

## **FORMATION OF STATE REGIONAL POLICY IN UKRAINE SUBJECT TO EUROPEAN EXPERIENCE**

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**Abstract:** *The article considers the main stages of formation and development of the state regional policy in the independent Ukraine, taking into account the European experience. The research includes the most important tasks of the regional policy, the prerequisites for its formation in Ukraine, legislative and institutional basis as well as various instruments of realization.*

**Keywords:** *regions, regional policy, depressed areas*

### **INTRODUCTION**

Regional policy is currently being implemented in all countries of the World, as an integral part of state policy. It regulates the relations between the centre and the regions and seeks to organize the territory in accordance with the adopted state development strategy.

The main objectives of state regional policy peculiar to almost all countries consist in the integrity and the unity of the territory, the balance of national and regional interests, reducing the differences in socio-economic development and living standards, the creation of equal conditions for all citizens, regardless their place of residence. Developed countries put more narrow and specific tasks, mainly in the field of Economics. They are: smoothing of the differences in employment and per capita income, stimulating economic activity in crisis and backward regions etc.

By definition, of a well-known Ukrainian scientist in the field of regional policy M. Dolishnii: «regional policy in its broad sense is a system of goals and actions aimed at implementation of the state interests in the regions and the internal interests of the regions themselves, which is implemented using methods that take into account historical, ethnic, social, economic and environmental specificity of territories» (Долішній, 2006).

Objective preconditions for regional policy consist in structural heterogeneity of the territory in natural, geographic, resource, economic, social, ethnic and political aspects. In this regard, any action should take into consideration regional interests and characteristics.

## **MAIN DIRECTIONS, LEGAL BASIS AND DEVELOPMENT OF REGIONAL POLICY**

Experts identify in the state regional policy a number of key areas, including: economic, social, demographic, scientific-technical and environmental.

The economic area of regional policy is aimed at achieving an integrated socio-economic development. Social activities include state assistance in the development of social infrastructure in the regions with low level of social protection of the population. Demographic direction should contribute to the improvement of the demographic structure of the population, the birth rate, mortality decreasing and so on. Scientific-technical aspect of the state regional policy should stimulate the development of scientific research, modern technologies, efficient use of energy resources. Environmental area aims at comprehensive state activities concerning environmental protection, rational use of recreational resources and the creation of favourable conditions for vital activity of the population.

The regional policy was born as a direction of state policy in leading states of the World in the 1930ies. However, at that time it was seen merely as a tool to smooth over imbalances in social and economic development of regions and provided a simple redistribution of subsidies among the territories, which had certain problems in their development.

According to T. Golikova, as a rule, it was about overcoming the problems of certain industries (in particular coal, steel, shipbuilding). Most of the problems were solved using direct state investments in the manufacturing sector with specific incentives (including benefits) for the support of enterprises of various problem areas. At the same time, in the 1980ies - early 1990ies, the vast majority of European countries passed to new principles of regional policy implementation. The concentration of financial resources in problem areas, the transition from a project to a program option for regional development and the implementation of the foundations for subsidiarity became the main principles. (Голікова, 2009).

In the XXI century internal borders in Europe have practically ceased to act as barriers between the countries. In fact, European integration or re-integration is no longer following the model that individual European countries have adopted and developed in the past for their internal standardization, which results also in forms of political centralization and cultural homogenization. A major challenge of today's European reality is represented by the attempt to give solid bases for social, economic and political integration in conditions of cultural diversity, subsidiarity and multi-level governance. (Bufon & Markelj, 2010).

Therefore, with the lapse of time, the goals of regional policy have changed and become more versatile. There are new principles, focused on decentralization of power and partnership between different levels and branches, as well as cooperation with private and nongovernmental sectors.

In the Soviet period regional studies were conducted in the context of centralized approach to the administration of economy, where the state was the only active subject.

The place and role of the state in shaping regional policy have been defined via command-administrative management paradigm.

The State strategy of regional development for the period up to 2020 has identified the following stages of regional development in the independent Ukraine:

- the transition economy (1991-1999)
- the phase of economic growth (2000-2007)
- the stage of the world financial-economic crisis (2008-2012)
- the deepening of the negative trends (2013-2014). (Постанова № 385, 2014).

After Ukraine gained its independence in 1991, it was expected that regional policy will attract more attention, because the differences between the regions in economic and social development were very significant. The urbanized regions - especially those that have large cities with the population about 1 million people - Kyiv, Dnipropetrovsk, Odessa, Kharkiv were among the most developed. At the same time, weakly urbanized parts of Northern, Central and Western Ukraine had the worst results.

The significant disparities in poverty rate between the regions of Ukraine have existed for a long time. So, in 2001, the highest poverty rate was observed in the Zakarpatska region (46,6%), in 2012 – in Rivne region (46,7%). The lowest level of poverty traditionally was typical for Kiev (7,8%), which is 3.3 times lower than in the whole country (25,5%). In 2012, compared with 2001, the trend of increasing poverty rate remained in 13 regions. The highest growth of this rate was considered in Rivne (from 21,9 up to 46,7%), Ternopil (from 25,7 up to 44,9%) and Kirovograd (from 22,8 up to 35,9%) regions (Постанова № 385, 2014).

However, the existence of economic disparities between the regions is not critical, because traditionally, such differences exist in most countries with large territories. At the same time, researchers pay attention to some Ukrainian “special features” that cause anxiety. Among them, for example, there is mismatch between the economic power of the region and its indicators of social well-being and life quality. This phenomenon is rarely observed in Europe. The leaders of industrial development that have the highest GDP per capita, industrial production and exports, have at the same time pressing social problems - the highest levels of depopulation, mortality (especially among able-bodied men), emigration, disease, alcoholism, unfavourable criminal and environmental situation, etc. The system, when all revenues are first accumulated in Kiev, and then distributed to the regions, does not allow regional authorities to use their money and solve urgent social problems.

If we assess the economic situation in Ukraine, in comparison with European countries, we will see that average GDP per capita in Ukraine constitutes 15.5% of the average rate in the EU. It should be noted that GDP per capita in Hungary, Poland, and Czech Republic is 2.4 - 3.3 times higher than the official Ukrainian indicator. Even in the years when Ukraine showed GDP growth, there were no qualitative changes in the above-mentioned ratio with the countries of Europe.

The first steps of the Central government, which can be attributed to the economic direction of the state regional policy, were aimed at stimulating economic development of territories. In the 1990ies such instruments for regional development, as the use of tax incentives were introduced in some areas. Since 1998 9 laws and 8 decrees of the

President of Ukraine concerning the establishment of Exclusive Economic Zones (EEZ) and the organization of special regimes for investment activities in the Territories of Priority Development (Industrial Parks) had been adopted. The EEZ and Industrial Parks provide benefits for investors, and under specified conditions, exemption from certain taxes for a defined period.

It was legally allowed to create 11 EEZ and the special regime was introduced in the territories of the Autonomous Republic of Crimea, Volyn, Donetsk, Zhytomyr, Zakarpatska, Luhansk and Chernihiv regions as well as the cities Kharkiv and Shostka. The industrial parks included more than 90 administrative districts and cities, which is about 10% of the territory of the country. The main purpose for the introduction of a special investing regime in these areas consisted in attracting investment in the most depressed regions with acute social problems, as well as in the regions affected by the Chernobyl disaster. Exclusive zones were created first of all in order to increase export orientation of the industry in certain areas and to make favourable conditions for the development of Ukraine as a transit country.

Since the beginning of their activity EEZ and industrial parks attracted investments of more than 825 mln. USD. According to preliminary data, the growth rate of investment was more than twice higher than the average national indicator. Over 80% of investments were done in the manufacturing: especially steel, chemical and food industry. At the same time, the overall effect of such zones throughout the country was not significant and did not lead to the equalization of existing economic disparities.

However, some experts say that the gaps in social and economic development of Ukrainian regions remain within the imbalances peculiar to some European countries. At the same time, it is impossible to ignore the presence of socio-mental differences between the people in different Ukrainian regions and their self-identification in connection with the belonging of different parts of Ukraine to the various states. These differences may adversely affect the development of the country as a whole, especially when they are used in political struggle. These contradictions are the most striking between the Western and South-Eastern regions of Ukraine, while the central region balance and moderate them (Ткачук А. & co-authors, 2013).

In our view, socio-mental differences manifested themselves very clearly during the presidential election campaigns in 2004 and 2010, when Viktor Yanukovich, received support in the regions of Ukraine where Russian-speaking population dominated (Autonomous Republic of Crimea and Sevastopol, Dnipropetrovsk, Donetsk, Zaporozhye, Lugansk, Nikolaev, Odessa, Kharkiv and Kherson regions) (Інтернет-портал ЦБК, 2010).

So, having got the state independence in 1991, Ukraine has actually become a country, where a variety of regions belonged to different centres of influence outside Ukraine. At the same time, economic and social processes at regional and local levels have evolved so rapidly that further delay in the formulation of an effective state regional policy would threaten economic and social stability in the country.

Thus, according to the European experience, the implementation of state regional policy is not easy task even for the countries with developed market economics. Its formation in Ukraine occurred in the conditions of a lack of relevant experience,

incompleteness of creating viable central government institutions, severe economic crisis, and slow transformation of the old model of relations between central and local authorities. So, there were enough of objective and subjective difficulties.

The key approaches to the principles of national regional policy at the constitutional level are laid down in several articles of the Ukrainian Constitution, in particular: Article 132 says that “the territorial structure of Ukraine is based on the principles of unity and integrity of state territory... balanced social and economic development of the regions, taking into account their historical, economic, environmental, geographic and demographic characteristics, ethnic and cultural traditions” (Конституція України).

The first legislative act that laid the foundation of the legal framework for the state regional policy was “The Concept of the State Regional Policy” approved by the Decree of the President of Ukraine № 341/2001 on the 25th of May, 2001.

The creation of the conditions for dynamic and balanced socio-economic development of Ukraine and its regions, improvement of living standards, compliance with state-guaranteed social standards for every citizen regardless of place of his residence, as well as deepening of market transformation process on the basis of regional potential, improving the effectiveness of administrative decisions and activities of state and local self-government bodies were declared the main objectives of the state regional policy (Указ Президента № 341/2001).

The concept also included the main principles of the state regional policy, including: the constitutionality and legality, ensuring unitarity of Ukraine and the integrity of its territory, the combination of the processes of centralization and decentralization of power, promotion of close cooperation between the executive authorities and local self-government.

The concept gave rise to the formation of normative-legal support of state regional policy. The principal legislative act in this context was the Law № 2856-IV dated 08.09.2005 “On stimulation of regional development”. This law determines legal, economic and organizational principles for the implementation of state regional policy to stimulate the development of regions and overcoming the phenomenon of depressed area. According to the law, the state promotion of regional development is carried out in accordance with the principles of the state regional policy. The basic documents to ensure these principles are:

- State Strategy for Regional Development (SSRD) that is approved by the Cabinet of Ministers of Ukraine;
- Regional Development Strategy (RDS) - approved respectively by the Verkhovna Rada of Crimea, regional, Kyiv and Sevastopol city councils. (Закон «Про стимулювання розвитку регіонів, 2005).

The regional development strategy is a set of actions undertaken by the state or region to achieve the objectives of effective development of the territory with regard to its own resource potential, environmental factors, legal, financial, structural, economic, institutional measures and other. The strategy is the basis for preparation of operational programmes and plans, specific projects aimed at the achievement of assigned goals.

In addition to the mentioned law, the foundations of domestic policy in the sphere of local self-government development, and encouraging the development of regions are contained in the Law of Ukraine “On fundamentals of domestic and foreign policy” and some other normative documents.

The legislation in the field of regional development, which was formed during the years 1991-2013, has created a system including strategic and planning documents in the field of regional development, defines the institutions responsible for state regional policy and also assigns the sources for the funding of regional development. At the same time, the existing laws and regulations of the government and the President of Ukraine are not harmonized among themselves. They are based on different concepts, with different priorities and different ways of legal regulation (Ткачук А. & co-authors, 2013).

In particular Ukraine had no special law “On the principles of state regional policy” until 2015. Projects of this law were passed in Parliament in 2010 and 2012, but were not supported. Finally on the 5th of February 2015 the document was adopted by the Verkhovna Rada and on the 1st of March it was signed by the President. The law defines legal, economic, social, environmental, humanitarian and institutional framework for the state regional policy as a part of the internal policy of Ukraine. (Закон України «Про засади державної регіональної політики», 2015). In particular, the document contains the definition of the objectives, principles and priorities of the state regional policy, defines the power of its subjects as well as instruments for financing and monitoring. New features include a paragraph regulating the participation of non - governmental bodies - regional development agencies - in the development and implementation of state regional policy. The adoption of this law is stipulated by the Agenda of Association between the EU and Ukraine.

This long-awaited law should contribute to the creation of real effective regional policy in Ukraine, as well as form basic legislative framework for its implementation.

State regional policy should take into account the peculiarities of each region, to provide them with relevant resources - primarily the financial ones. The regions have to retain up to 70% of their revenues, while now the issues of financial subsidies to them are decided by the central authorities via the corruption schemes. Largely the absence of effective regional policy led to the loss of the Autonomous Republic of Crimea and the city of Sevastopol, as well as to the tragic events on the Donbas.

## **KEY INSTRUMENTS FOR REGIONAL POLICY REALIZATION**

One of the tools to overcome the economic and social inter-regional disparities is the State program for overcoming a phenomenon of depressed areas. The concept of “depressed area” has been used in the post-Soviet space, including Ukraine, since the mid-1990ies, while in Europe it has existed since the mid-twentieth century.

For the first time the notion “depressed area” was employed in Britain in the interwar period. This term concerned mainly the old industrial areas within the carboniferous basins of the country, which considerably suffered from unemployment caused by the cessation of production in some heavy industry sectors. Now foreign

scientific literature mainly uses the term “depressed areas” as an equivalent of “territory in decline”.

Depressed areas are characterized not by individual crises, but by comprehensive, systematic and prolonged stagnation of basic socio-economic parameters.

The program for overcoming a phenomenon of depressed areas is designed by central executive body responsible for the state regional policy together with other central executive authorities, relevant local public and self-governments authorities and is approved by the Cabinet of Ministers of Ukraine.

The researchers point out that each Ukrainian region has problem areas. Unfortunately, according to Ukrainian legislation, they cannot be localized, and therefore are not allowed to get state support guaranteed by legal texts.

In accordance with the Law of Ukraine “On stimulation of regional development” and other regulations the Ministry of Economy monitored socio-economic performance of the regions. However, this evaluation showed that none of the monitored areas can be treated as depressed, i.e. criteria for determining depression prescribed by the law are very strict, and therefore need to be improved (Вакулєнко & со-authors, 2012).

State regional targeted development programs could become another instrument for implementing state regional policy. According to the Law of Ukraine “On State Targeted Programs” from 18.03.2004. № 1621-IV “State targeted program is a set of interrelated tasks and measures aimed at solving the major problems in the development of the state, some sectors of the economy or administrative units using the State Budget of Ukraine”. Article 3 of the Law says that “State targeted program can be directed to the solution of other problems, including regional development with national significance”. (Закон «Про державні цільові програми», 2004). The initiative of such program and its public debate can be launched by central government authorities as well as regional administrations and councils. Every year dozens of state programs in different sectors of socio-economic activities are implemented in Ukraine. However, none of the targeted program has been concluded successfully. Their implementation is hindered by the lack of sustainable manpower policy, human resources confusion in central and regional bodies, change of the leaders depending on the political situation and the results of elections. Mr. Arsenii Yatseniuk is the eighteenth Prime Minister in the whole short history of independent Ukraine, and the average duration of the government work is about 16 months. The implementation of any program in such conditions becomes a complicated task.

More and more researchers pay attention to the fact that the state has not only to support the weakest regions. A large number of experts emphasize that the state regional policy should be directed to the creation and maintenance of all-embracing conditions for regional development. The state should not solve problems; it has to create background for the full development of territories. It should act together with the regions and to provide them with instruments of influence on regional development and the responsibility. The regions themselves should solve their problems on the basis of well-defined state policy, comprehensive legal framework, appropriate resources and logistics. (Бабінова, 2011).

We should note the fact that direct budget support for all regions is impossible, sources of growth have to be found at regional and local level basing on local communities, their associations, local self-government, business and creating favourable conditions for them. Therefore, the region according to its dualistic nature is simultaneously subject and object of administration at the regional level. (Іжа, 2011).

Among the main administrative instruments for the development of regions specified in the National Strategy for Regional Development 2015 there was preparation and implementation of pilot projects in the sphere of Agreements on regional development between the central government (the Cabinet of Ministers of Ukraine) and the regions.

Agreements on regional development were conceived as a radical instrument to stimulate the development of certain regions through contractual relations, where each party agrees to perform definite actions and to provide funds in specified amounts. The need for implementation of contractual relations between the government and the regions was caused by the inefficiency of subvention mechanisms for the support of depressed areas.

Although projects of such documents were approved by many regional councils, the agreements were concluded only with Donetsk (15.09.2007), Volyn (12.01.2010), Lviv (25.06.2009), Vinnitsa (26.01.2010), Ivano-Frankivsk (06.10. 2010) and Kherson (19.10.2010) regions.

In general, the conclusion and implementation of the agreements had the following positive features:

- The possibility of extensive implementation of strategic regional planning;
- Concentration of regional and national resources for solving the most pressing problems; reconciling the interests of executive bodies and local self-government to implement the strategic objectives of regional development;
- Diversification of resources for regional development, including the possibility of wide involvement of private capital to finance joint projects of regional scale;
- Increasing the responsibility of local authorities for the effective use of resources intended for the solution of socio-economic problems in the region;
- Clear definition of the obligations of the parties, the joint responsibility of the government and local authorities for the resulting effect of implementation of prescribed tasks, etc.

At the same time, experts note that the practice of conclusion and implementation of agreements on regional development proved their specific features:

- Considerable duration of the procedures for elaboration and conclusion of the agreements;
- Dependence of elaboration and conclusion of the agreements on the political situation;
- Priority to the regions with high and medium level of development, because of relatively small amount of required financing of projects under the agreement, and the ability to attract local capital;
- The agreements concluded were preferentially aimed at the solution of the problems of housing and communal services, utilities and local infrastructure, as



well as serious attention to infrastructure projects of national importance, including those associated with the preparation and holding of finals of Euro 2012;

- Different structure of financial sources under the agreements.

Among the obstacles to the effective use of the agreements as an instrument for regional development there are:

- 1) Faults and shortcomings of strategic planning for regional development.
- 2) Conflicts between regional administrations, regional councils and groups of influence at the regional level, as well as different visions of development priorities in the region, which are in the way for preparation of appropriate regional strategies in time.
- 3) Central authorities passivity concerning preparation and conclusion of the agreements. (Підвищення ефективності реалізації угод, 2009).

Analyzing the results of the implementation of the agreements we should pay attention to the fact that the identified priorities for cooperation are mainly situational. There is no doubt that these projects and programs have a significant impact on the territorial development, but all of them foresee only one part of the investment - capital contributions - without taking into account the need to develop human capital, which is always defined at the highest level as the main driver of progress in the country. Moreover, the final results are presented as “units”, adopted by-laws, built networks, repaired flats, etc. There is no analysis concerning the final impact of these measures on the local economy and community.

For example, within the analysis of programs to support the depressed mining towns the final result should be not only the number of renovated apartments that were in accident condition (the agreement with the Donetsk region), but analysis of the number of the families which otherwise would have left their place of residence. (Регіональний розвиток та державна регіональна політика, 2014).

If we consider foreign experience, we will see that, for example, in France, the agreement between the government and the region has the character of the planning document approved and signed by both parties, and thus it serves as a “regional development strategy” in Ukrainian understanding.

In addition, the similar regional level in France has significant independent sources of income allowing to form own expenses and to plan the implementation of joint activities with the state. The financial resources of the regions in Ukraine de facto are limited and do not allow to provide even two-year planning. Besides this, the law does not guarantee the financing of measures established by the agreement in the medium term.

So, the experience has shown that in Ukraine the Agreements have not achieved the desired results, primarily because of insufficient and sometimes very low level of funding. Their institutional context also raises a lot of questions, most of which are related to inequality of parties signing the agreement and rather symbolic role of local self-government bodies as a major actors in the framework of their implementation.

One of the main reasons for their failure is lack of concentration of resources for the implementation of priority tasks, non-fulfillment of the defined actions, which made

impossible real increase of financial income for state and local budgets and didn't allow creating the conditions for providing quality services to people in social sphere.

The mechanism of the agreements on regional development requires significant improvements regarding, in particular, the establishment of clear responsibility of the parties for improper performance of the agreement and creating a schedule for the realization of priority measures. Also, it is necessary to develop a complex of measures aimed at increasing the financing of such agreements by private sector by providing some preferences for its representatives (Іжа, 2012).

Another important element of regional policy in Ukraine should be the development of investment and the use of international technical assistance in regional projects. Regional policy and regional development are the priorities for many international foundations and donor agencies working in Ukraine. The success of international technical assistance projects in the field of state regional policy largely depends on both sides - donor and beneficiary.

The beneficiaries, which mainly are state and local self-government authorities, have to show their pragmatic attitude to technical assistance as a complementary developmental resource, which is potentially more flexible. This will allow to use some administrative innovations, which would be difficult to introduce in the framework of rigid Ukrainian legislation and financial system. (Ткачук А. & co-authors, 2013).

Regional development agencies (RDAs) - contract form of cooperation between the central and regional authorities are also an important instrument for regional development, which is actively used in Europe. The RDAs operate as semi-autonomous entities outside mainstream government. This implies that a new generation of regionally based development bodies, networked RDAs, has become a conspicuous feature in regional policy in Europe. (Halkier, 2012). Such agencies can be a valuable source of experience for Ukraine.

Vasyl Kuibida notes that the state regional policy of Ukraine should include the development of cross-border and interregional cooperation and active participation of Ukraine in international projects and programs as important innovative forms of international cooperation permitting to facilitate the efficient solution of socio-economic development issues. That will significantly expand representation of Ukrainian regions in the European economic and political space. (Куйбіда & co-authors, 2010).

Cross-border cooperation has been actively developed on the territory of the European Community for dozens of years. In order to balance excessive disparities and promoting social and territorial cohesion on the Eastern borders of the EU, the European Commission launched the European Neighbourhood and Partnership instrument, and cross-border cooperation programs for border regions. Legal basis of cross-border cooperation is determined first of all by European Outline Convention on Transfrontier Co-operation between Territorial Communities or Authorities (adopted in Madrid in May 1980). According to this Convention «transfrontier co-operation shall mean any concerted action designed to reinforce and foster neighbourly relations between territorial communities or authorities within the jurisdiction of two or more Contracting Parties and the conclusion of any agreement and arrangement necessary for this purpose» (European Outline Convention, 1980).

The first Euroregion, the EUREGIO, was established in 1958 on the Dutch-German border, in the area of Enschede (NL) and Gronau (DE). Since then, Euroregions and other forms of cross-border co-operation have developed throughout Europe. Today, in more than 70 cases, municipalities and regional authorities co-operate with their counterparts across the border in more or less formalized organizational arrangements. (Perkmann, 2003).

In today's conditions, when the EU borders are very close to the borders of Ukraine the development of cross-border cooperation has to become an important element of regional policy. Geographical location of Ukraine in the South-East of Europe and its long border line, turn most of Ukrainian territories into the border regions. 19 regions of Ukraine are the border ones and occupy about 77.0% of the territory of the country.

Having proclaimed the course to European integration, Ukraine immediately expressed its interest to the participation in cross-border cooperation projects and in 1993 joined the European Outline Convention on Transfrontier Co-operation between Territorial Communities or Authorities.

In 1993 there was created the Euroregion "Carpathian", which firstly included the administrative units of three countries: Hungary, Poland and Ukraine. Today this Euroregion brings together 19 administrative units of Ukraine, Poland, Slovakia, Hungary and Romania. Its area is about 150 thousand km<sup>2</sup> and its population is 16 million people. One of the most important conditions for the formation of this Euroregion is common historical past as its territory includes the area which belonged for a long time to the Habsburg Empire. In 1995 there was created the Euroregion "Bug" (Poland-Ukraine-Belarus) in 1998 – "Lower Danube" (Romania - Ukraine - Moldova), and in 2000 – "Upper Prut" (Romania - Ukraine - Moldova). Later Euroregions were established in the northern and eastern borders of our country with the participation of the subjects from the Russian Federation ("Dnepr", "Sloboda", "Yaroslavna", "Donbas") and Belarus ("Dnepr").

However, when creating Euroregions in European countries has been accompanied by political stability, economic growth and sustainable legislative traditions, the situation in Ukraine was significantly different.

The development of regional cooperation was influenced by several objective conditions fundamentally differing Ukraine from most of European countries:

- Very large size of the country, which raises the question of the need for closer cooperation and interaction between neighbouring regions, because of the need to save on transportation costs;
- Variety of climatic, resource, structural, demographic, cultural, ethnic and other conditions and factors of its subjects and the presence of significant asymmetry in the socio-economic development of regions;
- Lack of experience and mentality of cooperation among the regional political elites;
- Weakness of the regional policy in the Ukrainian state. (Макогон, 2010).

It should be objectively noted that local authorities in Ukraine have much less power than local authorities of neighbouring countries. In accordance with national

legislation the only subject of international law is the state. All the issues concerning the development and functioning of the Euroregions, implementation of regional projects in the interest of border areas are within the competence of the central government. At the same time, European countries have mechanisms of transferring power to the regions allowing them to sign agreements in the field of culture, ecology and tourism. Regional authorities in Ukraine should coordinate such matters with the Ministry of Foreign Affairs. That complicates the process, but does not make it impossible.

However, in many cases, passivity in the implementation of cross-border initiatives is caused by authorities' inertia, insufficient competence on the implementation of cross-border projects, lack of government funding and own financial sources for this purpose.

Therefore, for more efficient development of the Euroregions it is advisable to consider certain extension of power for regional and local authorities in order to provide opportunities to deal independently with the issues related to cross-border cooperation not only in cultural sphere but also in the field of economic cooperation, infrastructure development and tourism.

The National Strategy for Regional Development 2020 emphasized the need of its acceptance by changing external and internal conditions for regional development over the past seven years. Since the beginning of 2014 there were additional risks related to external influence of the Russian Federation concerning the Autonomous Republic of Crimea, Sevastopol and Eastern regions of Ukraine and internal factors caused by imperfect state policy. The events of early 2014 on the peninsula of Crimea and the South-Eastern regions of Ukraine are the result of failures and shortcomings of the state domestic and foreign policy, including regional policy and regional development.

As a result, in addition to the economic problems of these regions, a relatively high level of average wages in comparison with other areas was accompanied by increased internal regional disparities in infrastructure development, the provision of public services in education, culture, healthcare, environmental protection and other spheres. These trends caused significant stratification of the population by income level, unemployment and social discontent in the regions, establishing the basis for the manifestations of separatism. (Постанова № 385, 2014).

The strategy should provide the ability to define an integrated approach to the formation and implementation of state regional policy, combining sector, territorial and administrative components.

The Cabinet of Ministers of Ukraine firmly supports the EU approach to the implementation of regional policy, which combines the policies enhancing the competitiveness of the territories with the policies aimed at preventing the growth of regional disparities. However, the Ukrainian government at the moment has limited volume of resources for the implementation of effective measures in the framework of this approach.

The achievement of assigned goal will allow the regions to become until 2020 economically stronger, mutually integrated and more independent as a result of implementing an effective administrative model based on decentralisation, deconcentration and subsidiarity. (Постанова № 385, 2014).

## **CONCLUSIONS**

The analysis first of all shows the necessity of the formation in Ukraine of the state regional policy based on new principles, involving the subjects of public relations at the regional and local levels: local communities, government authorities, NGOs, business and regional elite.

Despite some positive results, such as the establishment of regulatory and institutional framework for implementation of regional policy, during the years of independence there was neither significant reduction of interregional disparities nor creation and promotion of “growth points”. The state’s efforts did not lead to systemic solution of the problems in depressed areas.

Today the key challenges in the process of implementation of regional policy at all levels are:

- Unstable institutional environment, including the constitutional model of state-building. The power concerning regional policy and related areas (territorial-administrative reform, reform of the public sector, civil service, public-private partnership and so on) are moved from Ministry to Ministry, often due to fragmentation of tasks and their distribution between different ministries and agencies.
- High level of centralization and strong vertical of power with weak horizontal ties, including the relations between regions. Mutually beneficial economic relations between the regions of Western and Eastern Ukraine would quickly overcome the current “mental” breaks between them contributing to the unity of the state.
- Lack of a strong vision of the country development and prevalence of short-sightedness in making decisions in the field of state regional policy. This leads to incomplete implementation or non-implementation of generally applicable legislation and causes confusion of new legislative initiatives and regulatory acts.
- Absence of necessary financing for development projects in the regions. The majority of expenditures are related to current issues. Capital projects are realized only in the field of construction or repair of socially significant objects, such as utility infrastructure, schools, hospitals, etc.

Ukraine cannot remain in a situation when the state regional policy is just a nice slogan in the electoral campaign. This policy as well as personnel policy has to become the major one, especially for such a large country as Ukraine is, with its large-scale and very diverse regions. Later we will analyze the role of leading staff in the regions for the process of the state regional policy implementation and regional development.

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