

## THE CONCEPTUAL MODEL OF REGIONAL PARITY DEVELOPMENT OF UKRAINE WITHIN DECENTRALIZATION

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**Abstract.** The conceptual model of regional parity development in the context of decentralization is considered. It includes vision, goals, principles, priorities and mechanism for implementation of the state regional policy as the basis for the formation of a regional development strategy. The conceptual model allows achieving uniformity of economic development under conditions of decentralization and self-renewal of regions.

**Keywords:** regions, parity development, regional development, strategy, state regional policy, institutional growth, innovative growth, inclusive growth, decentralisation, public administration, local communities.

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### Introduction

Within improving the state regional policy, the concept of regional development is offered. The concept was developed on the basis of the system approach, which allows improving of regional development strategy. We take into account the internal potential of the region, its capabilities and stability of the economic conditions preventing threats to the region's economy environment. It's the particular model of regional development and instruments of state governance of regional development.

The analysis of the socio-economic development of regions and systematization of regional development models revealed a number of problems and unrealized opportunities of regional development in Ukraine. The concept of regional development involves goals and mechanism for implementing new conceptual model of regional development. Thus, strategic goal is the identification and development of the latent potential of the region and intra-regional interdependence and consolidation.

### The concept of regional parity development within decentralization

We suggest a conceptual model of regional parity development for improving state regional policy (Fig. 1). It is identified imperatives of the model parity regional development according to the analysis of the socio-economic conditions of Ukraine. There are effects of institutional, innovative and inclusive growth.

The formulation of new strategic vision of regional development is based on the principles of decentralisation of state and regional governance. The necessity of a conceptual model of regional parity in terms of decentralization is considered. The successful implementation of the Strategy for Sustainable Development "Ukraine - 2020" means the achievement of main objective as European life standards. The effective reform of the system of regional development (public administration and regional policy) will put on Ukraine at the leading position in the world. There are mechanisms of decentralization where the local

communities will play a key role in the socio-economic, institutional and political development of the Ukraine's regions.

The objectives of the regional development are sustainable regional development through equalization and reducing disparities of regions' economic development, self-development of regions, imperatives of economic growth regions, and institutional support of decentralization for sustainable regional development state. The principles of conceptual model of regional parity development within the improvement of the state regional policy are "mutual aid", "environmental friendliness", "consolidation", "equality", "self-renewal" and "balance of interests". We consider these principles of that are correlated or enter the advanced system of principles of state regional policy within the framework of the regional development strategy in accordance with the current requirements of regional development of Ukraine and international experience, which will enable to bring the level of socio-economic development of regions to the level of the leading regions in Europe.

The conceptual model of parity for regional development within decentralization (hereinafter - Model) is a basic conceptual documents, which determines state regional policy according to external and internal conditions of regions development. The global and European trends of transformation of national economy form new vectors and patterns of economic growth of national and regional level.

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The strategic vision of the state regional policy is solving the main problems of regional development in accordance with changes in the regional development in recent years. There are new approaches to strategic planning of regional development. The problems of regional development can be systematized in the following areas: structural and territorial development and self-development and effective management. The system and synergistic approaches of solving these problems give new level of economic growth regional economy.

The problems at the structural and economic sphere are characterized by imbalance and the concentration of economic activity and decrease of economic efficiency at the national and regional levels.

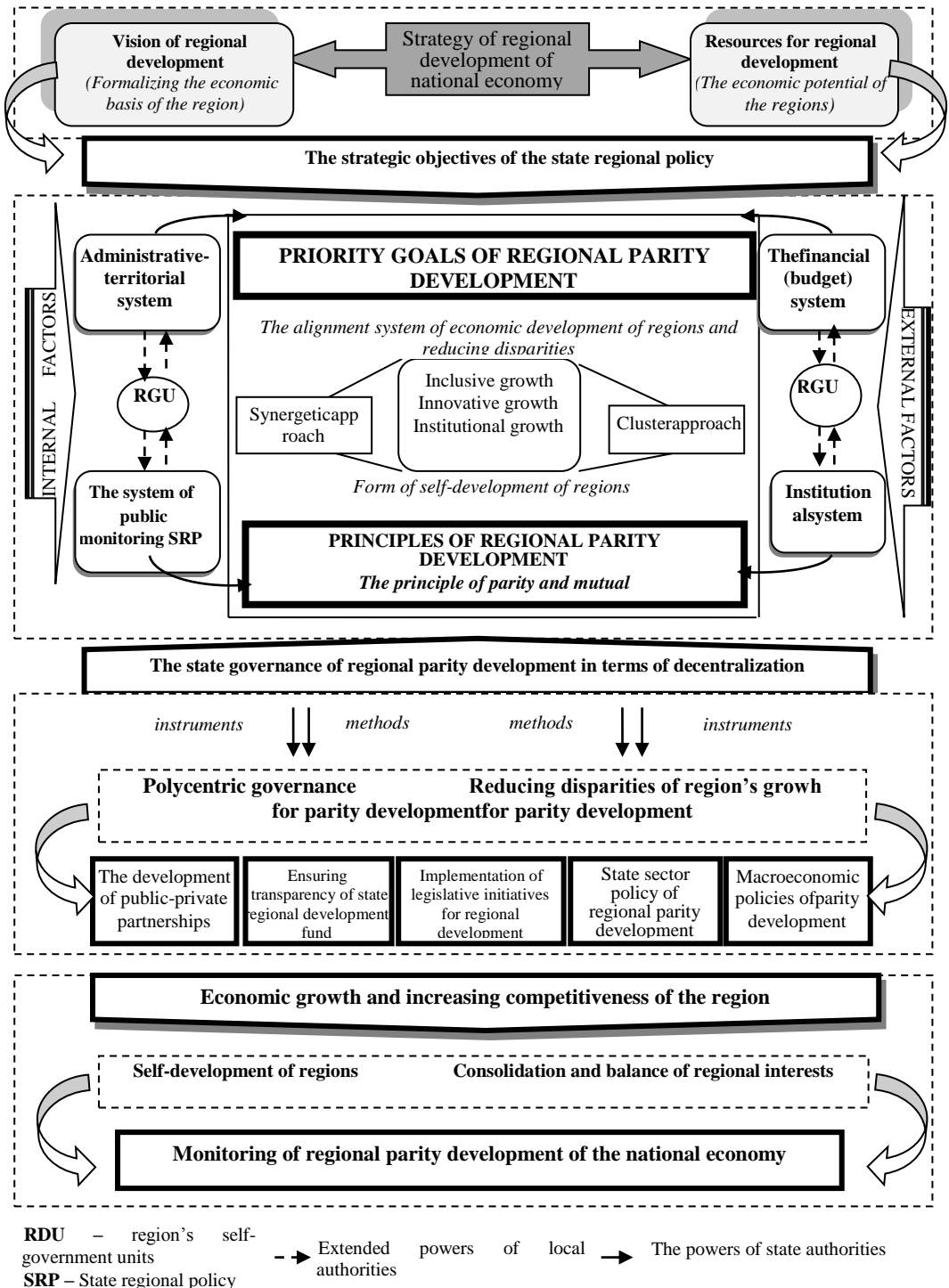


Fig. 1. The conceptual model of regional parity development in terms of decentralization

The territorial issues are characterized by differentiation of local development, which means inter-regional and socio-economic disparities of growth. In 2015, the social and economic developments of the country in terms of social cohesion in the regions considering migration are long divergent processes. The domestic incomes define social differentiation at regional level that makes the real problems with the welfare of the population.

The high territorial differentiation is defined by high rate of outflow of rural population, which leads to imbalanced structure of regional economies and their social and economic development. The increasing role of regional centers in the economic development determines the nature of further territorial differentiation of socio-economic situation in the country. The dynamic economic growth in large urban agglomerations accelerates migration from rural areas and small towns with limited potential of development.

The third area of regional problems is connected with the imperfection of the system of regional management at all levels and mechanism of self-development for achieving sustainable economic growth (table. 1).

Table 1

**The problems of regional development of Ukraine**

Sphere of problems	Problems
The funding of regional policy at the level of government	– low institutional capacity of local authorities to prepare regional development projects and narrow focus of the projects, including the renewal of infrastructure. The projects do not cover the objectives of the state strategy of regional development and regional strategies; – political engagement of preparation and realization of projects;
The financial (fiscal) decentralization	– complex administration of the property tax without setting exemption (each taxable sq. m); – lack of social standards for each of the delegated power to local authorities; – disparity of tax excise in different areas and lack of excise taxes of budgets of local communities.
The territorial governments	– concentration of local communities and low activity of the elections at the communities; - lack of long-term plans in Ternopol and Zakarpattya regions that constrain financing communities where elections were held; – lack of mechanism to define financial capability of local communities by state governments “Method of forming capable communities” criteria; – low capacity of the local communities (no additional financial capacity and authorities), the discrepancy promising plan and “Methodology of forming capable communities”.

Despite the successful start of decentralization reform in the context of self-raising regions and strengthening inter-regional relations there are numerous problems, including such as imbalances and lack of consolidation of economic growth; regionsdependence on the center; infrastructure and financial weakness of local communities; lack of institutional support of local communities; degradation of rural areas; undeveloped mechanism of public control of local communities and their interaction with regional and local authorities; low financial capability of communities; low investment attractiveness of territories.

The state policy of regional parity development within decentralization should solve these issues. The aim of model is a complex system of approaches and mechanisms to ensure parity economic development of the national economy which is based on of the state regional development policy in the context of decentralization.

The regional parity development of Ukraine is based on the principles of mutual aid, environment protection, consolidation, equal development, and renewal and balances the interests of the regions. It means expanding and strengthening the rights and responsibilities of state and local authorities. These principles are convergent with the general principles of state regional policy. The implementation of models is based on the following principles: scientific basis; complexity; consistency; commitment; interdependence; integration; efficiency; adequacy; adaptability; comprehensiveness and consistency of regulations; subordination of the state strategy of Ukraine.

The task of the state regional policy for regional parity development are such as follows:

- reducing differentiation of territorial and economic development by index renewal;
- developing a system of consolidation of regional development, which is based on sustainable development and increase of the life quality and renewal economic growth at the regional level;
- the implementation of regions renewal mechanism through the use of internal resources by expanding the powers of local authorities;
- support of local governments for the effective use of the internal potential of regions by achieving inclusive, institutional innovation development of regions that enhances the quality of life in the full life environment;
- recovery of the national economy with increased social and economic relationships between the regions by establishing cooperation between economic entities of the regions;
- implementation of effective measures of state funding for regional parity development through intergovernmental relations within decentralization;
- effective institutional and economic regulations of clustering of regional development and public-private partnerships;
- regional competitiveness through implementation of inter-regional programs and projects improving the competitiveness of regions and local communities for the recovery of the economic interests of regional development;
- mechanism of implementation of the budget and tax legislation changes in the activities of state and territorial governments and local communities;
- formation of legislation which is based on basic documents of Council of Europe and the European Union in context of the state regional policy.

The basis of new vision of regional development should be implementation of principles of “consolidation” and “equal development of regions” for the achieving of parity economic development. It means a certain balance of regions system by synergy in the economic sector. There is growth of regional system at the financial, scientific and

technological, educational and intellectual, infrastructural, social, legal, economic, environmental and other spheres (table. 2).

Table 2

### The vision of regional policy in the context of regional parity development concept

	The vision of regional policy of sustainable development	The vision of the regional policy of parity development within decentralization
<b>Objectives</b>	Aligning of economic growth of regions through inter region aid	Identifying and developing the latent regions' potential and the consolidation of inter-regional relationship
<b>Approaches</b>	The approaches of management "top down"	Integrated development projects "horizontal and vertical" cooperation at the national, local and corporate levels of regional development
<b>Measures</b>	Subsidies and state aid mainly to objects of infrastructure	Public and private (at the level of business and local communities) investment
<b>Authorities</b>	State and local authorities	All levels of governments (priority of local communities)
<b>Subject of analysis</b>	Regions	Functional areas and local communities
<b>Results</b>	The competitive region involving all subjects of the development and use of the potential of the region	The regional economic system which is based on balance of region interests and local communities

The implementation mechanism of state policy of regional parity development within the decentralization involves the systematic and synergetic approach to achieve effects (inclusive, institutional and innovation regional economic growth) of regional parity development through the introduction of a comprehensive system of decentralization mechanisms as system ensured instrument.

The implementation mechanism is based on the formulation of major objectives of regional parity development by the principle of parity and mutual support. It provides the alignment of regional economic development and the reducing of disparities of economic growth through the effective forms of regions' self-development that implements parity regional development.

The objectives of regional parity development are the following:

- to achieve a steady regional development by alignment and reducing imbalances of economic development of the regions;
- to ensure the self-development of regions, providing inclusive, innovative and institutional growth of regions;
- to provide the institutional development of the decentralization as an instrument to ensure steady regional development.

The principle of parity and mutual support is implemented through alignment and reducing imbalances with a system of horizontal alignment of local budgets to increase region fiscal capacity, a system of partnership between principal-region and beneficiary-region to enhance the internal competitive advantages by creating cooperative relations, division of powers at local communities.

The principle of parity is implemented within using model of regional parity development. Also, this model is to be implemented through the principles of regional policy.

At the stage for the implementation of the objectives, principles and priorities of the regional parity development in the decentralization within the conceptual model of regional parity development the author offers a comprehensive mechanism for implementing the state policy of regional parity development through decentralization of regional development as system ensured instrument. The comprehensive mechanism provides a mechanism to ensure regional parity development which is based on the optimization model as a methodological approach, organizational and economic mechanism of decentralization for regional parity strategy.

### Conclusions

The conceptual model of regional parity development covers the main ways of regional development and measures of decentralization. The priority objectives, principles and mechanisms for achieving of regional parity development are defined. The new vision of regional development through parity regional development is considered. The principles of parity development implementation are consolidation and balance of interests. The comprehensive mechanism is based on the formulating major objectives of regional parity development according to the principles of parity and mutual support. The vision of the regional policy of parity development within decentralization is grounded upon exposure and development of the latent potential of the region and consolidation of inter-regional cooperation.

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