O. M. Alymov, P. Y. Byelenkiy, M. P. Butko, M. I. Dolishniy, O. O. Yeroshkina, O. M. Ivanytska, O. V. Ivanchenko, V. Y. Keretsman, M. H. Koretskiy, Y. B. Korotych, O. P. Krainyk, M. A. Latynina, A. S. Lisietskiy, O. H. Topchiev, Y. M. Hvesyk, and others. In particular, the essence, the main directions and the priorities of state regional policy have been identified by M. M. Mykolaychuk and D. V. Nekhaychuk.

Statement of research objectives

– to determine the effective implementation of investment projects aimed at socio-economic development of the region;

– to justify the mechanism of state's stimulation of economic entities to carry out economic activities on the defined area.

Results

The principles of European democracy, forcefully stated in the draft of the European Charter of Regional Democracy, should be put as the basis of cooperation between local authorities and higher and central authorities. In particular, it is the principle of «cohesion» of interests, which

involves joint solving of the problems that they face. That is, state and the regions have to work closely together (to cooperate) in order to achieve consensus between national and regional interests [2, p. 137].

Article 3 of the draft of the Charter establishes that the recognition and implementation in the system of public administration of the institute of regional governance is one of the elements of democratic governance. Activities of regional authorities should be based on democratic principles: recognition of human rights, securing peace, stability and prosperity, lasting solidarity development. Thus, the draft of the European Charter of Regional Democracy is focused not only on developing the structure of regional democracy, but also on ensuring its effectiveness [1, p. 104]. Principles of regionalism have found theoretical justification and consolidation in a number of documents of the Council of Europe – institution that produces the standard of modern democracy [1, p. 98].

The formation and implementation of the proposed model should be based on the provisions of the concept of democratic governance, the theory of social networks, new institutional theory involving the formation of the equilibrium mechanism of interaction between sectors of society, built on the principles of dialogue, consultation and cooperation. Provisions that have decisive importance need to be identified from the concept of democratic governance:

- participation of citizens (done by ensuring the right of citizens to vote in decision making - either directly or through legitimate institutions that represent their interests, freedom of association and speech, delegation of certain powers from authority institutions to civil society, readiness of the parties of publicly-management relations for a constructive dialogue and cooperation);

- partnership (public authorities, business, civil society organizations unite efforts to solve urgent problems of social development);

- transparency (completeness of information about the activities of public authorities, its accessibility for all those interested in it);

- sensitivity (the ability of public institutions to be responsive to the needs of citizens);

- focus on consent (compliance with the balance of interests to achieve broad consensus on the issues that correspond the most with the interests of citizens and their groups, and ways in which this should be achieved);

- effectiveness and efficiency (most efficient use of resources to meet social needs. Basic criterion of evaluation is the development);

- accountability (public authorities are accountable to citizens, institutional bearers of law);

- responsibility (responsibility of bodies of administration to the politicians who determine policy, and to citizens, consumers of services);

- strategic vision (authorities, business, civil society organizations and their leaders think about the policies from long-term prospects and clearly imagine ways of their implementation [3, p. 48].

It should be noted that the model of democratic governance, with recognition all its potential, not yet fully finds its implementation in the system of public administration in Ukraine. The control of authorities by the citizens at central and regional levels is not systematic. The authorities often only formally introduce elements of partnership with citizens. Significant problems exist with the rule of law, fair character of courts' and other government agencies' operation. Irresponsibility, low efficiency and effectiveness, lack of strategic thinking are characteristics of modern management process in Ukraine [1, p. 105–106].

However, among some achievements of today is recognition of the fact that the partnership, including public-private partnership, can be a primary mean of solving social and economic problems. So, there is a need in concrete actions aimed at forestalling theoretical understanding of current issues of social development, at their timely and consistent practical solution, and finally – the implementation of the mission of public power as a mechanism of self-government and self-development of society.

Summary results of the analysis allow determining the conceptual parameters of such a model, including implementation process of state regional policy and organizational and structural mechanism for its maintenance.

Thus, in order to create the most effective environment for the development of certain areas taking into account balance of their self-sufficiency and assuming that the development of regions of Ukraine should be based on principles of self-development, state regional policy should be realized on the basis of the contextual model.

In the formation of regional development policy ideas, goals and directions, which are incorporated in the State Regional Development Strategy until 2015, should be considered. The ultimate goal of the Strategy is to create conditions for increasing

competitiveness of regions, ensuring their sustainable development on modern technological basis, high productivity and employment.

This approach will enable sustainable and balanced development of the country as a whole, to bring the standards of living to European standards and to create conditions for increased economic activity in all regions of the country. This will facilitate the gradual mitigation of regional disparities, reduction of risk of depressed areas' formation and will protect society from significant costs to restore proper conditions of their life.

To ensure the effective implementation of state regional policy in accordance with the proposed model the main instruments and mechanisms should be distinguished.

Effective implementation of investment projects aimed at social and economic development will encourage economic and social development of the territories.

To increase the effectiveness of regional development policy's implementation it is necessary to attract attention to the development of the coherent measures' mechanism of national and regional regulations and stimulation of investment. And the first direction of concerted actions should be to strengthen state control over the target expenditure of budget funds, channeled into investments in the form of irrevocable financing and lending.

There should be extended common practice of public and commercial financing of investment projects and also the use of part of the budgetary funds for the especially effective and quickly paid-off investment projects and small businesses' subjects regardless of their industry affiliation and ownership to accelerate structural adjustment and technological production. This list should also have measures to guarantee loans, export credit, cover of venture capital from the state budget, state insurance at preferential rates and more.

Of course, limited budget does not give grounds to hope for active involvement in the system of stimulation of direct state activities' investment. However, the minimum required level of them, which should provide conditions for directing investment flows to achieve the objectives of integrated sustainable development, requires special attention of researchers and regional authorities.

Creation of favorable economic conditions for realization of innovative projects is a key point

towards public support for innovative projects and programs for socio-economic development of territories. This question is the basis for a successful regional strategy of innovative development.

So far determination of activities financed by the relevant budget item was of a chaotic nature, contrary to the rules specified in the Budget Code of Ukraine. This Act states that investment projects are implemented according to the procedure and conditions for granting subsidies for the mentioned purposes and are determined by the Cabinet of Ministers of Ukraine.

However, this rule has been not executed for seven years. And only action plan on the implementation of the National Strategy of Regional Development till 2015, approved by the Cabinet of Ministers of Ukraine from July 21, 2006 № 1001, identified the development and approval by the Cabinet of Ministers of Ukraine the procedure and conditions for granting subsidies for realization of investment projects [6].

This procedure should consider the following directions of investment projects' realization aimed at socio-economic development of regions, and funded from the State Budget of Ukraine:

- compensation of banks' interest rates for granted loans to entities doing business within the defined by the state area of economic activities and territory;

- direct financing: implementation of agreements on regional development; implementation of projects and programs on development of energy-saving technologies; implementation of venture projects, etc.

- financing agreements for regional development between the Cabinet of Ministers of Ukraine and the regional representative body, concluded in accordance with the applicable law.

That is, the state may participate in the investment process in different ways. In case of the direct participation in the investment process, it invests resources for implementation of investment programs envisaged in the state budget, or it is directly involved in the investment projects in the form of subsidies subventions and budget loans on the basis of repayment (subsidizing lending rate of the loans to finance investments; co-financing from the state and regional budgets, etc.).

The main condition for obtaining the right to implement investment projects should be the selection on competitive conditions with conducting a careful examination of both the projects and subjects that wish to implement them.

The criteria for selection of the compensation interest rates should be the following results of projects' implementation:

- value of the development of the relevant field to the socio-economic development of the territory in which the project is proposed to be implemented;
- increasing the amount of tax payment to all levels of budgets;
- creation of new jobs and improvement of social standards available to employees;
- development and modernization of the area's infrastructure.

For this purpose a subsidiary body – the Foundation for Regional and Local Development should be created under the umbrella of the central executive body, whose purpose will be the realization of state regional policy. Management of this body will be carried out collectively from a number of governing people (first deputies and deputy ministers or heads of committees), other interested representatives of central executive bodies, leading scientists and the public. It will be chaired by an appropriate representative of the central executive body, whose purpose is the implementation of the state regional policy.

The financial institution «Austrian Economic Service» (AWS) serves as an important instrument of state and European regional development policy's implementation in Austria. The question of management of the financial support from the European funds of support is assigned to its competence. Bank provides subventions, soft loans (with an average annual rate of 3.75%), guarantees on private bank loans, and service maintenance of projects. Depending on the status and size of the business (small, medium or large according to the classification of the EU), total amount of aid from all sources of financing at European and national levels can reach 100%. Instead, today the backward regions of Austria receive support for projects' realization on average level of 15% of their value. This limit was increased to 40% in the Burgenland. According to the financial report of the AWS already in 2005 the sum of requirements on financial liabilities that were granted under support of the European Union, exceeded 1.2 billion EUR [5, p. 126].

Such practice is also used in the Russian Federation [4]. Investment Fund of the Russian Federation was formed on the 1st of September, 2006. A year later it came under the jurisdiction of the Ministry of Regional Development of the Russian Federation (resolution of the Russian

Federation dated from October 25th, 2007 № 701 «On some issues of structure and organization of the activity of the Ministry of Regional Development of the Russian Federation»). Budget allocation (through direct funding) of the Investment Fund is available for projects implementation aimed at socio-economic development of the country's territory, which have national significance.

The main difference between our proposed model from the one operating in the Russian Federation is that in addition to direct funding it is proposed to give the Foundation for Regional and Local Development the right to compensate the banks' interest rates on loans granted to economic entities for doing business in the defined by the state economic area and territory.

To increase the effectiveness of these activities it is worth to consider the possibility of choosing one of the state banks (Ukreximbank, Oschadbank), which will grant loans to businesses on the standard conditions if they participate in the implementation of the investment projects aimed at socio-economic development of regions.

In addition, the following responsibilities should be put on the Foundation:

- involvement of international grants for regional development;
- organization of calls for proposals for regional development, including the ones that are financed by the international organizations;
- provision of guidance and practical assistance to the regional development agencies in the regions;
- monitoring of current and prospective legislation of Ukraine;
- rating evaluation of territories and cities of Ukraine;
- organizing and conducting national exhibitions of the country's regions, and representing them abroad;
- participation in the development of strategies of development of the state and regions, appropriate targeted programs;
- study of the competitive advantages of the regions;
- organization of the polls.

Ukraine has already implemented a similar mechanism of stimulation of development of small and medium businesses. Initiated by the Ministry of Economy and the State Commission on Enterprise, the regional and local Support Funds for businesses in the regions have been created. Their task is to compensate the interest rates on a competitive

basis at the expense of state and local budgets. However, these institutions do not have sufficient financial capacity. On average, their annual financial resources are 1 million UAH for the region. So it is possible to say with full confidence that the state shifted the entire financial burden on regional and local budgets. On the other side, the state should retain the function of control over the allocation of appropriate resources and a good tool for the implementation of a comprehensive, balanced socio-economic development of all areas of the country.

Conclusions

This appropriate task should be carried out by our proposed mechanism of stimulation (realization of investment projects) of business entities by the state to undertake the economic activity in a defined territory.

Agreements on regional development are the combination of state and regional interests. Mentioned instrument of regional development opens the possibility of joint activities of all subjects of regional development for the socio-economic development of regions. At the same

time, it encourages local authorities to implement active work towards development of the territories. This is because the state, represented by the Cabinet of Ministers of Ukraine, makes decisions on joint implementation of the agreement only if it is convinced that other potential actors (especially - local authorities) of its implementation have taken all possible measures to socio-economic development of their territories. Also during the implementation of the agreement the latter have to create favorable conditions to enable the effective implementation of the agreement.

The activity of local self-government in Ukraine, including on the regional level, does not create enough opportunities for large-scale programs and projects to address strategic issues of regional development. The agreement allows overcoming significantly these and other restrictions. Its result is a combination of resources of the region (oblast) - intellectual, financial, and institutional - with government resources. The agreement guarantees that within a given region the state will act taking into account priorities of activity of regional authorities, and vice versa.

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