

REGIONAL MODERNIZATION AND MANAGERIAL INNOVATIONS: THE BEST FOREIGN EXPERIENCE FOR UKRAINE

Dunayev I.V., PhD, Associate Professor

*Kharkiv Regional Institute of Public Administration of the National Academy of Public Administration
by the President of Ukraine*

У статті подано узагальнення сучасних управлінських практик, які застосовуються у країнах ЄС і ОЕСР задля стимулювання розвитку регіонів. Вони охоплюють напрями просторового розвитку, економічного розвитку і інтегрованого управління. Це зумовило подальший критичний огляд наслідків впливу цих трьох напрямів на приток іноземних інвестицій у порівняльні регіони Східної і Центральної Європи.

Ключові слова: модернізація, регіональна економічна політика, розумна спеціалізація, інтеграція, глобалізація, місцеве управління, просторова політика.

Problem setting. Selecting regional modernization as a way to solving problems of public administration and economic development is free to alternatives. Modernization is not improvement and development only, but updating, ‘modernizing’ certain object or transformational process to its acquisition of traits that is inherent in more advanced analogs. In this sense, modernization is alike to benchmarking ideology. That is modernization of regional economic policy implies at least the perception of advanced third party (“best practices”) and public governance with criteria of comparable experience adequacy and action systemacy.

Analysis of recent research and publications. Today various modernization theories mould a powerful layer of scientific knowledge. Being mostly interdisciplinary, these theories contain the conclusions for almost all social life spheres. Under globalization and versatile integration impact, new theories (P. Krugman, F. Fukuyama et al.) and conceptual views (e.g., A. Sapir, M. Castells, F. Barca, Y. Bahler, Worldbank and OECD experts, etc.) were raised over the past two decades. It enables to see differently complexity and dynamism between globalization impact and public administration effectiveness as well as it even shapes the political agenda in many countries.

The purpose of the paper, objectives and applied methodology. The purpose of the paper is to identify and to ground the basic promising vectors of mobilizing unused potential at sub-national level that are unveiled due to international experience and integration processes. It leads to solve three tasks with experience synthesizing: 1) spatial development and planning, 2) integrated development management and international involvement and 3) regional economic development.

Methodology applied: abstract-and-logical approach, synthesis method, method of induction with deduction method, comparative approach.

Main results obtained. In our opinion, international experience provides significant opportunities to modern regional modernization and its resource support to Ukraine in those areas aimed at strengthening the institutional capacity of regional-level governance, especially its economic subjectivity and capacity, while benefiting from globalization and integration trends. It goes into own regions’ credentials under Ukraine’s decentralization in following areas as

- 1) spatial development and planning,
- 2) integrated development management and international inclusion,
- 3) economic development of the region.

Let take them up tightly. So, first, it's *spatial development and planning*. A multi-scale approach is used in regional planning of settlement, stipulated by increasing international competition in a couple with multidirectional integration and cooperation. It embraces analysis of a territory, including the city (or regional center), on several levels: a) global and regional (continental) systems of cities; b) national urban system, especially cities of the same rank; c) system of settlement in a region (area), urban and rural settlements within the urban agglomeration; d) internal territorial structure of a city [1]. Modern 'integrated' European

agenda in spatial development and planning is based on a partnership between the supranational EU bodies and national governments, enforced by compulsory involvement of regional and local authorities in [2, p. 29]. With an air of importance, middle level of individual member states is gradually being eroded under the traditional influence of the traditions of decentralization, and to the fore, on the one hand, one can see an awakening the supranational structures and mechanisms, and, on the other hand, its regions as “atoms”. Regions-cells become the main links of pan-European political space build up the “Europe of Regions” and the appropriate political agenda.

Adopted in today's EU, ideology of certain spatial arrangement and urban development anticipates a methodological shift from hierarchical to networking polycentric model at all territorial levels. Each area affiliated to appropriate network classification, has lots of features. Expansion of functions and therefore increasing the rank of a regional center in the hierarchy of cities entails both structural changes in a local economy and up-growth of general management and services.

Objective changes in society and regional policy on the principles of polycentrism have led to profound shifts in territorial structures of the EU countries. The predominance of “horizontal” links between regional centers, medium and small cities prior to “vertical” (“capital – regional centers – other cities”) links, is indicating to weakening of hierarchical relations. On the periphery, there is an active development and strengthening of new poles of growth. For example, the territorial structure of modern France is not already determined by the dominance of Paris in most activities for a great while.

Particular attention in modern spatial planning given the EU is paid to large regional centers, the so-called as regional metropolises. Metropolization is understood as a process of increasing the concentration of social, cultural and financial capital of modern forms of economic activity and creative potential in major cities with a favorable nodal position. These cities tend to surround urban areas, and their formation provides various opportunities for local communities’ development (as ‘new quality of life’) and for an economy (as ‘competitiveness’).

In new EU-members, the largest cities commence to perform the capital functions in their regions, identifying vectors of structural changes. They have advanced it the most in their transition to post-industrial path. Regional centers have important administrative and institutional resources, and they stand far ahead of other cities in quality of population and diversity of their functions. They are as the knots for the new networking structures of different configuration, e.g. networks of wholesale and retail, of business and personal services and transport, of centers of municipal unions and community organizations, of top-event places. Leading regional centers are the leaders in their regions on material, scientific, educational and cultural background, they are as generators of new ideas and development impetuses.

So, in Europe, the rational spatial arrangement with an active regional policy around major regional centers and their agglomerations (functional urban areas, FUAs) is considered as one of the key factors of economic growth and global competitiveness.

Since 2014, the major elements acquired a new semantic content in modern regional policy in the context of “Europe 2020”, are:

1) Renewed pan-European vision of spatial development. Today it covers three areas: a) the cohesion policy, b) increasing regional competitiveness in European and global scale, building knowledge economy up and employment growth, and c) promoting interregional and cross-border cooperation.

2) Value-and-ideological emphasis on making opportunities for future development. Since 2013, the policy of regional development and regional modernization is directed not to compensate the accumulated problems, but to rise opportunities for development and to mobilize uncommitted potential of regions and cities.

3) Increasing the funding efficiency due to its simplifying and harmonizing the rules for different common funds.

4) Preventing new crisis in EU labor market in advance.

5) Increasing the local governments’ financial responsibility for their poor judgment and their lack of initiatives.

6) Supporting clusters. It's considered to become a bridge to modern industrial policy and to facilitate the transition to regional competitiveness based on modernization of traditional economic activities through innovation in. An initiative to create clusters is usually come from local and regional stakeholders' sides.

Being faced with the global 2008-2009 crisis, the EU did not reach its ambitious goal to build the most competitive economy in the world and to come off R&D funding up to 3% of total GDP to 2010 [3]. Despite these setbacks, highly integrated and post-industrial economy and interconnected cross-countries programs allow to gradually smooth out spatial disparities in socio-economic development as well as create outside European 'pentagon' (London – Paris – Milan – Munich – Hamburg) new hotbeds and poles of growth capable to activate human capital, to create new jobs and to generate innovations (Table. 1).

Table 1. Expenses on R&D across European regions in average in 2007-2010, % to GRP [4, p. 9-10]

Region	Country	Expenses on R&D, % to GRP
Leading regions		
Prov. Brabant Wallon	Belgium	7,26
Braunschweig	Germany	6,75
East Anglia	Great Britain	5,85
Stuttgart	Germany	5,83
Pohjois-Suomi	Finland	5,63
Cheshire	Great Britain	5,11
Hovedstaden	Denmark	5,10
Sydsverige	Sweden	4,75
Oberbayern	Germany	4,29
Midi-Pyrenees	France	4,20
Regions-outsiders		
FYR of Macedonia	FYR Macedonia	0,18
Sud-Est Romania	Romania	0,18
Yugoiztochen	Bulgaria	0,17
Ciudad Autonoma de Ceuta	Spain	0,15
Centru	Romania	0,15
Opolskie	Poland	0,14
Severozapaden	Bulgaria	0,14
Sredisnja i Istocna (Panonska) Hrvatska	Croatia	0,10
Lubuskie	Poland	0,10
Severen tsentralen	Bulgaria	0,09

In general, EU's spatial experience shows that modernization of regional and urban policy requires long-term and strategic vision of goals. EU programs are featured both by sectoral and spatial approaches. Particularly in transport development, there is a priority of those projects contributing to implementation of an integrated transport strategy, to building trans-European networks up to ensure maximal coherence and connectivity within the EU.

Managerial innovations in spatial plane are closely interwoven with changes in the integrated governance and international inclusion of the regions.

With a glance of large bulk of involved resources and tools that are currently used in local communities in all developed countries, e.g. OECD countries, this direction is advisable to introduce a number of closely interwoven methodological and ideological vectors of modernization of regional economic policy in Ukraine.

First, an *integrated approach to regional development governance* [5, p. 31]. Successful regions offer to their inhabitants a choice of objective and secure opportunities for their life and career. Regions support and

develop their historical heritage, opening themselves for the future. Some of them have to face the prospect of demographic change and population aging. Resolving these and other challenges requires both long-term vision and exploitation of an integrated approach to planning and internal policies. The strategic guidelines of an integrated approach are as following:

a) Considering the concept of sustainable development that is typically included in OECD development policies at all levels of governance. This integration allows public authorities to determine timely the emerging problems, to prepare decisions more effectively and to intercept such problems at an early stage preventively. Solving some problems beyond political boundaries require specific forms of cooperation. For example, reducing of population in many regions of the OECD countries raises an additional issue of necessary volume of services and of charging the all available infrastructure.

b) The principles of subsidiary and partnership that are usually reflected in multilevel governance model. But it's still persistent practices of using coercive 'top to down' mechanisms of controlling instead of creating processes to support an integrated approach at the local level. It's reflected in the lack of information about territory and areas; mechanisms of decision-making are not transparent sufficiently; generally, financial resources are not integrated sufficiently, and it complicates achieving consensus on development objectives and priorities between local, regional and central governments and the public.

c) Promoting rural-urban cooperation, that is particularly accentuated in the modern EU. Rural-urban cooperation and complementarity is believed as a key way to cohesion and strengthen cooperation at local and regional level. This may occur in the following areas:

- exchanging information and know-hows between territorial actors both on urban and rural level as well as while polycentric model of a region is building up;

- partnerships both within and between development projects (transnational, cross-border, regional, local);

- interplaying of business and investment between countries, regions and local communities, and especially for the EU – co-financing from EU structural funds and national funds, creating new jobs. So it's about a combination of a single European labor market and business opportunities;

- conjugating infrastructure (roads, municipal engineering infrastructure, etc.) [5, p. 41].

It's nationally advisable to facilitate access to structured and verified information regarding the various components of regional and local development, promoting exchange of experiences and the best practices in implementing integrated policy development of a region.

Second, an *ideological vector of forming the regions' active role*. Relying on investment mechanisms, the essence of contemporary EU regional policy is aimed at forming a new, active regions' role in their development [6]. It's stipulated by the modern fact that regions and their administrative centers begin to differ more and more among themselves not only on socio-economic criteria but also on 'global' criteria as per their involvement in global processes. Connections between regional and global partners at the sub-regional (local, municipal) level are being developed (Table 2). Thus, "in modern Europe, a new *principle of territoriality* is being shaped without an usual dividing on 'centre' and 'periphery'" [7]. During the simultaneous impact of globalization and evolution of the markets, today regions become more active constituents of a space of shaping a new policy and self-reliant participants in global policy.

In terms of strengthening and shaping new forms of participatory democracy, it's important to involve sub-national units (cities and regions) to political activities of the European institutions. It meets a growing public demand to empowering ordinary citizens to influence political decisions. On the one hand, increasing the number of participants complicates this process, but on the other hand, it contributes counting the opinions of the greater number of stakeholders, reducing the democratic deficit that is indicated by euroskeptics and that is fueling doubts of ordinary citizens regarding to effectiveness of supranational governance. In this sense, the obvious results of participating the regions and cities in European political process can be an important incentive for further European cohesion.

Table 2. Fragment of world cities ranking by the network connectivity index in 2010 (2010 World City Network)

Global rank of the city	City and country	% connectivity (relatively to London as a leader)
95	Manama (Bahrein)	30.15
96	Osaks (Japan)	29.76
97	Sofia (Bulgaria)	29.65
98	St.Luis (USA)	29.58
99	Geneva (Switzerland)	29.58
100	Panama City (Panama)	29.50
101	Helsinki (Finland)	29.30
102	Cleveland (USA)	29.11
103	Casablanca (Morocco)	29.04
104	Port Luis (Mauritius)	29.04
105	San Diego (USA)	28.81
106	Pert (Australia)	28.64
107	Shenzhen (China)	28.61
108	Guatemala (Guatemala)	28.15
109	Cincinnati (USA)	28.06
110	Baltimore (USA)	27.83
...
474	Khartoum (Sudan)	1.92
475	Vinjavadaa (India)	1.88
476	Bamako (Mali)	1.87
477	Kharkiv (Ukraine)	1.84
478	Bhilayi (India)	1.80
479	Ranchi (India)	1.80
480	Kumasi (Ghana)	1.77

*Source: Globalization and World Cities (GaWC), 2012

According to the 2014 Report of the EC Committee of Regions, most of the regions and cities are mentioned both as performers and as participants in preparation of the draft program of socio-economic reforms. In many applications there are separate chapters and paragraphs dedicated to the role and spot of cities in these projects (Sweden, Italy) [8]. Besides direct involvement in drafting the programs, European regions and cities afford indirectly via European Commission, to impact the common strategy. At all stages of planning, the cities and their proper associations can offer to Commission their feedback and visions of the tasks that should be reflected in National programs of reforms in specific countries – EU members.

Finally, let's consider the third main vector of modernizing the regional economic policy as the *regional economic development* that is logically combined with the previous two ones.

Since the 1990s in highly industrialized economies, one can see a clear shift in objectives of regional policy to reducing regional disparities in development of local (endogenous) SMEs and to strengthening local competitive advantage through innovation and specialization. In this sense, specialization is not a synonymous of monoculture, and the merge of these concepts may lead to unfavorable inability to move forward. Certain specialization should be linked with other spheres to keep all options open to use. This approach based on local priorities (place-based approach) is a philosophical framework of contemporary social cohesion policy (EU Cohesion Policy) for the period of 2014-2020, as well as the national growth basis for the U.S. Obama's Administration [9]. In this context since the early 2010's, 'smart specialization' became a key principle for a territory, assembling the heart requirements to localities (or regional economies) in terms of their capacity to attract investments and to provide comfort as an "activity diversity" [9, p. 22]

The smart specialization concept was proposed to the European Commission in 2008 by economists D. Foray, P. David and B. Hall [10]. Now smart specialization is considered as the framework model of not

only innovation but of also social and economic policies in general in the EU. It envisages identifying and developing simultaneously both promising (strong) spheres and unique industries or economic activities capable to shape real specialization of certain regions within national economies. Central role is surely played by entrepreneurial initiative from below that shapes these areas of specialization [11, p. 263] de facto. Conceptually, policy of smart specialization considers:

1) wide frameworks. Reshaping a policy, it should admit to take the best global niches by European regions and its resident companies;

2) modernization of institutional environment to develop the innovation, R&D and education in order to stimulate more demand in cooperation with other regions. Finding the region's site into a national and global economy anticipates inventing different networks and mechanisms to strategic interregional cooperation. For example, these core competencies can be formed in clusters, but the specific competences are defined by experts' consensus (Fig. 1). However, now Ukraine should conduct additional examination of international experience to enable reshaping new techniques and instruments of cluster policy to come. Currently, prevailing view in the EU is to entitle only those regions to pretend to additional support from structural funds, which have already determined their 'smart specialization' profile.

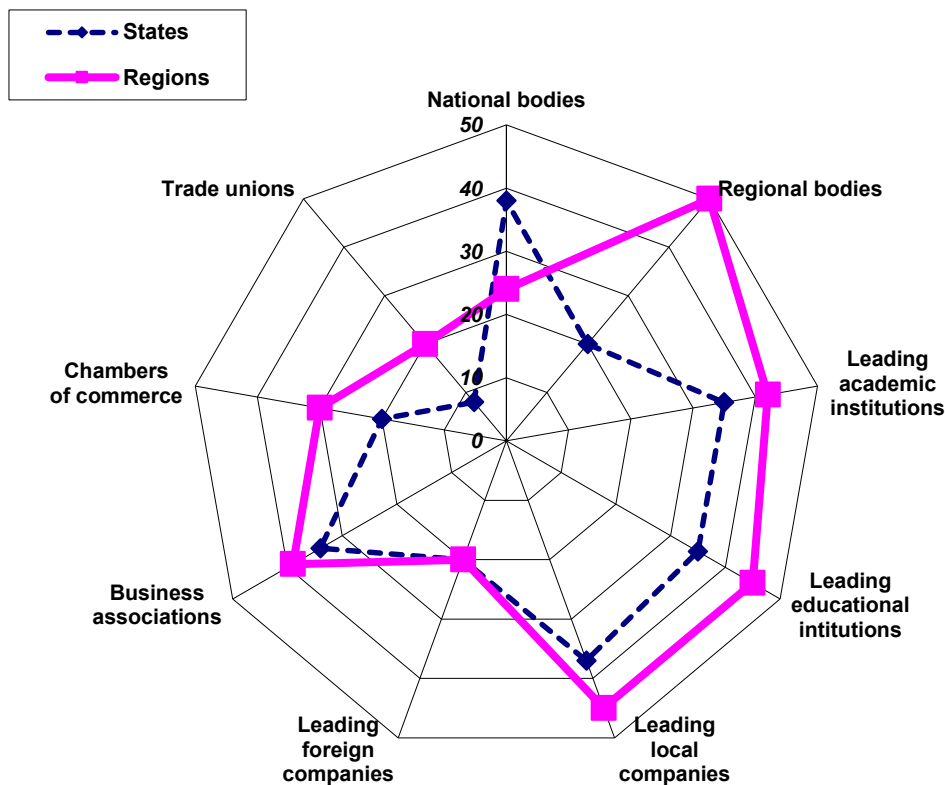


Fig. 1. Involvement of various stakeholders in selecting the priorities of specialization policy in OECD countries, 2012 (source: OECD, 2013 [13, p. 31])

Strengthening regional cluster initiatives affects accumulation of institutional changes, that will lead to contributing a boost of regional convergence of innovational processes, industrial and academic cooperation, shaping additional 'innovation elevators' at the regional level.

In sectoral aspect, the smart specialization principle is not surely to be suited to high-tech industry only; it can be to low-tech sectors where investment in R&D will contribute much to regional industrial development and will encourage the development of other sectors or local economies in its neighboring regions (Table 2). The decision what 'smart specialization' areas to be is made by consensus of experts representing science, education, business, industry on a regional level [12, p. 38]. In this conceptions, the state is assigned to play

its role along three functions: 1) shaping conditions for approvals and selecting ‘smart specialization’; 2) monitoring cluster development in terms of selected specialization of a region; 3) identifying needs arisen from selected specialization (e.g. in engineering or medical education) as well as putting appropriate incentives and measures to support.

Table 3. Nature of national and regional priorities according to smart specialization in OECD countries

Evident priorities	Countries	Regions in countries
Life science, biotech, biomedicine, pharma, health	Austria, Estonia, Finland, the Netherlands, Poland, Spain, South Korea, G. Britain	Lower Austria, Upper Austria, Flanders, South Moravia, Berlin Brandenburg, North-Brabant, Malopolska, Andalusia, the Basque Country
ICT	Austria, Estonia, Finland, Poland, Spain, South Korea, G. Britain	Upper Austria, Flanders, South Moravia, Berlin and Brandenburg, North-Brabant, Malopolska, Andalusia, the Basque Country, Gwangju
Environmental/green technologies, energy	Austria, Estonia, Finland, Netherlands, Spain, South Korea, G. Britain	Lower Austria, Upper Austria, Flanders, Lahti North. Brabant, Malopolska, Andalusia, the Basque Country
Mobility, traffic, transport, logistics	Austria, the Netherlands, South Korea, G. Britain	Lower Austria, Upper Austria, Flanders, Berlin and Brandenburg, Mr. Brabant, Andalusia, the Basque Country
Nanotechnology, materials	Austria, Estonia, Poland, the Netherlands, South Korea	Lower Austria, Upper Austria, Flanders, North-Brabant, Malopolska
Agrifood	Austria, the Netherlands, South Korea, G. Britain	Lower Austria, Flanders, Andalusia
Production processes, industrial equipment	Austria, G. Britain	Flanders, South Moravia, Basque Country
Services	Austria, Finland, South Korea	-
Maths and chemistry	Austria	-
Maths and engineering	Australia	Upper Austria, Melbourne city
Optics	-	Berlin and Brandenburg, North-Brabant, Gwangju
Chemicals	the Netherlands	Flanders, North Brabant
Water	the Netherlands, South Korea	
Design	-	Lahti, North Brabant
Creative sector	the Netherlands	Berlin city and Brandenburg
Heritage, cultural industries, tourism	South Korea	Flanders, Malopolska, Andalusia
Arts and humanities	Austria	-

*Source: Updated on OECD data, 2013 [13, p. 176]

This approach allows using different tools more pliantly, increasing their potential effects. For example, the technology platforms of the EU and modern Russia [14] being thematically designed as similar, can contribute to identify a ‘smart specialization’ of regions. Post-Soviet approaches to cluster policy partially repeat bygone ideas that had not been implemented completely. According to Lev Gohberg, besides a clusters selection, it also should be a built-in project selection should become a value essence of a smart cluster policy [15]. However, the composition of cluster measures in Ukraine has still being revised and enlarged with a glance of international experience, but there is no applying the newest tools of innovation clusters. So, it’s clear that the next adoptions would be retarded of modern trends, and it will extend a path of shaping innovation clusters and saturating the modernization process of regional economies with specific content in Ukraine later on.

‘Smart specialization’ is also considered as a one of the tools to respond to environmental (climate changing, and green growth), and social (aging population, demographic shifts, etc.) challenges [16, p. 140].

Supporting the smart specialization principle is important to disclose promising areas of specialization in various regions and countries that is ultimately can lead to new forms and formats of economic activity.

All these three promising areas of modernization of regional economic policy are also quite specifically correlating with the national reforms. The aspect of international inclusion and integration of sub-national (regional) space into the international environment is a very important element of institutional reforms and European integration in post-socialist Europe. Thus, in the 1990s, the EU has designed a clear strategy of engaging for Central and Eastern Europe, and therefore for their regions into EU's sphere of influence. On the earliest stages of transformational reform, it has given them financial aid through specially created funds (PHARE, ISPA, SAPARD); has connected these countries to the European Bank for Reconstruction and Development; has gradually opened the markets for products from CEE countries due to implementation of special trade preferential regime, signing the asymmetric agreements on an Association – the so-called European Agreements, et al.); since 1993, has established political, economic and legal terms to be met by countries wishing to join the EU.

The today's deepest trade and economic integration of CEE countries with Western countries is a largely result of their active integration policy in investment area. Attracting the largest possible foreign direct investments (*hereinafter* – FDI) has become a key point of economic and industrial strategy of the most CEE countries. It was believed that FDI flows are essential for increasing domestic investments as it would fill the shortage of domestic savings up.

Along with the liberalization of investment regimes in CEE countries, the reforms improving investment climate were performed. It encompasses simplified procedure of establishing companies, the procedure for property registration and taxation system, reduced tax burden on businesses and others. In their effort to win in the toughest international and regional competition for FDI until joining the EU, the countries of Central and Eastern Europe (Hungary was the first, and the others afterwards) have applied additional incentives for investors [17, p. 28]. So, the most common measures were tax weakening (temporary tax exemption, reduction of the tax base by expenses deduction and some others) as well as customs preferences like preferential tariffs on imports of technical equipment [18, p. 49]. Both the central and the regional authorities have provided direct financial support to investors as governmental subsidies (mainly in infrastructure development), low-interest loans and grants. However, financial incentive mechanisms were used lesser than fiscal ones considering to limited resources of all these countries.

The main impetus for early FDI in CEE countries is made by granting foreigners the right to participate in privatization of state assets as part of the transition transformation. Only when the most of attractive state-owned enterprises in CEE countries were sold, then the foreign companies have been actively investing in “from scratch” enterprise establishing, as greenfield investment. However, more than 1/3 of total FDI in the new EU member countries are associated with privatization contracts [19, p. 21].

Generally, the FDI integration effect gave both the expected positive consequences and unexpectedly negative ones in larger scale to CEE economies.

1) FDI have contributed to accelerate economic growth in CEE, significantly increasing the accumulation of capital, increasing factor productivity in enterprises through equity transferring the modern technologies and creating new jobs. So, at the regional level, our comparing of selected 14 European regions (as NUTS-2 units compatible to the strongest Ukrainian regions and Kyiv city) in terms of GRP (Table 4) indicates that there was an increasing throughout almost all selected regions, excepting two Slovenian one.

However, the stake on FDI has created a long-term risk of developmental instability. Firstly, economic growth was largely determined by their volume of flow. Secondly, using their monopolistic benefits and government benefits, multinational corporations have pushed out domestic producers from the whole segments of the local markets of goods and services in CEE countries. And economic growth was appeared in dangerous dependence on decisions by a limited number of local branches of leading foreign companies. New jobs were mostly created by investors when placing new enterprises. However since privatization started there, foreign acquisitions were often accompanied by job cuttings [21; 22].

Table 4. Gross regional product (as purchasing power parity per capita in % of total average for all the countries of the EU-28) estimated upon selected** EU regions on NUTS-2 classification, 2003-2013 annually

Title of regions**	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Prague (CZ)	163	167	171	173	182	178	179	175	175	172	173
Středočeský kraj (CZ)	74	76	74	77	79	76	76	75	72	75	74
Malopolska(PL)	43	44	44	45	47	49	53	54	57	58	59
Mazowieckie(PL)	72	74	77	78	82	83	82	98	101	105	107
Wielkopolska (PL)	50	53	54	54	56	58	64	65	67	70	73
Bratislavský kraj(SK)	124	128	145	146	159	165	175	177	180	179	184
Central Region (RO)	32	33	33	37	41	46	47	48	47	50	51
North-West region (RO)	29	32	32	36	40	43	45	44	44	46	47
Bucharest–Ilfov (RO)	64	70	80	86	98	123	116	121	132	126	131
South-East region (RO)	27	30	30	32	34	38	39	41	41	44	45
Eastern Slovenia (SI)	68	71	71	71	71	74	70	68	69	68	68
Western Slovenia(SI)	100	103	104	104	105	107	102	100	98	97	97
Lithuania(LT)	-	50	53	56	61	63	57	60	65	69	73
Latvia(LV)	45	48	51	55	60	60	53	53	56	60	64

*Source: Eurostat, 2016 [20]

** Hereinafter, EU regions have been selected by the author on the criteria of their belonging to the CEE countries; the region has a population of not less than 1.8 mln. people; also the region has to be industrially developed and with sufficiently diversified economic structure. These features allow to compare structurally these selected EU regions with powerful Ukrainian regions with prevalent industrial and service specialization

2) FDIs have played an important role in a industrial rise in CEE countries suffered by the unsuccessful reform along ‘Washington consensus’ prescription. Also FDIs have improved industrial structure by increasing the portion of productions with average and high-tech level. Finally, since Hungary became a leader in structural changes, 15-20% of industrial output is associated with electronics (including about 10% computer manufacturing) and 10-15% for telecommunication equipment. However, under the influence of foreign investors, a new narrow productive specialization has been set with a mainly automotive bias.

3) Industrial impetus and expanded markets have significantly caused the emergence of new jobs. The official unemployment rate declined in most selected regions excluding Polish ones, but not up-tempo (1,5-3% over the decade; see Table 5). It cannot be completely attributed to attainments of new investment, social or regional policy as a result of European integration.

Table 5. Unemployment rate by selected NUTS 2 regions in 2003-2013, %

Title of regions	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Prague (CZ)	3,9	3,5	2,8	2,4	1,9	3,1	3,7	3,6	3,1	3,1	2,5
Středočeský kraj (CZ)	5,4	5,2	4,6	3,4	2,6	4,4	5,2	5,1	4,6	5,2	5,1

Title of regions	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Malopolska(PL)	16,8	15,3	12,6	8,5	6,2	7,9	9,1	9,3	10,4	10,9	9,1
Mazowieckie(PL)	16,0	14,8	12,3	9,1	6,0	6,0	7,4	7,9	8,0	8,0	7,2
Wielkopolska (PL)	17,2	17,2	12,7	8,3	6,1	7,5	8,8	8,6	8,5	8,8	7,7
Bratislavský kraj(SK)	9,1	5,3	4,6	4,3	3,4	4,6	6,2	5,8	5,7	6,4	6,0
Central Region (RO)	8,7	8,4	9,0	8,5	8,5	10,7	10,3	10,8	9,5	9,5	9,2
North-West region (RO)	6,2	5,9	5,9	4,3	3,8	5,6	6,5	5,1	4,6	4,1	3,8
Bucharest–Ilfov (RO)	8,2	6,9	4,8	4,1	3,4	4,0	4,7	5,6	6,5	8,0	7,2
South-East region (RO)	8,7	7,9	9,0	8,5	7,2	7,5	8,2	9,6	9,4	9,5	10,4
Eastern Slovenia (SI)	7,1	7,6	7,1	5,6	5,2	6,8	7,9	9,2	10,0	11,4	11,1
Western Slovenia(SI)	4,7	5,2	4,6	3,9	3,4	4,8	6,5	7,0	7,6	8,7	8,1
Lithuania(LT)	10,7	8,3	5,8	4,2	5,8	13,8	17,8	15,4	13,4	11,8	10,7
Latvia(LV)	11,7	10,0	7,0	6,1	7,7	17,5	19,5	16,2	15,0	11,9	10,8

*Source: Eurostat, 2016 [23]

4) The most controversial issue is of value of FDI for technological modernization of the economies of Central and Eastern Europe that is crucial to its productivity and growth. Undoubtedly, FDI provided generally higher technological level for companies with direct investment in comparing with domestic firms with now FDI, that is ordinarily indicated by higher return on production factors in enterprises with FDI. However, significant technological advantage is mainly sensed in companies were founded by large multinationals ‘from scratch’. Technology transfer to companies bought during the privatization and to joint company, is sometimes yearlong or even is missed at all [24; 25]. Part of the acquired companies were closed or reassigned to produce the simplest products due to local cheap labor. For example in Poland, after buying by Swedish-Swiss concern «ABB» some engineering enterprises, one can obtain reshaped manufacturing profiles: turbines production elimination at («Zamech» company, Elblag town), high power generator elimination (at «Dolmel», Wrocław city), power transformers (at «Elta» in Lodz city); lighting equipment (at «Polam», Poznań city) has been rearranged to cardboard packaging production [17, p. 39].

Conclusions. European experience of sub-national spatial development indicates that it’s important to provide objective, non-political method of engagements and resource allocation. It should be clear how finances allocated to programs or regions are involved in. Cross-sectoral integrated programs are privileged to better contribute to infrastructure, human capital and business development.

In Ukraine, the direction of integrated governance to enforce regional modernization is still much underestimated. In the pile of spatial and economic development, and relying on obtained financial opportunities by budgetary and fiscal decentralization, the local and regional authorities can step ahead in the development of their local communities. Unfortunately, authorities are still inactive without the influence of the public and foreign donors.

Ukraine is required to overstep the limits of departmental-and-sectoral nature of its economy. There should be a transition from mono- to intersectoral projects, from only-building projects (repair or reconstruction, increment and technological modernization of fixed assets) to complex and splitting cooperative projects of transparent using available funds by various parties. It’s important an openness of the regions and of the state in local infrastructure projects: admitting ‘virus of infrastructure integration’,

an economic systems would benefit of increasing capitalization of their assets by far. As a result, it's a creating principally new capability able to be capitalized then. The joint establishing and using of infrastructure is a comprehensive growth of social capital of a country and a region. Local companies and relevant sectoral targets related to new social capital are naturally included in a more efficient technical, industrial and socio-cultural mode.

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