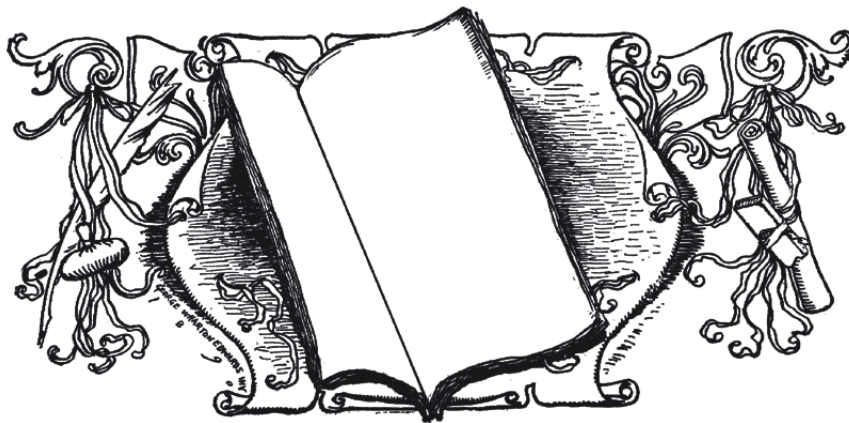


# ***PUBLIC POLICY AND ECONOMIC DEVELOPMENT***

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**Section 1.**

**PROSPECTS AND CHALLENGES OF STATE  
REGULATION OF NATIONAL ECONOMY**

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**Janna Anpilohova,**  
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FORMATION OF INDUSTRIAL POLICY  
 UNDER RESOURCE CONSTRAINTS

*Information and methodological aspects of decision making and models of industrial policy under resource constraints are defined. The methods of industrial policy within the meaning and nature of exposure to the object are discussed.*

*Keywords: state industrial policy, institutional transformation, competitiveness, industry, selective approach, technological way.*

*Анпілогова Ж. Д. Формування промислової політики в умовах ресурсних обмежень  
 Визначено інформаційно-методичні аспекти прийняття управлінських рішень та моделі формування промислової політики в умовах ресурсних обмежень. Обґрунтовано методи промислової політики (за змістом і характером впливу на об'єкт).*

*Ключові слова: державна промислова політика, інституціональні перетворення, конкурентоспроможність, промисловість, селективний підхід, технологічний уклад.*

*Анпилогова Ж. Д. Формирование промышленной политики в условиях ресурсных ограничений  
 Определены информационно-методические аспекты принятия управленческих решений и модели формирования промышленной политики в условиях ресурсных ограничений. Обоснованы методы промышленной политики (по содержанию и характеру воздействия на объект).*

*Ключевые слова: государственная промышленная политика, институциональные преобразования, конкурентоспособность, промышленность, селективный подход, технологический уклад.*

### Introduction

Industry is the basis of country's economic potential. Only a competitive industry can ensure competitiveness of a country as a whole. Therefore, public policy, namely, state programs that are developed, legislative acts, procedures of regulation and government support measures should be subordinated to ensure the competitiveness of domestic industry. The main purpose of structural changes should be in increasing the technological way of industrial production in the country for making a larger share of value added industrial products.

### Analysis of recent research

Formation and implementation of national industrial policy is discussed in a quite detailed manner in the works of V. S. Yerohin, L. Kuznetsova, V. Landyk, A. Mikhaileenko, A. Nikiforov, V. Novitsky, M. Pashuta, V. Semynozhenko, L. Yakovenko, M. Jakubowski and other scholars.

### Statement of research objectives

- to identify the informational and methodological aspects of decision making and models of industrial policy's formation under resource constraints;
- to justify methods of industrial policy (in content and in character of impact on the object).

### Results

Further growth of industrial production in Ukraine and creation of preconditions for positive changes in its structure are not possible without meaningful and purposeful state industrial policy. Moreover, in the most favorable version this policy should serve as a tool of implementation, which is based on public consensus on the strategy for industrial development of the country. During the formation of national industrial policy there is a need to solve fundamental question of what structure of industrial production do we plan to create.

One point of view at the optimal structure of the industry we would have if we assume it is based on the concept of integration into the global structure of the economy, and another – if it is based on the concept of autonomous (isolated from the world economy) universal structure of the national industry. In the first case the bases of the criteria is the competitiveness of national businesses in domestic and world markets and the task of public services is to assist strong industrial structures by creating needed institutional environment. In the second case lists of weak sectors of the industry are made, for which the state should provide help through the mechanisms of structural policies (usually through

direct financial assistance from the state budget, tax benefits etc). In contemporary market conditions the first option is preferred while priorities for the criteria are based on purely market character.

The correct definition of the place and role of the state industrial policy at the present stage is one of the important conditions for accelerated economic growth and social wellbeing of the Ukrainian people. The role of the state in the process of reforming the industry comes down to taking a set of measures that can «accelerate the adaptation of production to the market economy» [7, c. 59].

Before turning to the disclosure of the nature, methods and content of national industrial policy, we consider it appropriate to give a definition of the industrial policy. In general, under the state industrial policy we understand a system of targeted agreed measures implemented by the state in order to increase the competitiveness of goods and services of domestic producers in domestic and foreign markets and to overcome threats to country's economic security.

In the process of economic transformation attitude towards the industrial policy in Ukraine was not straightforward: from complete rejection of regulation to selective support. Postulates of deregulation, denying the necessity of state regulation of industrial development were heard the most in 1992. Threatened to deepen and to accelerate the decline in production the measures of total (front) industry's support by offsetting debts of enterprises and concessional lending were introduced in late 1992 and in 1993 that had damaging effects of inflation.

Thereafter, the main idea was a selective support for certain types of production based on the state priorities. However, «the number of «priorities» was excessive, their definition, to put it mildly, was not devoid of subjectivity, risk of industry's lobbying and waste of state money increased» [6]. In this regard, the criteria of branch selection gave way to the criteria for higher efficiency of the projects (Presidential decree on investment projects competition based on state examination appeared in 1994: the winner could expect to receive 20 % of investment funds from the state). However, due to financial crisis the state failed to fulfill the promise.

«Macroeconomic approach» reigned in 1995-1996, that means that the stress was made on the financial stabilization. This was seen as a necessary and sufficient condition for economic growth, stimulation of investment and large-scale flow of foreign investment in the domestic production. Despite the success in suppressing inflation in 1996-1997,

the expected «investment boom» had not occurred. And in August of 1997 one of the heads of the executive branch of government at that time stated that Ukraine still could not afford the industrial policy. It is obvious that the costs of implementing this or that course of the state should not be determined in the statics but in dynamics, considering the associated with that real national economic effects (including multiplier effect of demand), clearly evaluating losses caused by lack of investment of this or other projects. In this approach, projects of industrial policy may have a competitive internal rate of return and, respectively, they become quite acceptable for the budget available for the forecasting horizon.

Since mid-1990s theorists and practitioners have paid much attention to industrial policy as a tool to influence the development of industry, but to date still have not managed to develop socially recognized, theoretically understandable and practically effective industrial policy. Thus, in academic and in practical terms, the question remains open.

Today there are several conceptual and methodological approaches to industrial policy. Some of them are based on theoretical bases and practical nature of the liberal-monetarist model of market reform that had been implemented for several years in Ukraine: in 1992-1993 – in the most difficult and its odious form (variant of «shock therapy»); in 1994-1996 – in the relatively more moderate manifestation (associated with a gradual move towards the implementation of liberal purposes); in 1997-1998 – with an emphasis on the application of monetarist methods for saving achieved so far quite fragile and relatively depressed stabilization [3].

Liberal monetarist model assumes that the market formation is a spontaneous process: economy should be liberalized and relationships of its subjects will start to effectively self-govern themselves under the influence of «the invisible hand of the market». Therefore, emphasis is made on deregulation, on removal of inherent state economic restrictions (centrally controlled and planned distribution) on the involvement of market mechanisms. Policy is made for maximum openness of the economy to the world market, including minimizing barriers for importers' expansion.

Economic relations are built on the principle of natural selection, challenging regulatory role of the state, at least until financial stability is achieved and inflation is suppressed at any price. Methods of such suppression lie in strict restriction of money supply, the essence of which, in our opinion, is in oppression of the real sector.

Thesis that «lack of national industrial policy is the best policy» is a principled position of liberal reforms' authors [2; 4]. However, the history of market economy showed that the liberal-monetarist model (its specific variation implanted by the IMF), is inadequate to Ukrainian conditions: its complete collapse was marked by financial crisis.

Most of Ukrainian economists (theorists and practitioners) follow a different approach to economic reform, including measurement of the value of industrial policy in this process [1; 5]. The essence of this approach is in reliance on state regulation with the use of not only market methods, but firstly methods of direct state support, direct redistribution of resources and their concentration in the priority development areas of the real economy.

The practice produced two main types of state industrial policy – system-wide and selective. The essence of the system-wide industrial policy is the creation of general conditions that contribute to the development of industry and acting as if horizontally. Its actions do not have any electoral purpose (a clear focus on the industry, corporation, region), and more or less uniformly affect all market players, creating economic and institutional, organizational and legal environment of their activity. It is mainly macroeconomic in nature.

Such policy has liberal character, because its binding vector is in providing at least formal equality of external conditions (economic and legal) for all market actors. In this regard it substantially relies on measures of financial stabilization of property relations' transformation. However, system-wide industrial policy has a nature of conducting: based on it state forms in a sense the economic order, which sets for the abovementioned entities some generally acceptable frameworks of activity and allegedly from the outside state imposes on them rules of economic behavior. It certainly includes measures of state influence on economic life, tax, monetary, currency and customs regulations, labor laws, technical and environmental standards, etc.

Unlike the system-wide, selective industrial policy acts as targeted influence on defined groups of subjects on the market (companies, certain types of production or entire industries or regions). Its action is directed vertically: making regulative influence from the center on the stage of national economic hierarchy up to the primary production (the company), it is in this sense primarily microeconomic in nature. In this kind of policy regulative and management activities of the state are more clearly manifested, its interventions in relation to the real sector.

Active and effective systemic selective industrial policy provides for certain mandatory economic and organizational conditions. Selective approach in supporting selected industrial units is used primarily in circumstances of recovery of the economy after the economic crisis, when the normal process of expanded social reproduction begins to recover and the first real possibilities of real accumulation appear.

Today many different methods of industrial policy are known in the world. They were tested in practice in many countries and form a standard set. In our opinion, it is appropriate to classify these methods according to the content (and also in the nature of impact on the object).

The feasibility of using methods of information is that the main objective of state industrial policy is to ensure that the industrial development entities (enterprises, relevant governing bodies) have structured, processed using scientifically based methods data on the social-economic environment that give these subjects a possibility to make more effective decisions in their production activities (including development of marketing). This forecasting, analytical and information activities of the state have a possibility of influencing the participants by orienting them in industrial and economic processes.

Methods of macroeconomic regulation are aimed at creating general real production environment necessary for the development especially to achieve financial stability, to overcome state budget deficits and to suppress inflation, to ensure a positive balance and stability (or at least predictability) of the national currency. Failed attempts to deploy active industrial policy in 1992-2000 years in Ukraine are largely due to instability at the level of macroeconomics. Thus, the condition of macroeconomic environment is a prerequisite for industrial policy and a restrictive factor in setting its objectives and in applying some of its methods.

Resource methods, in our opinion, are the most effective ways of a direct impact on industrial facilities. They can be also called secured because they aim to give market actors reproductive resources for solving problems of industrial development. Specific forms of resource use various methods. First of all, they are associated with the system of government contracts and procurement to address subsidies and loans, formation and use of insurance risks funds (investment, exports, etc.) with tax benefits. From this perspective, industrial policy includes financial support for training and retraining, as well as necessary labor migration, implementation of basic

research and R&D applied nature. State may also completely or to some extent bear the social costs, which allows mitigating the effects of industry restructuring and the transfer of social facilities.

Institutional methods are the methods and techniques of industrial policy formation in accordance with market principles, legal, organizational and economic environment, approved general market economic order for all business, i.e., affecting not selectively, but the industrial system as a whole. They have an adjusting and stimulating impact on the subject of management. Implementation of institutional methods does not involve spending resources directly on the subjects of industrial policy (economic sectors, types of production, enterprises, and regions). Costs are associated only with holding the organizational and economic transformations, the creation of appropriate market institutions and regulation of industrial development.

The class of methods of influence on industrial development analyzed here includes all sorts of administrative techniques and instruments: quotas, licenses, standards (requirements for quality goods and services, sanitary standards, guaranteeing food security for humans), and environmental standards. Tools of economic legislation are also included to the class of methods of influence on industrial development, including those that provide legal basis of employment under complicated market conditions.

During the market transformation period from all objects of institutional transformation, in our view, the crucial importance has the ownership arrangement and development of the rules of privatization of state property. If the privatization process is not finished, not brought to its logical conclusion, which is the emergence of effective owner, sensible

industrial policy in general is impossible, since the latter essentially influences the conscious economic interest inherent in a legal owner. Occupying and trying to expand its niche in the market, owner does not simply want to increase revenues, but he wills to reinvest obtained profits to strengthen his current and future positions in the market. And so he may be interested partner of the state in implementing the priorities of industrial development of the state.

Another significant task of applying institutional methods of industrial policy is the formation of organizational and economic structures needed to solve industrial problems: all kinds of industrial and commercial associations, primarily on corporate basis (corporations, holding companies, financial-industrial groups), special economic zones and other forms of associations of producers and consumers, the creation of market infrastructure serving the interaction of its subjects.

### Conclusions

Thus, the formation of the securities market, which gives adequate capital mobility, is particularly important for the industrial development. In Ukraine, «the core of the reform program of the industrial complex must become institutional arrangements and organizational measures aimed at improving its integrity level». Stimulating and destimulating impact on organizational and economic structure of industry, aimed at realization of national interests, is done with the tools of state industrial policy. In this case, virtually everything that characterizes economic policy in general is used (economic legislation, regulation of ownership, antitrust actions and support competition, fiscal, monetary and pricing policies, regulation of foreign economic activity, planning and development of various targeted programs, etc.).

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THE CONCEPT OF FORMATION AND IMPLEMENTATION  
OF THE RESTRUCTURING POLICY IN INDUSTRIAL PRODUCTION

*The concept of formation and implementation of the restructuring policy in industrial production is substantiated. Regulation of economic behaviour of market service and economic relations is determined.*

*Keywords: state regulation of economic behaviour, national economy, industrial policy, industry regulation, formation.*

**Матійко С. А. Концепція формування та реалізація політики реструктуризації промислового виробництва**

*Обґрунтовано концепцію формування та реалізацію політики реструктуризації промислового виробництва. Визначено регламентацію господарської поведінки суб'єктів ринку й обслуговуючих господарські відносини.*

*Ключові слова: державне регулювання, господарська поведінка, національна економіка, промислова політика, промисловість, регламентація, формування.*

**Матійко С. А. Концепция формирования и реализация политики реструктуризации промышленного производства**

*Обоснована концепция формирования и реализации политики реструктуризации промышленного производства. Определены регламентацию хозяйственной поведению субъектов рынка и обслуживающих хозяйственные отношения.*

*Ключевые слова: государственное регулирование, хозяйственное поведение, национальная экономика, промышленная политика, промышленность, регламентация, формирование.*

### Introduction

Industry is one of the most important structural elements of the national economy and it has one of the key values in providing economic and political security of the country, it's economic independence, increase of a welfare. It is the leading branch of the Ukrainian economy, as it provides all sectors of the economy with tools, raw materials, is the most active factor in scientific and technical progress and expanded reproduction in general. Among other sectors of the national economy industry is being distinguished by complex functions. The functioning of the whole economy is largely dependent on how the industry operates.

Therefore, the tempos of growth, the level of development and the structure of industry are the most important indicators of not only the quantitative, but also the qualitative characteristics of the economy, and also the standard of living which is being shown by the employment structure.

### Analysis of recent research

Numerous theoretical studies and generalizations of domestic scientists indicate the relevance of the problem of the structural develop-

ment of the industry as a priority in the public policy. These scientists are: O. Alymov, O. Amosha, I. Andel, B. Andrushkiw, J. Bazhal, S. Bila, L. Anodonta, M. Bilyk, B. Bodrov, R. Boyko, M. Butko, Z. Varnaliy, O. Veklych, M. Amano, A. Galchinsky, V. Hornyk, V. Heyets, O. Hoychuk, B. Gubsky, B. Danylyshyn, J. Zhalilo, M. Koretsky, B. Muntian, B. Paskhaver, Yuri Pakhomov, Y. Pashchenko, T. Pepa, S. Saliga, O. Skydan, A. Fedoryscheva A., V. Shlemko, L. Yaremko and foreign, such as: A. Altukhov, C. Barrett, I. Bogdanov, L. Vodachek, O. Vodachkova, S. Glazyev, A. Gorodetsky, G. Stolyarov, N. Furs and others.

### Statement of research objectives

– to justify the concept of formulation and implementation of the restructuring policy in industrial production;

– to determine the regulation of economic behavior of subjects in market and serving economic relations.

### Results

During discussions on improving economic policy of transition and deepening reforms the central idea had been arisen concerning strength-

ening the regulation role of government in the economy. In general, an efficient state industrial policy is especially important in our time – in the period of economic recovery and development of the country's economy. This is due to the need to clearly define the objectives and directions of restructuring industry, to improve the efficiency of both individual sectors of the economy and each single company, to form such a regulatory framework, which would be able to provide the increase in competitiveness of domestic products in domestic and foreign markets. In this regard the key task of science is to justify an open and nuance concept of state regulation in a market economy's transformation.

Analysis of international experience makes it possible to reach an important conclusion: the stability of an economic growth of a state cannot exist without precisely formulated state industrial policy, which is well-adapted to Ukrainian realities (particularly institutional). Throughout and targeted state industrial policy makes it possible to direct the development of real sector of the economy in the direction of such changes that can provide not only the progress in economic (and political) independence, but also help to take a worthy place among developed countries.

The question of construction of industrial policy is extremely important for the developed capitalist countries like the United States: «We will not progress if we do not refuse an absurd idea that any planning on a national scale is the attack on the capitalist system. This idea gives us such a fear that we remain the only developed country in the world that doesn't have its own industrial policy». [6, p. 128].

Before we try to define the adequate contours which are suitable for today's realities in Ukraine's version of this policy, let us briefly characterize the main elements of the concept of «industrial policy» and their systematic relation taking into consideration the specifics of a transformational economy.

Despite the very great attention that is given to industrial policy in the scientific literature, there is no unambiguous definition of what it is. In our opinion that is not a coincidence, because the goals and objectives of its developers had been changing depending on stages of implementation of market reforms and conceptual frameworks embodied in them.

Initially postulates for deregulation of an economy were established in 1992. At that time

there were no talks about any regulation from a side of a state, about the mechanism of its interaction with the market. Polish Minister of Industry in 1989 said: «The best industrial policy is the lack of such» [8, p. 14]. It was a common point of view, because it was thought that all the processes of transition go very quickly if, on one hand, to give the maximum development to the market forces, and on the other – to limit the role of the state to a minimum.

But soon after (in late 1992 and in 1993) measures of general (frontal) support of the industry by the means of offsetting debts of enterprises and concessional lending began to be applied under the threat of catastrophic deepening and accelerating of industrial downturn. It is exactly then when the definitions of an industrial policy appeared, which were characteristic for many official documents. «The main priority of an anticrisis program is the creation of the necessary conditions for overcoming the crisis in the socio-economic sphere as a whole, and not individual specific enterprises». [1, p. 87].

«Industrial policy is a system of legal, economic and organizational activities of public authorities of Zaporozhe region, aimed at improving the efficiency of industry, based on socio-economic interests of the region.»

Then the idea of selective support of certain types of production in accordance with state-formulated priorities had been proclaimed. «Selective governmental intervention with the aim of implementing the priorities of national structural policies, which are based on clearly set strategic objectives, as well as on clear understanding of national competitive advantage – that is an universally approved tool of overcoming the constraints of growth, which are associated with an imperfection of market mechanisms. This is what sets the meaning of an industrial policy» [2, p. 24]. However, the number of «priorities» had appeared to be excessive and their determination, to put it mildly, was not free from subjectivity. In connection with this the risk of industry lobbying and total «dissipation» of funds had increased. That is why declarations on the criteria of branch selection surrendered to the statements about criterion principle regarding higher efficiency of projects, their competitiveness (in 1994 there was a presidential decree on investment competition based on public examination). According to the Concept of Industrial Policy developed by the Ministry of Economy of Ukraine the definition was formed,

under which industrial policy is a set of measures taken by the state to increase the efficiency and competitiveness of domestic industry and the formation of its structure, which should contribute to achieving this goal.

In years 1995-1996 «macroeconomic approach» reigned, meaning that the rate was made on financial stabilization as a necessary and sufficient condition for economic growth, stimulation of investment activity and largescale foreign investment's flows into domestic production. the required level of production and investment, infrastructure development and human potential and mechanism of foreign trade to the quantitative, qualitative and structural improvement of domestic production» [5], and software applications a number of political organizations:» The industrial policy refers to a system of interconnected targeted government measures as direct action, such as public procurement, and through financial and credit levers and other necessary measures to tackle the crisis, economic growth, improve competitiveness of domestic industry at the international and domestic markets» [4, p. 45]. This approach, in particular, was accomplished in determining industrial policy as proposed by the authors of the publication «State regulation of the market economy», where industrial policy is understood as «a coherent organization of works to create conditions for effective development and interaction of public and private sectors, to maintain the required level of production and investment, to develop an infrastructure of development and human potential as well as the mechanism of foreign trade to the quantitative, qualitative and structural improvement of domestic production» [5], and program applications from a number of political organizations:» The industrial policy refers to a system of interconnected targeted government measures as of direct action, such as public procurement, and also through financial and credit levers and other necessary measures of tackling the crisis, ensuring economic growth, improving competitiveness of domestic industry at both international and domestic markets» [4, p. 45].

Attempts to specify the nature of industrial policy with the help of specific tasks to be solved by society at a particular historical interval of its development, in our opinion, it is not justified in the theoretical sense, because it does not give the opportunity to see the main thing that defines its essence. In this regard, we shall determine what lies as a ground for the industrial policy and for-

mulates its views on the matter with the help of considered definitions.

Key importance in determining the merits of industrial policy has, in our view, the allocation of emphasis on understanding what constitutes a policy in general.

To our point of view, in this context the identification of policy with some form of relationship that characterizes the political, class approach to the definition of this concept takes place. Obviously, this is not by chance, taking into account the encyclopedia and reference literature sources, where one can get information about this concept, and the time of its publication. Thus, philosophical Encyclopedic Dictionary defines «policy is the scope of activities connected with relations between classes, nations and other social groups, the core of which is the problem of winning, keeping and using of state power» [9, p. 16]. A distinguishing feature of the policy is its direct or indirect relationship with state authorities.

We believe that policy consists of directions for realization of interests of associated and organized subject, which can be represented by a state and other organizations. Industrial policy is the realization of national interests in the specific field of its activity.

Exactly the state interests underlay as a ground for the formation of this or other policies that characterize the situation in modern Ukraine. In a democratic society, where broader national interests are being formed on the basis of consensus from a side of leading political forces, their degree of their convergence or divergence is molded thorough regulative politics. «The main source of economic instability of the 1990s was a permanent political crisis, the inability of the leading political parties and interest groups to reach consensus on the basic problems and goals of economic policy» [7, p. 23].

At the same time one must take into account the subjective factor in determining policy. Policy (even scientific) is an art and a science in one. For instance, economic need can be expressed in various political decisions which content is largely dependent on the discretion of persons eligible to take this decision. The range of deviations caused by the actions of subjective factors is objectively limited. But it is quite sufficient in order to lead to ambiguity of political action.

The necessity for realization of public interests concerns different areas and aspects of social life, including economics. «As for the nature of

political interaction (with the subject of interest) policy is divided into sections (areas). If social groups interact (or cooperate) with each other concerning affairs in the economy, then this economic policy, if it regards natural environment and the conditions of its exploitation is an environmental policy. There are demographic, cultural, educational and other policies (spheres of relations), and also a social policy» [1]. «Depending on the sphere of social relations, which is the object of political action, we can talk about the economic, social, cultural, technical and others types of policies» [3, p. 136].

In fact we are talking about the position of the state, which is based on its interests in respect to different objects and processes that occur in a society. In this case expression from a side of a number of economic and political activists concerning the question what industrial policy becomes more precise.

As it is noted in the scientific journals, the right radicals actually established the primacy of political-ideological and power purposes by the way of taking the levers of state and economic management and beginning the liberal-monetarist reform, which consisted in accelerated overcoming of socialist, collectivist characteristics in the organization of economic and social life, in forced formation of a large capital and in creating an innumerable but financially powerful social standing as a pillar for the political regime that established itself in the country after the dissolution of the Union of Soviet Socialist Republics (1991). This approach, based on the interests of the government, determined an appropriate industrial policy, although it was not officially stated anywhere.

All this leads to the conclusion that while determining industrial policy in a particular stage of social development it is impossible to be completely abstracted from the interests of the government. The state itself forms the state policy, and therefore the claim that any exchange of economic goals and criteria to political gain should be categorically excluded, is just a matter of a wish.

Therefore industrial policy is a direction of the interests of the state (government) in industrial production. If in the current conditions the initial state interests are related to the continuation and strengthening of market reforms, the essence of industrial policy is to further liberalize (de-bureaucratize) relations in the sphere of industrial production and to create conditions of choice for business entities of such conduct that satisfies the requirements of social development. With that liberalization does not mean

complete abandonment of the active position of the state in elimination of all obstacles in economic growth, which cannot be eliminated by the natural course of events.

With all the perfection of the market mechanism as a regulator of the proportions of social reproduction in accordance with supply and demand, which is constantly changing, into his «competence» comes only a relatively narrow segment of social relations, whereas beyond it there is a wide range of closely related social, economic, ethnic, interstate and other relations. Market makes a significant impact on these areas of social life, but is unable to regulate them. This function must hold by the state.

It should be noted that the role of a government in economic management qualitatively varies at different stages of the functioning of a society: on the stage of the formation of market relations and in conditions of a stably functioning, well-established, regulated economy with built market institutions. Self-organization and the market is a classic example of self-organization, characterized by rather stable system and ineffective in the transition period from one system to another. It is important to note that in the terms of socio-economic transformation the principle of self-organization enhances conservative, protective functions, the return of the economy in the former state of things, uprooting old trends. This is very dangerous.

In addition, the absence of any regulatory framework in the transitional period leads to the inevitable growth of random processes. The fact is that during the transitional state of things, with the absence of governmental intervention regulatory functions play the role of inertia, keeping the old system alive. Any system wants to keep its former condition. This includes the distribution of product, standardization, regulation, etc. Therefore, at the stage of reform, as it happens in Ukraine, the state should be more active than in a debugged economy. With an absence of governmental intervention at the stage of market economy spontaneous development increases, which contributes to the emergence of new forces of opposition that monopolize production processes.

The fact that the ratio of non-market and market methods is entirely determined by the specific situation is being proved by the experience of many countries. The sharper the economic situation is, the greater role of the direct non-market methods there is. The more stable position is, the more scope for market mechanisms and indirect controls (taxes,

credit, prices, etc.) exists. However, in all circumstances, no matter how varied the level of state regulation is, it could never fall below a certain threshold, as in this case the reproductive process alone would become impossible, and the market methods of regulation would lead to such distortions and imbalances that they could have caused unpredictable economic and social turmoil.

In this context, the authors specify the content of the term «state regulation of economics». As noted in several scientific journals, today it is more often treated as one or another form or measure of «state intervention in economic life.» And in such limited interpretation this category is being criticized from the liberal point of view as one that carries a potential threat to market freedoms and contains calls for the restoration of the command-administrative methods of the economy's administration.

In fact, enhancing the role of the government means: 1) to effectively reduce the role of officials, while increasing the effectiveness of the legal framework of economic development, 2) to facilitate the effective management of the existing state property (which does not provide the mandatory increase in the size of the latter), and 3) to engage an authentically market mechanism that optimally combines competition and regulation, 4) to littermate stabilizers of social development, 5) to protect national interests in the process of expanding global economic

relations. Moreover, increasing the role of government means raising it to the level of personification from the side of the nation.

### Conclusions

Thus, state regulation in adequate (broad) interpretation includes the following main elements: 1) the regulation of economic life (in the forms of production, financial, commercial activities, etc.), creating a set of rules and codes of conduct for business entities, which define their rights and responsibilities, the range of opportunities and the extent of mutual responsibility (including the introduction of certain restrictions designed to prevent the loss of market, to protect the interests of both producers of goods and services and the consumers), 2) the formation of public and private organizational and economic structures which ensure strict control over compliance with generally accepted norms in regards of regulating economic behavior of market service and economic relations, and 3) the development of social and economic policy, determination of the effective use of organizational and economic mechanisms of its implementation (the actual regulation of socio-economic processes). In other words, the rate on strengthening the state regulation is absolutely not identical to suppression of liberal principles in economy and returning to a situation where the state is the «main business entity».

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FUNDAMENTALS IN SYSTEMATIC APPROACH FOR THE DEVELOPMENT  
OF AN EFFECTIVE STATE REGULATION OF ENERGY MARKET

*The structure of energy markets, differentiated by the type of activity, and the development of their areas of state regulation are substantiated. A basis of a systematic approach to the formation of an effective state regulation of market power is proposed.*

*Keywords: state regulation, energy industry reform, market power formation.*

**Щапін Є. С. Основи системного підходу до формування ефективної організації державного регулювання ринку енергопостачання**

*Обґрунтовано структуру ринків енергопостачання, диференційованих за видами діяльності і напрямках розвитку їх державного регулювання. Запропоновано основи системного підходу до формування ефективної організації державного регулювання ринку енергопостачання.*

*Ключові слова: державне регулювання, енергетична галузь, реформа, ринок енергії, формування.*

**Щапин Е. С. Основы системного подхода к формированию эффективной организации государственной регуляции рынка энергоснабжения**

*Обосновано структуру рынков энергоснабжения, дифференцированных по видам деятельности и направлениям развития их государственного регулирования. Предложены основы системного подхода к формированию эффективной организации государственного регулирования рынка энергоснабжения.*

*Ключевые слова: государственное регулирование, энергетическая отрасль, реформа, рынок энергии, формирование.*

**Introduction**

Energy sector reform in terms of competition between producers had been implemented in order to achieve the lowest possible energy prices for consumers, while also being the best for its producers. Commercial relations between sellers of energy and its customers were executed by the means of the Agreement between the members of the wholesale electricity market, under which the wholesale energy-supply market was created. The subject of competition between producers of the energy (power generating companies) was the price, and between suppliers – the quality of provided services. In order to achieve this goal new market approaches towards pricing, methods of payment, the system of collection and distribution, the system of organization and regulation of relations between subjects of the wholesale market have been introduced.

**Analysis of recent research**

Quite actively the question of efficiency of state regulation of energy-supply market is being analyzed in the writings of such scholars as A. Amosha, V. Bogdanovich, V. Bushuev, A. Voinov, M. Gnidy, V. Zhovtyansky, V. Kono-

valyuk, Y. Lega, V. Mikitenko, O. Novoseltsev, B. Pilyushenko, A. Prahovnyk, G. Sytnyk, O. Sukhodolya, S. Farenik, A. Chemeris, A. Chylikin, A. Shevtsov, A. Szydlowski and others.

**Statement of research objectives**

– to justify the structure of energy-supply markets, differentiated by the type of activity and the development of their areas of state regulation;  
– to provide the basis for the system of approach towards the formation of an effective state regulation of energy-supply market.

**Results**

Disputes from the side of the Energy Community on directions and ways to reform the energy-supply market (hereinafter – the market) do not subside in our country. The authority and official position of the experts involved in discussion and those posting their opinions in the press, the controversy of the polemics proof that we deal with a difficult question, and the ways to resolve it are directly involved with short-term and long-term public interests.

Goals and expectations from the side of the supporters of the reform can be formulated as a reduction of the content of the energy complex

for the sake of the community by the means of introducing competitive market mechanisms and deregulation of the market by the state.

It is noted that one of the major trends in the development of the energy systems is the weakening of activities ties (autonomous) within vertically integrated regional energy companies. These include: generating of electricity and thermal energy, transportation of energy from sources to consumers and energy-sale activity. In line with the methodology of system analysis we will use one of the types of equivalenization, which means a dismemberment of a single system on independent systems with relatively weak links by the mean of decomposition [1, p. 21].

In order to determine the conditions for an effective functioning of the energy complex we shall consider the structure, type and characteristics of the energy-supply market separately with the help of the above stated activities and objectives of the effective state regulation of each of them. Market analysis is conducted based on those economic indicators that, to our point of view, reflect fundamental differences in the structures of markets to the fullest by the means of determining differences in their approaches on government regulation [2].

1. The degree of standardization (interchangeability).
2. Dependence of the effectiveness of meeting the demand from the presence of competition in the market.
3. Dependence of the cost from production.
4. Elasticity of demand at a price.
5. Potential of growth.
6. Barriers for the entry into the industry
7. Technical potential.
8. Public interest in introducing competition to the market.

Before turning to more detailed consideration of the operating conditions of each market separately, we should define the types of goods, which are proposed by the supplier in each market by the criteria of its activity.

The subjects of the market for electricity producing are generating companies, individual state power plants, and independent power producers (including non-conventional energy sources). Product offered in the market will be the electric of the power plants as the market players.

The subjects of a transmission of electric energy are transport companies, which operate the networks of NEC «Ukrenergo», networks of re-

gional energy companies, and finally, local networks. The product, which is being offered by the suppliers in this market, is the service of transmission of electricity within the boundaries of each of the transport companies.

Under sale we should understand the marketing services, which are provided by specialized organizations and which include the following functions:

- Organization of exploitation of the technical means in commercial accounting;
- Contractual work;
- Monitoring of electricity consumption during the billing period;
- Billing and accounting for the payment of debts.

Let us analyze the structure of each of the energy markets, provided above more precisely:

1. The market of power generation.
2. Electricity which is released from any of the stations or generating company is a homogeneous product with similar quality characteristics that are standardized, meaning an interchangeable product.
3. One of the main indicators of market relationships between seller and buyer is the performance in meeting the demand (utility) for electricity, which is determined by providing the necessary volume of production of quality electric power that meets the standards required by consumers daily schedule, with the lowest possible market price that maximizes the net benefit of both producers and consumers. These requirements, which enable the selection of goods according to consumer demand, are possible only under the existence of competing companies that will allow consumers to select the product that matches their needs for quality, required amount, allowing consumers not to adjust to the regime of generating companies while breaking the daily schedule of individual loads.

The existence of competition will not allow each generating energy company to separately influence the level of prices prevailing in the market, which provides choice for consumers.

Thus, providing more efficient satisfaction of demand is achieved by the existence of competing companies.

Because the product, which is being offered in this particular market is standardized, companies come up primarily into a price competition, while the known factors of the economic theory of non-price competition are not essential. In this

case, the decisive condition for the seller is to minimize the cost of 1 kWh. One of the options that is being described by the economic science is the so-called economies of scale production, which is when the volume of goods increases in the proportion that exceeds the proportion of resources spent. [3, p. 556]

Notably, in addition to the traditional effect of saving conditionally fixed costs per unit of output with increasing volumes of production, there is also a variable cost in energy savings. Thus, partial load of the power plants is accompanied by an increase in the unit of variable costs, mainly due to the increased consumption of fuel and the reduction of efficiency. Thus, the work of the energy station at a full load (at nominal parameters), meaning an increase in the output, is the most economical mode of exploitation with minimal costs'.

Thus, an increase in the production of the electricity's generation is accompanied by more significant costs of reduction in production of one kWh than in other areas.

4. As we know, the price elasticity of a demand is characterized by a change in the sensitivity of demand towards the changes in the prices of goods, provided that other factors that affect the demand remain constant.

The seller by means of increasing the price of electricity will cause a shift of demand towards other, cheaper sources of energy. This pattern is confirmed by so-called income and substitution effects, when increasing prices of consumer goods actually reduces revenue and encourages the buyer to choose the cheaper goods from competing companies, which proves the price elasticity of demand, meaning  $E > 1$ .

5. Over the period of 1991-1998 consumer demand for electricity dropped by 19%. However, since 1997 there has been a trend to increased energy consumption, followed by a projected growth, so we can talk about the existing growth of the potential in consumer market that is associated primarily with the prospects for GDP growth.

6. The existing potential for growth of electricity consumption attracts investors for the investments into the market with a guaranteed income. However, it must be stressed out that the construction of major sources of electricity is very capital-intensive, which essentially serves as an investment restriction for investor's entry into the industry. It affects primarily the construction of large energy facilities. The construction of relatively small sources of capacity enables greater

participation in the market due to the number of investors.

7. Up to date, the structure of production capacity allows us to speak about the presence of a large reserve.

8. The current interest of the society concerning the installation of market conditions (the emergence of competing companies) should be considered from different points of view [4]:

– The interest of the electricity consumer is in hoping for a price reduction while competing companies emerge;

– From the side of the authorities – the emergence of new jobs, social infrastructure: gardens, schools, roads due to the emergence of new production volumes;

– From the side of the sellers of fuel for power stations – the possibility of concluding new long-term contracts for the supply of their goods.

The market operates the number of power suppliers, which are limited by territorial boundaries. It is necessary to consider the increased cost of services for power transmission in the structure of the final price for the consumer. Thus, we can identify the following specific features of electricity markets:

- electricity – a standardized product;
- the number of suppliers of electricity is limited by territorial boundaries;
- the existence of financial barriers for the entry into the market from the side of new investors.

According to the given economic criteria, the most appropriate type of market structure is oligopoly.

2. The market of services for power transmission.

Commodity in this market is the service to transmit electric power.

Sellers are electricity distributors, NEC «Ukr-energo» – an organization of municipal energy power.

1. While determining the degree of standardization of services for power transmission, one must consider an isolated, rigid electrical connection between the consumer and electricity supplier on transmission services, as well as continuity in the time of production and consumption process. This once again confirms the possibility of providing services for power transmission from only that supplier whose networks a consumer is connected to. This proves a non-interchangeability meaning the low degree of standardization of transmission of electricity as a service.



2. The effectiveness of meeting the demand for transmission services in providing electrical energy is being caused by an electrical network of bandwidth, which is required for transmission of electricity, retaining the quality at a minimal cost, which allows to expand the reproduction of an adjustable bandwidth. Consider these two situations:

- when the consumer is connected to a transmission line and there is one supplier;
- when another supplier is building transmission lines and attaches the consumer. In this case, the question arises: how does the building of parallel networks influence the effectiveness of meeting the demand for services in the sphere of power transmission?

Thus, the emergence of new sellers in the market under the condition of an unchanged consumer demand could have led to an increase in average production costs of each of them, and, consequently, higher prices for services. Therefore, meeting the demand in this market is more effective with an absence of competing companies.

3. A transmission of electricity through networks is characterized by almost 100% of conventionally fixed costs (no fuel costs, etc.) [5, p. 158], is not dependent on the amount of transmitted product. So the total costs do not change regardless of the number of transmitted power.

4. While considering the elasticity of demand for transmission services of electricity, three points should be considered:

– As long as there is a consumer demand for electricity, there will be also a demand for transmission services.

– If we consider the current structure of electricity prices, the share of the costs of network businesses is 3 times lower than the cost of electricity. Thus, the impact of the cost of transmission services on the total price for the consumer is less significant than changes in the cost of electricity.

– The cost of the transmission of energy does not depend on the volume of transmitted energy. Therefore, the demand for transmission services while changing consumption can be characterized as inelastic ( $E < 1$ ).

5. The presence of a potential of market growth shows the demand for the services of transmission and hence - the presence of the potential of growth in the market for the transmission of electrical energy

6. The existing demand in the market of electricity producing is being caused by the constant

demand for electricity transmission services, which makes it attractive for foreign investors to enter into the branch. However, the construction of new transmission lines is accompanied by large investments of investment funds, which is a barrier for the entry of potential investors into the field.

7. During the construction of transmission lines the capacity of networks is being projected and designed to forecast consumer demand. The situation today is that the level of electricity had decreased in 1.2 times, meaning that the real network traffic is below the network capacity, which indicates a significant potential of the market.

8. The construction of new, overlapping lines will require a deforestation, land alienation, additional expenditure of resources, which will cause a backlash from a side of a public. So we can talk about the lack of interest of public in implementing competition into the market.

Summarizing all of the above stated, we can underline the following points:

- Because of economic and technological features of services in the sphere of transmission of electricity it is an almost non-refundable commodity.

- Demand for the price inelastic.

- There is an investment barrier for the entry into the market of services for the transmission of electrical energy.

Thus, according to economic indicators and specific features, it can be concluded that the market for electricity transmission has a monopoly character. Moreover, the feasibility of appearance of competing companies into the market shows that this is a typical natural monopoly.

3. The market of sales services.

A product is a service of distribution of electricity and services connected with the payments for consumed electricity. Sellers are energy-supplying enterprises

1. In theory, the presence of large number of distributors should allow the buyer to choose a range of services, which are appropriate to consumer benefits: removal of data counters, billing, monitoring of passage of the payment, client services, that shows the complete interchangeability of the proposed market services. In practice, however, goods may be differentiated only in connection with the peculiarities of specific marketing service provider.

2. The effectiveness of meeting the demand for services from sales is by the means of ensuring timely billing for electricity supply under the

contract and in accordance with the actual electricity-consumed quantity per billing period, at the lowest price for the service that allows an adjustable expanded reproduction services. This means enabling the buyer to choose the services which are appropriate to his consumer needs, which is possible if there are competing companies. But we can only theoretically think about the competition which exists in the market of sales services and must be accompanied by market supply and low prices, because the matter requires further study.

3. Since the amount of work for the provider of marketing service does not depend on the amount consumed by the purchaser of electricity, unit costs of marketing services per unit do not depend on the value of consumption, and depend only on the number of serviced customers.

4. Today, the cost in structure of 1 kWh is the share of energy-consumed cost and is equivalent to 2-3 %. Thus, higher prices for sales service hardly influence the consumer price of electricity, which indicates the inelasticity of demand ( $E < 1$ ).

5. The continuous growth of energy consumption, relatively low sales activity give investors an incentive to join this market.

6. Because in today's energy systems priority was traditionally given to the production and transmission, as well as due to the fact that the share of energy-consumption services in the structure of electricity tariffs is low (2-3 %) the marketing activities are nowadays funded by the residual, resulting the technological level to be very far from the market requirements.

7. Consumer is interested in a safe and secure energy supply, at the minimum prices for energy. On one hand, while having a variety of sales representatives, users can, in theory, chose a particular company guided by their own preferences. On the other hand, because today's market conditions are characterized by low payment discipline, non-transparency of financial reporting, control of financial flows is much easier to be organized under the central energy supply. Also today the energy supply provides marketing services, conducts extensive work on the management of electricity consumption, particularly in emergency situations (during the shortage of power or fuel). Implementation of the above stated problem is possible only through centralized management of sales activities or by the means of transfer of functions of management to future regional load dispatch control.

According to this background, the current public interest should rather bow to the central-

ization of marketing, with the preparation for the introduction of competitive terms.

While summarizing we can conclude, that depending on the level of standardization of goods and the number of sellers in the market it is theoretically possible to have a monopolistic competition in the market of energy supply. However, it should be noted that such transformations are possible only with the course of a long period of time. It is, however, possible for a pegged so-called organized monopoly to exist due to technological features of the existing market today.

Thus, by determining conditions for the effective functioning of the energy production, we made a decomposition of the energy supply system of separate markets for each of the activities, found their significant fundamental differences, and identified the types of market structures, showing their advantages and disadvantages.

As the analysis revealed, oligopolistic competition should become dominant in the market of electricity generating in the course of its development and adaptation to the modern business environment. As for the market for energy transmission, it is the most efficient while operating in the mode of natural monopoly. The market of energy supply expects slow evolution from artificial monopoly of markets to competition, which doesn't exclude the long time-period of centralization of services in the sphere of electricity sales.

### Conclusions

Thus, we can conclude that the presence of specific features in the functioning of the markets, which are divided by the types of activity of the energy complex leads to a significant reduction in the effectiveness of state regulation of energy, which was so far carried out as a single universal approach.

As a result of the above carried out analysis it seems appropriate to note the following trends in the system of state regulation of energy market exist:

1. For the effective functioning of the oligopolistic market for energy generating the state regulation should be directed to support the competitive relations and promote investment activity vendors, which would reduce market prices and, ultimately, achieve more efficient satisfaction of consumer demand.

2. In the monopolistic market for electricity transmission, including economic and technological features of the product, it is reasonable for a state to provide regulation aimed at monitoring

the costs of network firms and the establishment of economically reasonable prices for transmission services.

3. Continuous transformation of the market of supply of energy services from artificial monopoly to competitive one will require close attention from its regulators. Therefore the main task from the side of the government regulation, taking into account different mentality of Ukrainian consumers, will become the legal (imperative) and financial policy of improving the payment discipline,

improvement of logistics and service opportunities of energy supply companies.

We have proposed the theoretical grounds for the foundation of a systematic approach of an effective state regulation of the energy market in our country. The definition of the term «energy-supply market» had been given. Also the definition of a public regulation of the energy supply sector had been revealed, as well as the concept elements that allow us to classify this system as a type of complex systems.

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PROGRAM SUPPORT OF NATIONAL ECONOMY'S  
ECONOMIC SECURITY

*Ways of developing programs in order to support the economic security of the national economy are explored. The main directions of economic security are defined.*

*Keywords: economic security, economic policy, mechanism, national economy, growth potential, priority development, reform.*

**Гіндес А. В. Програми підтримки економічної безпеки національної економіки**

*Досліджено шляхи вироблення програми підтримки економічної безпеки національної економіки. Визначено основні напрями забезпечення економічної безпеки країни.*

*Ключові слова: економічна безпека, економічна політика, механізм, національна економіка, потенціал зростання, пріоритетний розвиток, реформування.*

**Гиндес А. В. Программы поддержки экономической безопасности национальной экономики**

*Исследованы пути выработки программы поддержки экономической безопасности национальной экономики. Определены основные направления обеспечения экономической безопасности страны.*

*Ключевые слова: экономическая безопасность, экономическая политика, механизм, национальная экономика, потенциал роста, приоритетное развитие, реформирование.*

**Introduction**

The weakening and collapse of economic relations that evolved over decades between regions and enterprises affect state of national economic potential of Ukraine's economy. Ukraine's national independence, change of the country's political system, democratization of society, creation of a new model of economic development helped to change the economic mechanism. This, in turn, enabled Ukraine to employ long-term and stable factors of production efficiency, to switch to new methods of management based on economic interest.

**Analysis of recent research**

On the relevance of the scientific topic of an economic security as a priority for the state's public policy indicate numerous theoretical studies and generalizations of Ukrainian scientists, particularly such as Z. Varnaliy, B. Danylyshyn, Y. Zhalilo, A. Baranovsky, V. Boyko, V. Heyets, O. Hoychuk, B. Gubsky, M. Koretsky, B. Muntian, B. Paskhaver, Y. Pakhomov, P. Sabluk, O. Skydan, V. Shlemko, L. Yaremko. The importance of this aspect of public policy is stated in the researches of foreign scientists: A. Altukhova, K. Barrett, I. Bogdanova, S. Glazyev, A. Gorodetsky, Y. Odu-ma, G. Stolyarova, N. Fursa and others.

**Statement of research objectives**

– to explore ways to develop programs to support the economic security of the national economy;

– to determine the main directions of ensuring economic security of the country.

**Results**

Destructing the command-administrative system and building a new system of a market economy could not happen without losses, which were foreseen and admitted at the outset of reform. However, estimations of expected difficulties from the changing of a system were much understated. All views were directed to the positive benefits of Ukraine: advantageous geographic and climate location, diverse and significant natural resources, high labor productivity and high intellectual potential, well-developed material and technical base of the country. All inspired strong conviction in quite easy transformation of a system and in gaining economic benefits inherent in a market system [2, p. 72].

Because of the mentioned, above the attention was not paid to the imbalance of natural resources; complexes, branches and production material and technical bases' imbalance and imbalance of their production potential; militarization of the econo-

my accrued for the decades; and disproportion of basic consumer industries, capital's and energy's high consumption production facilities. Due to this the situation emerged, when the economy under the command and administrative system functioned satisfactorily. However, it proved to be quite non-technological and largely unsuitable for operation in a market economic system. The historical loss of business, market, and acquisitive mentality of the population was also sharply felt under new market system conditions. Under such conditions it is possible to identify the main social and economic results of transition from planned to market economy:

- transformation of the economy in an atmosphere of its deep crisis;
- unwillingness to understand the course and management of the process of the economy's transformation;
- dissatisfaction with the intermediate results of transformation process.

In such circumstances active state intervention in the economy during its qualitative transformation, change in the fundamental principle of forming a system of state regulation are one of the main conditions of economic transition to market economy. Reformation of the economic system of Ukraine is aimed at creating socially oriented market economy. Achieving this goal, we believe, is impossible without the active participation of the state.

Especially intensively the economic disintegration existed in the 1990s. This was largely a natural process that is dictated by the need to adapt an economic system to a market economy, its integration into the global economy. However, the actual loss of control by the state over what is happening in the economy and the social sphere, mistakes led to such results that the transition of the economy to market rails, adjustment of regions, economic operators to new conditions were accompanied by major economic, social and political costs. Among them are:

- compression of the internal market due to falling domestic production and consumer demand, a significant rise in price for freight transportation, coming to Ukrainian market of competitive foreign products lead to erosion of the tax base of the entities of Ukraine;
- the actual collapse of the real sector of the economy into two largely independent parts: internally oriented industries and export oriented industries; both sectors coexist in parallel with

each other; their intersection and, consequently, the general interests are limited to a minimum, concentrating mainly in common for both sectors sphere of infrastructure, which remains;

- the emergence of large financial and industrial groups as well as vertically integrated diversified holdings, controlling much of the production and sales of major products (so-called oligopolies); in their work they often take into account long-term interests of certain business entities of Ukraine, medium and small businesses, and population.

Spontaneous development of these processes led to the fact that Ukraine entered the twenty first century with heavy load of serious economic and social distortions and imbalances.

Each country has its own characteristics due to geographic, economic, social and other conditions of life. When one tries to identify possible ways of creating and strengthening the economic security of the national economy, the most important directions of its development previously considered should be used with regard to these characteristics. These conditions will determine the possibility of passing certain directions of creating the economic security and, if found to be available, degree and methods of its application [3, p. 132; 4, p. 19].

Peculiarities of the country or its differences may be an independent argument in favor of this or that decision related to the economic security of the national economy, consistent enforcement of which should solve some challenges in this area.

When developing programs to support the economic security of the national economy, in our opinion, the following should be considered:

- firstly, certain characteristics of the economic and social situation of the country in the present time; the degree of industries' development, provision with the natural resources, their reserves and the level of use of the natural resources; the level of expenditure and competitiveness of products in domestic and foreign markets; the state of education sphere, health care system, social security system and other settings;
- secondly, the external and internal non-economic factors, but the importance and impact of them are so big that they bind the state to redistribute a significant proportion of public resources to the use of specific countermeasures.

For example, huge geographical area and, therefore, big distances between the location points are challenges for Ukraine, which in par-

ticular increase the transportation costs in the country. This is the economic side of this issue. Ethnic heterogeneity of the population in the vast areas along with the disintegration internal trends and external support of these processes (and this is what is happening right now) is not only a social problem in the narrow sense, but it also creates preconditions for the growth of external threats to the possibility of losing parts of the country's territory.

In this example, which characterizes the situation in some regions of modern Ukraine, social problems and external threats have absolutely certain economic price, which is most obviously expressed for the country in the form of increased government spending on security, law enforcement and defense. The scale of these costs is very high.

The first feature of the country is the level of economic security of the national economy, which is expected to assess by determination of the ratio of economic and non-economic threats (expenses) as well as their absolute magnitude [1, p. 318].

Regarding Ukraine, its geographical conditions cause significantly higher physical expenditures for construction, power supply, production as industrial goods as food products than, for example, it is so in the European countries. Therefore, the unit costs in Ukraine are always higher than in the countries of Europe. As a result, the same rule applies also to the value (real value) of a labor force (even without counting those components of living standards of the population, without which one can relatively painlessly live, such as luxury items or items that provide relatively great comfort of life compared to other states. In the result of a comparison of production costs in the conditions of Ukraine and in the conditions of the European countries we can conclude that Ukraine can not have advantages in this respect to other nations. Based on this conclusion, we can assume that in the competitive struggle for investment, if this struggle is done according to the rules of so-called free world market, almost any Ukrainian business enterprise is doomed to a loss.

From the above mentioned statement the following conclusions can be made:

1) losing by the objective indicators that characterize the basic components of production costs, the domestic industry should not orientate on external sources of investment;

2) for the same reason the «rules of the free world market» should not be taken by nation-state

as a given since they do not correspond strategically to the economic interests of social development.

Raw-oriented industrial structure is also partly related to geography. The country with the territory, rich for natural resources, can afford to live at the expense of trade of these natural resources. Of course, the raw materials' focus of industry structure is also the result of the country's economic development in the past and in the present times, and it is the result of the economic policy, which was carried out. However, country like, for example, Israel simply objectively can not establish the structure of an industry like Ukrainian one, because Israel does not possess such territory rich with such natural resources. As the result such country is forced to seek for other sources of welfare. In the mentioned specific example of Israel such sources were found, or rather to say, they were artificially created. Of course, without external sources of financial, technological and human resources, Israel could not have achieved some successes in the newest areas of industry. But on the other hand, which country if not Ukraine, even with its heritage left from the Soviet Union, could have achieved similar results. This, however, has never happened [5, p. 74].

Thus, the assumption arises that the availability of rich natural resources corrupts economic policy, allowing it to focus on the unrestricted use of these natural resources. This orientation of the country's economy simultaneously leads to:

- 1) a rapid depletion of natural resources;
- 2) a lack of development in technological fields of the industry if the revenue from exports of natural resources is not directed to target this sector of the economy's development.

Thus, when considering the provision of Ukraine with natural resources, geographical factor can be measured unambiguously. It had certainly a positive value in the past, which was manifested in the role of resource provision as one of the key resources driving the overall development of the country's economy. However, allowing the society to live further at the expense of exploiting the natural resources in parallel with a conduction of an unprofitable economic policy led to the gradual freezing of the industrial structure with domination of raw material component. This, in turn, led to the depletion of natural resources. Modern estimations of the natural resources' reserves are not the same as those in the recent past. Moreover, modern estimations warn against the use of such

characteristics as «a country that has rich reserves of exhausted natural resources». Initially provided with natural resources through its geographical and territorial location, society as a result got rid of (or is located very close to this limit) as a technological future, as much of exhausted natural resources.

Economic security requires public policy implementation aimed at priority development of those sectors, industries of manufacturing industry, transport, communications, construction, that have not lost their potential to growth.

Statistical agencies do not keep records of performance indicators, including inter-regional balance of import and export, which would give us an idea of the state of economic ties between business enterprises of Ukraine. In particular, there are no numbers that characterize trade between them.

In general, in Ukraine the share of inter-regional work in relation to GDP has declined. Total level of inter-regional economic ties fell approximately in 3.5-4 times. Moreover, the industrial output level also declined.

Primary role in this process has played, in our view, marked above the disintegration of the Ukrainian economy on export oriented and internally oriented sectors of the economy. External trade of goods Ukraine carried out with 216 partner countries. 35.3 % of all goods is exported to the CIS countries and 26.9 % (in January-November 2009 – respectively 38 % and 28.4 %) is exported to the EU countries.

Russian Federation remains the largest trade partner of Ukraine (23.6 % of export incomes and 23.2 % of import incomes). To Turkey, Italy, Poland, Belarus, the United States of America and Germany total number of 23.6 % of exports was carried out from Ukraine.

Among major trading partners in January-November of 2009 exports increased the most to the United States of America – in 2 times, Poland – by 45.4 %, Belarus – by 41.2 %, Turkey – by 36.8 %, Russian Federation – by 29 %, Germany – by 13.7 %, and Italy – by 12.8 %.

The basis of goods structure of the external trade in Ukraine as before are base metals and articles thereof, mineral products, mechanical and electrical equipment, vehicles and road equipment, chemicals and related industries.

From the CIS countries it was imported 39.7 % of all goods, from the EU countries – 33.6 % (in January-November of 2009 – 42.6 % and 36.6 %). Proceeds from Germany, Turkmeni-

stan, China, Poland, Kazakhstan and Belarus together accounted for one third of total imports. Import deliveries increased from all major trading partner countries [6].

Products of herbal origin, polymeric materials, plastics, base metals and articles thereof prevail in the Ukrainian export. These products do not go through the technological processes of the Ukrainian economy. On the other hand the bulk of imports to Ukraine (except for imports of agricultural and food products) are finished products. They also do not pass through the domestic industries. Thus, increasing the participation of Ukraine in foreign external economic relations is done in such forms that stimulate the disintegration trends in the economic sphere.

In the list of the peculiarities of Ukraine the scale of the territory, long distances, length of communications, of course, occupy not the last place. The transport factor can be defined one of the above-mentioned problems. Just as important is a climate factor (because the country can have a large territory, but in favorable climatic zone), which creates more problems to society.

In this list of challenges one can highlight one of their parts. It is the economic group. It includes additional costs for transportation, construction of communications, and remoteness of mining of raw materials and so on. At that economic actors and society are forced to carry large:

- 1) physical costs (except, for example, building of roads of a greater length and in more complex climate conditions; they are also more difficult to overcome during cargo transportation);

- 2) time costs (the length of communications and their quality reduce the speed and volume of freight transport).

The rest of the difficulties associated with the scale of the territory and transport factor form a group of non-economic issues. But this does not mean that these problems do not cost anything to the country and society. It is quite the opposite.

In addition to the analyzed above, climate, communication, transport problems, associated with geographic location and scale of the country's territory, raw resources «debauchery», a high real cost of labor resources, which is also a consequence of the above factors, there is another group of problems, making a significant impact on the level of economic security of the national economy.

Unfortunately, one can not make a relatively positive assessment of human resources, which

Ukraine has, and make optimistic predictions because of a number of peculiarities. In turn, these peculiarities are proposed to split into two groups.

One group of peculiarities that characterizes the state of human resources of the country has always existed over the past few centuries. It is like a permanent feature and is connected also with the geographical factor. The territory of Ukraine determines the heterogeneous composition of the population in the national context. To understand what the consequences may be from the presence of such peculiarity one does not need to build forecasts. The collapse of the Soviet Union is the best demonstration of the dangers that are carried in a heterogeneous population of country in the absence of real community of population that has developed.

Another group of peculiarities that characterizes the state of human resources of Ukraine is not an inevitable disadvantage of the country arising from any external (natural) conditions that can not be changed. This group of peculiarities is associated with the legacy of the country, which it received from its former historical experience. This is not the result of life in the vast territory, but the result of an absolutely certain economic and social policy, which took place for a long time.

Also it should be taken into account that the emergence of foreign labor force contributes to rising of social tension, which also requires specific resources for its neutralization (removal is probably not possible). Inevitable are also other social costs that are connected with immigration from re-

gions with other cultural, religious and economic arrangements. For example, the emergence of an additional burden on social programs of the host country is the result of subsequent immigration of children, relatives, and acquaintances. The situation in Ukraine is almost fundamentally no different from the European one with some amendments to the scope and the quality of migration. Since this situation is relevant only for some countries, described migration processes are also needed to be counted as peculiarities of Ukraine that are related to the problem of the country's economic security.

### Conclusions

The peculiarities of Ukraine analyzed in this article are the main features of our country, which, as it seems to us, do not exhaust the subject of these peculiarities at all, but are most important when considering issues related to attempts to define the main directions of provision of the country's economic security. Solving problems related to overcoming the negative impact of these characteristics of the country's economic and social development requires, above all, financial resources. Their source, ultimately, can only be sustained from the economic growth which, in turn, is directly dependent in the current conditions on effective implementation of the state's functions as a stimulator of economic growth. Thus, the state may as a result contribute to the achievement of the required level of national economy's economic security.

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GLOBAL PRACTICE OF REGULATION AND MAINTENANCE  
 OF THE FOOD SECURITY AND POSSIBILITIES OF ITS APPLICATION IN UKRAINE

*The global practice of regulation and maintainance of food security is investigated. Methodology for estimation of the resistance mechanisms to ensure physical access to food supply to population is grounded.*

*Keywords: public policy, mechanism, evaluation of stability, food security food security regulation.*

**Орленко Я. Ю. Світова практика регулювання і підтримування продовольчої безпеки та можливості її використання в Україні**

*Досліджено світову практику регулювання і підтримування продовольчої безпеки. Обґрунтовано методологію оцінки стійкості механізмів забезпечення фізичної доступності продовольчого забезпечення населення.*

*Ключові слова: державна політика, механізм, оцінка стійкості, продовольча безпека продовольче забезпечення, регулювання.*

**Орленко Я. Ю. Мировая практика регулирования и поддержания продовольственной безопасности и возможности ее использования в Украине**

*Исследована мировая практика регулирования и поддержания продовольственной безопасности. Обосновано методологию оценки устойчивости механизмов обеспечения физической доступности продовольственного обеспечения населения.*

*Ключевые слова: государственная политика, механизм, оценка устойчивости, продовольственная безопасность продовольственного обеспечения, регулирования.*

### Introduction

The food supply in Ukraine in the context of the general problem of economic security is a very important question today, because the conceptual areas of food policy under the new conditions of formation of market relations are based on it. In the conditions of a radical reform of the economic mechanism and reforms initiated in the political and social spheres as the priority areas in Ukraine, which define the problem of national economic security, the consistent economic reforms with the aim to achieve economic growth and high food supply exist.

### Analysis of recent research

On the relevance of public policy problems in the sphere of food supply indicate numerous theoretical studies and synthesis of both domestic and foreign scientists, including works of: A. I. Altukhova, V. J. Ambrosova, Y. D. Bilyk, V. I. Boiko, O. I. Datsiy, S. M. Kvasha, M. H. Koretsky, A. S. Lisetsky, I. I. Lukinova, P. M. Makarenko, V. Maslakova, L. Y. Miller, V. M. Oleynik, B. I. Paskhaver, E. E. Rumyantsev, P. T. Sabluk, I. N. Topiha, V. A. Tochylyna, M. I. Khorunzhiy, Y. S. Khromov, G. V. Cherevko, A. M. Shpychak, V. Yurchyshyn;

scientific works of scientists dealing with the food security – I. Y. Bogdanov, V. Geytsa, B. V. Gubsky, Y. A. Zhalilo, V. I. Muntian, S. Pyrozkhov, V. Senchahova, V. T. Shlemka and other scientists, economists, and some of my own accumulated experience with the questions of research.

### Statement of research objectives

– to explore the international practices and regulations in the field of maintaining food security;

– to justify the methodology for estimation of the resistance mechanisms of ensuring physical availability of food supply to the population.

### Results

The value of the food independence of the country in the development of market economy is being strengthened by the country's dependence on imported food, which leads to such negative macroeconomic consequences, as a reduction in foreign exchange reserves, external debt growth, the export of scarce resources, meaning the problem of providing food to the population and prices for agricultural products. And all this are not only the problems of territories – economic and political, but also problems of national security.

The problems of food supply policy came to the attention of representatives of the national science in the sphere of public administration recently. The factor of the permanent and increased attention to these problems is the transformation crisis of the Ukrainian economy, which covered all areas and has become a significant obstacle to sustainable development of economy and society. Therefore, the issue of development, forecasting and predictable regulation of food independence and security of Ukraine can be considered as one of the most important priorities, which requires an increased attention of scientists to the study of the whole complex of issues related to food security, particularly on improving the methodology of assessment of stability of food supply to the population [3, p. 172]

The world practice in regulation and maintenance of food security has made quite clear measuring instruments, namely:

– As to the imports of food there exists a certain critical limit at the margin of 25 %: exceeding its causes the collapse of domestic production, the gradual transformation of the country into the import-dependant one, the rising of the food import bills by reducing other important social costs and as a result – the loss of food independence – one of the most important components of economic and political security. This critical limit is relevant for Ukraine. The import of certain production of food industry increased from 30 to 40 % of their consumption. The import of meat increased in 2009 in 3,8 times, milk and eggs – in 1,9 times;

– The second criteria is an adequacy of the diet ratio, meaning the actually consumed food compared with the scientifically based standard. The critical feature of this indicator is 50 % – half of a rational science-based standards, failing which reflects the increasing malnutrition and direct threat of an approaching famine as well as the destabilizing of physiological, demographic and social processes;

– The third indicator, which is a modification of the first one to some extent, is considered to be the limit of saturation energy diet.

From the measuring instruments implies that the policy of food security can be characterized on the basis of certain indicators, on the base of which should be put the following criteria: the level of self-sufficiency, the availability of food, the adequacy of diet.

It is believed that the country is in a state of food security if it is able to provide enough food

for all citizens under normal conditions and the minimum necessary – under the extraordinary circumstances. That means that the food security can be defined as the state of security of population from malnutrition, and even hunger, and the presence in the state of all necessary features in order to prevent it [5].

Based on these criteria of evaluation of food supply, we believe that the first stage of the analysis of resistance mechanisms of ensuring the physical availability of food supply to the population of Ukraine should become the establishment of the reasons that have a negative impact on food security of the country. The establishment of the reasons enables to not only analyze the impact of various factors, but also to build forecasts for the future sustainability of food supply, or vice versa.

The second step should be an analysis of possible unforeseen factors. In particular, the stability of food supply can be affected by emergency factors. The peak of abnormally negative impact on the parameters of the system is the natural disaster. Under the disaster one should understand an abrupt change that occurs as a sudden response from a side of the system to a smooth change in external conditions. All disasters are known to be a subject of three laws: the spatial relevance, the repeatability (and the more the power of destruction is, the less likely it is to occur again), the dependence on the scale of destruction.

During the analysis of disasters one should consider the following factors: the probability of disaster, the likelihood for the appearance of the destructive processes, different external conditions, the effects of the disaster.

During the third phase one should analyze the sources of food supply. In this regard it is proposed to conduct the research on three sources of food, which are: domestic food production, contributions from the neighboring countries and revenues from abroad.

It should be noted that the presence of many sources of food supply provides insurance from various negative cases and at the same time does not allow food-exporting countries to use it as an instrument of political pressure [5].

In the next stage of analysis we should move to the analysis of real quantitative expression stability of food supply to the population, meaning the setting of certain limits for each type of resistance mechanisms of food supply. Thus, the fourth stage of the analysis should be the assessment of food supply and installation of its type of resis-

tance mechanisms. The fifth stage is the analysis of the mechanisms of food and weather resistance on the formation of food supply.

To the indicators of the development of food industry, in our opinion, should be included the following: the index of physical volume of manufactured products, the volume of manufactured goods, the capital, the personnel's strength, the profitability, the level of income (loss).

We offer to undertake the comparative characteristics on the basis of the analysis of the import of food, the cost of a set of basic foodstuffs, the value of living for one person and his/her average income per month.

So, using the proposed model of the methodology for the assessment of stability of the mechanisms of food supply, we should evaluate the state of food supply to the population in Ukraine. [5, p. 118].

First of all we should concentrate our attention on the analysis of the reasons that lead to a decrease in resistance mechanisms of food supply to the population.

Recently, Ukraine is experiencing a tendency to declining levels of food supply to the population and the daily consumption of food by the population in Ukraine is on the verge of a critical level and the worst in Europe [6]. In terms of food consumption the country moved from 7th place in 1990 to the 71<sup>st</sup> among all countries. The current state of food supply is characterized by mostly negative trend of performance indicators.

The owners of households independently determine which products are there to be grown or produced, in what amounts and on which channels they should be to realized, which doesn't make it impossible to carry out calculations in connection with the forecasting the level of the country's food supply for the future. Moreover, as each producer, the owner raises exactly the product, which is the most profitable for him, which may result the rise of a surplus of some types of agricultural products and at the same time the lack of others, meaning that in this situation the state is practically not able to regulate the volume of production, in other words at this stage there are virtually no effective mechanisms of regulation of food production in Ukraine [1].

In order to achieve the stability of food supply the state must take a number of measures in connection with the interest of farms in increasing the production volumes of certain products and also the protection of them from the monopoly, which

was formed among the major consumers of agricultural products – processing enterprises.

It should be emphasized that the problems of food security are closely related to the environmental safety issues. Agricultural production is one of the major causes of environmental degradation in Ukraine and in the world (falling soil fertility, pollution of water bodies etc.). On the other hand, degradation of natural resources has become a serious limitation of livestock and crop production. In the environmental situation that has developed in recent years in the agro industrial complex of Ukraine, there was no positive change.

As the result of price increase the volume of work to preserve and improve soil productivity annually reduced. The construction of erosion waterworks is almost suspended. The scope of works on creation of protective forest plantations declined in 4 times compared to 1990. There is a progressive degradation of soils. The annual soil loss of agricultural land is 1.5 million tons of fertile soil, an increase of areas affected by erosion reaches 1.5 thousand hectares, and the area of 80-100 hectares of ravines increase. The loss from erosion is estimated at 20-30 millions of hryvnas annually (in the prices of 1990), which is about 10 % of the income earned in agriculture. If this trend continues through next 20-25 years Ukraine can lose an average of 5-10 cm of humus horizon. Therefore, soil erosion is a serious threat to food security.

There remains the urgent problem of the pollution of agricultural land and groundwater with heavy metals, fluoride and other dangerous toxins as a result of industrial emissions. This is one of the reasons for the low productivity of agricultural land. Thus, the yield of grain and leguminous crops in Ukraine is 3-4 times lower than in Western Europe, almost 2 times lower than in Canada, and 4 times lower than in the U.S.

Another reason for the threat to the country's food supply should be considered an insufficient use. There remains the urgent problem of pollution and agricultural land and groundwater with heavy metals, fluoride and other dangerous toxins as a result of industrial emissions. This is one of the reasons for low productivity of agricultural land. Thus, the yield of grain and leguminous crops in Ukraine is 3-4 times lower than in Western Europe, almost 2 times lower than in Canada, and 4 times lower than in the U.S.

Another reason for the threat the country's food supply should be considered an insufficient

use of significant natural potential of agricultural sector and the consequent low efficiency of use of agricultural land and natural resources, the high loss of products.

In agriculture and processing industry mostly outdated technology is being used. Until now, the labor productivity, the capital productivity, the energy and materials consumption of the final product, the efficiency of investment, the rate of return, as well as indicators of competitiveness have not gained the priority in the implementation of government policies on agricultural sector of national economy [2, p. 141].

In Ukraine the cost of labor per \$ 100 of gross cost in the years 1990-2009 decreased from 83 to 52 man-hours and urechevna increased from 35 to 50 man-hours, meaning that the intensity in the decrease of total labor costs was low and it was within 1-1.5 man-hours per year.

In the current period this figure is on-trend for some growth, but the expected increase in labor productivity is not observed for the following main reasons:

– Firstly, because of insufficient consistency of machines in the complexes and the reduction of the maintenance and technological reliability of most cars by 20-30%, and in extreme conditions – at 30-45% or more;

– Secondly, the technical reliability of machines does not meet the standards (0,95-0,98), which is reduced by 10-20 % each year and more in subsequent years of operation. Troubleshooting and repair techniques divert considerable manpower and funds for their implementation;

– Thirdly, significantly affects the low versatility and incompleteness of many machinery complexes of domestic production. For example, the existence of many types of drills cannot be justified in the system of machines and agricultural enterprises, while it is possible to cut them down to 2-3 types (grain-herbal, beet-Maize-vegetable).

It should be noted that the pricing mechanisms of hardware and agricultural products are not regulated, and the ratio between the prices of industrial and agricultural products do not meet the requirements or internal reproductive process or international standards. Also the cause for the reduction of food supply is that the productive potential of agricultural production in Ukraine has

sharply fallen down. The specificity of agriculture (its seasonal character, the overwhelming need for funds and material resources for the preparatory and initial stages of production, the long operating cycle, the significant dependence on climatic conditions, etc.) and open agricultural markets for food imports in the context of globalization of trade lead to the need of protectionism from the side of public policy.

The main negative feature is that there is no legislative provision for contractual relations between agricultural producers and the state, which should guarantee its sale at prices that reflect the socially necessary costs of production. They must be constant for a certain period (3-4 years), meaning within the development of basic technical tools and resources – components of the cost of production [4, p. 51].

An agricultural production is insolvent for seventeen years already because the prices for industrial products are 6.35 times higher than the relative prices for agricultural goods themselves, which negatively affected the value of exploitation expenses and production costs, and this led to the loss of demand to technics from a side of agricultural companies. Because of this, the volume of acquisition of new vehicles fell in a dozens of times, and in regards to some machines – stopped completely.

The analysis of the performance of fixed assets in crop production has shown that the dominant value in its costs has the hardware, and therefore the effective use of it is leverage for cutting costs, time and money.

### **Conclusions**

Thus, the accumulation of negative economic results, the absence of an effective mechanism for ensuring the logistics of agricultural producers, the large power consumption of production cannot stabilize the financial situation in the agricultural sector. Over the past decade in terms of production of most major types of agricultural products the country was turned by 15-20 years into the past. The expansion of import of foreign products to Ukraine which were traditionally produced in our state and the lack of competitiveness of domestic producers brings in the threat of a food-supply security.

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THE MECHANISM OF A STRATEGIC PARTNERSHIP WHILST  
FORMING THE STRATEGY FOR THE DEVELOPMENT  
OF THE INVESTMENT AND CONSTRUCTION SECTOR

*Principles of the strategy's formation for the development of the investment and construction sector are grounded. Mechanism of strategic partnership in shaping the strategy of the investment and construction complex is defined.*

*Keywords: investment and construction sector, mechanisms, systems, strategic partnership, development strategy, formation.*

**Панін А. Г. Механізм стратегічного партнерства при формуванні стратегії розвитку інвестиційно-будівельного комплексу**

*Обгрунтовано принципи формування стратегії розвитку інвестиційно-будівельного комплексу. Визначено механізм стратегічного партнерства при формуванні стратегії розвитку інвестиційно-будівельного комплексу.*

*Ключові слова: інвестиційно-будівельний комплекс, механізм, принцип, стратегічне партнерство, стратегія розвитку, формування.*

**Панин А. Г. Механизм стратегического партнерства при формировании стратегии развития инвестиционно-строительного комплекса**

*Обоснованы принципы формирования стратегии развития инвестиционно-строительного комплекса. Определен механизм стратегического партнерства при формировании стратегии развития инвестиционно-строительного комплекса.*

*Ключевые слова: инвестиционно-строительный комплекс, механизм, принцип, стратегическое партнерство, стратегия развития, формирования.*

**Introduction**

The problem of improving the system of government investment-building complex is not a new issue for domestic and foreign science and practice. This problem involved many famous scholars and experts. However, the question of a systematic approach to its solution, which takes into account the peculiarities of the investment and construction activity and socio-economic conditions of compatible and efficient operation, is well-developed as for today.

**Analysis of recent research**

A significant contribution to the solution of general and sectoral development issues of investment-construction complex made such national scientists as: A. Amosha, V. Averyanov, N. Alexandrova, O. Andriyko, V. Bakumenko, P. Belenky, E. Boyko, Z. Varnaliy, V. Geytsa, B. Danylyshyn, M. Dolishniy, J. Zhalilo, B. Kozik, M. Kozoriz, E. Krykavskyy, D. Lukyanenko, Y. Makogon, N. Mikula, A. Moki, M. Zwick and others.

**Statements of research objectives**

– to justify the principles for the development of the strategy of investment and construction industry;

– to identify the mechanism for a strategic partnership in the formation of investment strategy-building complex.

**Results**

The state management in the changing market environment should have two main areas: the current regulation and the management of a strategic change (the change of industry and technological structure of the economy, an increase of competitiveness, the change in the structure of import-export).

This change in strategy is a combination of two processes: state governance (through legislation, taxation, protection of domestic market, the regime of depreciation, interest rate, national currency) and strategic planning in most companies (micro level). The development strategy should be created taking into the account the macro parameters of the government (or their long-term forecast) and the specificity of transition economies [3, 4]. During the development of the strategy the following substantive steps are distinguished:

Stage 1. Analysis (diagnosis of the region, the study of external and internal factors affecting the development, SWOT-analysis)

During the phase of an analysis the scenario approach is being commonly used. There are two types of scenarios.

The scenarios of external conditions. Are based on hypotheses about the polar development of a number of external factors that are beyond control. These scripts allow:

- a) to form an idea of the opportunities and threats to development more productive;
- b) to inspect projects and priorities on the subject of stability and riskiness under different variants of changes in external conditions.

Scenarios of development under the dominance of particular function or industry. These scripts allow us to better understand the socio-economic impacts of projects which are orientated on the development of certain activities.

For each scenario advantages, disadvantages and risks must be specified.

The end result of the analysis phase leads to:

- Formulating hypotheses about the possible directions of development, allowing the maximum use of the strengths and determine the future of the country, region, city, etc.
- Identifying the most critical problems that hinder the development;
- Nominating several formulations of the strategic goal for the coming period.

2nd stage. Goal-setting (determination and approval of the main objectives, key strategic directions, goals).

The choice of priorities is based on the results of analysis taking into account the maximum impact on achieving the main goal set out at minimal cost.

Typically, strategic directions should facilitate the implementation of competitive advantages in the region. The recommended number of areas is 3-6, goals – 10-15; projects – 20-40. Naturally formed are the following areas:

- An improvement of general conditions for business;
- The development of certain groups of sectors and industries;
- The development of infrastructure;
- A reform of urban public services (municipal services, social sphere).

The more specific the strategic directions are the better it is. The strategy should maximum tied to a place and time. Brief and specific strategy that includes a small number of areas and projects that really gives a strong impetus is much better than a long and amorphous one.

During the development of strategies it is appropriate to move from areas to the project, but if you cannot quickly identify and confirm the direction, you can focus on the initiation and selection of projects, which are then grouped by areas.

In order to ensure consistent decisions on the selection and inclusion of strategies to particular activities or projects some formalized procedure can be implemented. The right decision is delegated to the Executive Committee or a special panel of experts. With that the methods of pair wise comparisons, element wise evaluation and ranking are being used.

The selection of projects cannot be based on one (even the most complex) formal criterion. Decisions should be made taking into account many different characteristics of the project and its participants with quantitative or qualitative characteristics. State, regional and local authorities, while deciding upon investment, are guided by the existing system of priorities (priority objectives) which are issued in specific tasks and are a priority at this time interval.

An evaluation and selection of the investment projects for funding from the budget and borrowing are based on three groups of indicators that reflect [5]:

- Social cost-effectiveness;
- Budgetary cost-effectiveness;
- The efficiency of budgetary resources and private investment in the project.

Evaluation of the effectiveness of social investment project is based on the expert level for solving social problems [2]. This takes into account the following indicators:

- Employment growth;
- Improvement of living and cultural conditions of the population;
- Improvement of medical services;
- Change in reliability and quality of public service enterprises and certain types of goods and services (fuel and energy, utilities for infrastructure projects);
- Improving the environment;
- Improvement of transport infrastructure;
- Restoration and reconstruction of architectural ensembles and individual monuments, land improvement;
- Other social indicators which are meaningful for individual projects.

Fiscal efficiency characterizes the profitability of investment (reducing costs and increasing revenues, return on budgetary expenditure). It is

necessary to distinguish between revenues from the project through direct and indirect sources. The former includes income from rental, transfer in trust assets from the sale of goods and services, interest income. Revenues from indirect sources reflect associated with the project proceeds to the local budget, including: tax revenues, license fees, fees for the use of natural resources, reduction of budget expenditures, subsidies and other income.

The analysis of budget effectiveness involves the comparison of budget revenues and expenditures due to the participation in the project, with mandatory discounted cash flows. Tools to analyze the budget and economic efficiency of investment projects are: the discounted net income, internal rate of return etc.

Finally the analysis of efficiency of budgetary resources and private investment is based on indicators such as private investment multiplier (the ratio of the capital to the private investment unit of government investment), the share of funds required for the project, which are used to purchase technology, materials, raw material.

One of the tools for the discussion and final selection of decisions can be a conference, during which the participants are given the opportunity to discuss, vote, and fill in the assessment sheets. The organization of this conference on the model of a «carousel» allows its participants to create small groups, to view their projects in detail, which provides an objective basis for the formation of the final texts by the experts.

If the opportunity to hold a conference is missing, a team of experts (5-15) and people from the presentation of projects can be gathered in order to fill in the evaluation sheets.

3rd stage. Planning (the formation of sub strategies for the achievement of goals in each direction and the selection of measures, responsibilities for implementing the strategy)

Strategic planning is a special kind of management which exists to develop strategic solutions that provide the nomination of these goals and strategies of the behavior of the management facilities, implementation of which ensures their effective functioning in the long run and the rapid adaptation to changing environmental conditions. Strategic planning is inherent in the following characteristics that distinguish it from the «classical» subsidized plan, which has been developed in pre-reform period:

– The adaptive nature, meaning the ability to predict changes in the external and internal envi-

ronment of the planned facility and in view of the process to organize its effective functioning;

– Taking into account the impact of the planned object of numerous external factors that have both positive and negative effects.

We suppose that the Ukrainian modern approach towards the strategic spatial planning should be built on a existing long-term spatial planning tradition, the modernized use of modern technology and be based on the principles and methods of strategic management. The object of a strategic spatial planning in general terms is the administrative unit of the country (region, district, city to city, town, and village).

The subject of a strategic spatial planning is largely determined by the specifics of the object and is in general of multi-character. For example, in relation to the city, the core subject of strategic planning of its development is the authorities of municipal government. However, its membership includes a state component in the face of regional and in some cases public administration, the representatives of management and other business entities that have strategic interests in the development area. As the object of strategic planning of complex socio-economic development, in its capacity, in our opinion, should act all sectors and spheres of the territory, and also social processes.

Forming a strategy of the development of an investment-building complex is a complex process, implementation of which requires adherence to certain principles. It is proposed to consider the principles of: determination, sociality, comprehensiveness, consistency, adaptively, efficiency, and minimization of risks, the balance of interests, legitimacy, democracy, professionalism, the principle of «first head».

The principle of determination involves the purposeful study of strategic objectives and priorities of investment-construction complex. This principle is realized by the means of the development of a strategy, the core of which is, firstly, a set of strategic goals of building, and secondly, the strategic choice of the territory, which includes a list of priority functions (areas and activities), which are planned to be in a strategic perspective.

The principle of sociality means that during the formation of strategic goals of the development of building, mechanisms for their implementation an improvement of the quality of life of the population should be the main interest.

The principle of comprehensiveness suggests that the functional orientation of the investment-



construction complex should be organically integrated into the system of all the characteristics and factors of development. In practice, the basis of such process is usually a decision based on the Development Program for promising mid-term or long term goal. Compliance with the principle of comprehensiveness in the formation of development strategies of investment and construction industry means the consideration of priority functions that are implemented by state, regional bodies of state administration and local government, in the context of the totality projected socio-economic characteristics and factors of development. However, as noted above, as the main internal source for development can be considered structural and functional differences between specialization and complexity.

The principle of consistency is closely linked to the principle of comprehensiveness, and its compliance means that defining the strategic development and the mechanisms for its implementation should proceed while taking into account the relationships that characterize the interdependence of individual territories and states in general. The implementation of the principle of consistency suggests that during the development of a strategy for the development of investment and construction industry should be considered prerequisites and restrictions which are formed at different hierarchical levels: local (municipal), regional, interregional, national.

The principle of adaptability consists of taking into account possible changes in the environment and corresponding adjustment of the objectives, priorities and implementation mechanisms in investment and construction industry. It should be borne in mind that the current investment-building complex can be partially attributed to self-governed system that adapts to the changing characteristics of the environment through software block. This programming block is set for the construction business outside by the government system through state and regional target programs, privatization, financial stabilization, restructuring and so on. Compliance with the principle of adaptability means that the development of a strategy for the development of investment and construction industry should be done while taking into account possible changes in the environment which can make the adjustment of the objectives, priorities and implementation mechanisms. Such adjustment shall be made with minimal political, social and economic costs.

The principle of effectiveness is the need to prove that the purpose and operation of investment-construction complex can be achieved with minimal investment of resources. Adherence to the principle of efficiency in the formation of investment strategy in building complex requires proof that the exactly proposed set of goals of economic development, certain functions as a priority will ensure the necessary quality of life with the least financial costs and social costs.

Given that internal and external influences on the complex and diverse processes of investment and construction activities are mainly of probabilistic nature, the impact of risks and uncertainties in assessing the effectiveness of investment decisions must taken into account.

Adoption of the strategy in investment and construction industry is, ultimately, a responsible management solution that has certain risks. Therefore, the principle of minimizing risk means that during the formation of strategic choice different risks must be evaluated (if possible), which are caused by the implementation of various priority functions in the future. Characteristics of predicted risks should be considered in comparative analysis to strategic options of choices.

Optimal operation of investment-construction complex is impossible without a balance of interests of its participants. The problem is that the economic interests of regional business in investment and construction industry are usually multidirectional, and often also contradictory. Mechanism of the combination of these interests should be based on positioning the categories of «needs» and «interests» as objects of scientific analysis. The principle of balance of interests is meaningful and involves finding a consensus between government authorities at various levels, and professional and social groups of the population on strategic objectives and development priorities, mechanisms for their implementation.

The principle of the legitimacy foresees the mandatory consideration and adoption of the proposed options for development of investment-construction complex at appropriate hierarchical levels of management.

With the principles of legitimacy and balance of interests the principle of democracy is closely connected, which means the transparency and openness of the process and results of work on the strategy of investment-construction complex, involving consideration and review of draft scientific community and the population.

The implementation of the principle of professionalism in the formation of investment strategy-building complex provides specialized training for the participants of work, creating the necessary guidance and information base, involving the development of specialists from the system of regional management, specialized in solving specific problems, peer review organization.

And finally, quite important principle is the one of the «first head», which means compliance with «attraction» to the strategy of investment and construction of the «first person». Facing the challenge of strategic planning of investment and construction industry, of course, suggests involvement of scientists, because it is associated with a greater volume of forecasting and analytical work. However, implementation of strategic choice, comparative evaluation of strategic alternatives is the prerogative of senior management, who ultimately bears the full responsibility for the results of the implementation strategy of investment-construction complex.

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#### Conclusions

Thus, the development of Strategy is being created by considering the basic ideas and results of official forecasts and programs. Goals, objectives and projects of the Strategy are elements of planning for all participants in its development and implementation. So, in terms of regulatory and legal framework the investment strategy on building complex is part of a strategy of social and economic development at the state level and socio-economic development of the region at the regional level.

However, it cannot be stated about the secondary feature of the investment strategy on construction-building complex towards the relation to the strategy of development. During the development of a strategy the initial scenario conditions, including the status of fixed assets, which directly depends on the results of support of development of investment-building complex should be taken into consideration.

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**Section 2.**

**PUBLIC ADMINISTRATION ON THE REGIONAL  
LEVEL AND CHALLENGES OF RURAL AREAS**

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THE OPTIMAL RATIO BETWEEN THE PRODUCTION AND THE ECOLOGY  
IN TERMS OF SUSTAINABLE RURAL DEVELOPMENT

*The actual state of operation of agricultural production, rural social sphere as well as condition and problems of the environment are analyzed. Economic mechanisms to ensure environmental safety in rural areas of Ukraine are proposed.*

*Keywords: agricultural policy, production, ecology, environment, management, rural, agricultural products, sustainable development.*

**Литвин Ю. О. Оптимальне співвідношення між виробництвом та екологією у концепції сталого розвитку сільських територій**

*Проаналізовано фактичний стан функціонування сільськогосподарського виробництва, соціальної сфери села, а також стан і проблеми навколишнього природного середовища. Запропоновано економічні механізми забезпечення екологічної безпеки сільських територій України.*

*Ключові слова: аграрна політика, виробництво, екологія, природне середовище, регулювання, сільська територія, сільськогосподарська продукція, сталий розвиток.*

**Литвин Ю. А. Оптимальное соотношение между производством и экологией в концепции устойчивого развития сельских территорий**

*Проанализированы фактическое состояние функционирования сельскохозяйственного производства, социальной сферы села, а также состояние и проблемы окружающей среды. Предложены экономические механизмы обеспечения экологической безопасности сельских территорий Украины.*

*Ключевые слова: аграрная политика, производство, экология, природная среда, регулирование, сельская территория, сельскохозяйственная продукция, устойчивое развитие.*

**Introduction**

At the current stage of the development of Ukrainian economy one of the main areas of regulation of rural development is the government regulation, based on which the program-target approach is being approbated and mechanisms of ensuring sustainable development of rural areas are being approved.

Overcoming the problems of low efficiency of agricultural policy, deficit in the country's budget for social spending, slow formation of rural self-government, distant location of the farmers from the markets for agricultural products, limited access to logistical, financial and information resources requires substantial strengthening of the state influence on rural areas. Regulation of the rural development differs significantly from the regulation of agriculture, because we are talking not about the industry sector, but the component of territorial organization of rural society, therefore other methods and approaches are required. Thus, rural areas should be singled out as an independent object of state regulation.

**Analysis of recent research**

Significant contribution to the formation of ideas about approaches of managing the country's regional development, principles of designing and implementation of regional policy, identifying features of regional policy and the policy of the regions, identifying their subjects and objects made such leading scientists as E. B. Alayev, O. Amosha, G. V. Balabanov, P. T. Bubenko, Z. S. Varnaliy, S. G. Fields, Z. V. Gerasymchuk, A. P. Golikov, G. K. Provinces, M. I. Lower, L. M. Zaitsev, Y. Ipatov, B. T. Kliyanenko, V. S. Kravtsiv, A. P. Kraynyk, N. G. Kuznetsov, L. M. Kuzmenko, A. G. Mazur, T. S. Maximov, A. Marshall, M. G. Chumachenko, B. M. Shtulberh, M. D. Yankiv and others. Scientists who research the development of rural areas are M. K. Orlatyy, I. V. Prokop, P. T. Sabluk, V. Yurchyshyn and others.

**Statement of research objectives**

– to analyze the actual state of functioning in agricultural production, social sphere of rural areas as well as the state and problems of the environment;

– to offer economic mechanisms in order to ensure environmental safety in rural areas of Ukraine.

### Results

Under certain requirements, the agricultural sector makes a significant contribution to the vitality of rural areas, preserving the agricultural landscape and cultural heritage, to the preservation of agrobiological diversity. Agriculture plays a vital role in maintaining the soil fertility and protection of land against erosion and other negative effects of natural and man-made disasters.

*Pollution and soil erosion.* Territories, which are not affected by human activities, remain not so much in the world- only 39% of the total area of the Earth [6, p. 153].

For example, in the Russian Federation, whose total area is 17.1 million km<sup>2</sup>, the area of untouched by the economic activity land is 7.8 million km<sup>2</sup> (41-47 % of the total area); in Canada respectively – 9.98 million km<sup>2</sup> and 6.4 million km<sup>2</sup> (64.1 %); in Australia – 6.2 million km<sup>2</sup> and 2.5 million km<sup>2</sup> (40.3 %); in Brazil – 8,460,000 km<sup>2</sup> ;and 2.4 million km<sup>2</sup> (28.4 %); in China – 9.33 million km<sup>2</sup> and 1.8 million km<sup>2</sup> (19.3 % of the total area). In Ukraine, whose total area is 603.5 thousand km<sup>2</sup>, the area which is preserved in its natural state is only 50 km<sup>2</sup>, or 8.3 % of the total area and this margin is very close to be critical [4, p. 43].

Nowadays the state of land in Ukraine in general terms can be described as unsatisfactory. Agriculture remains extensive with a very high level of agricultural development of the territory and, in particular, its plowedness.

The high rates of tilled soil of agricultural land under the circumstances of low yields indicate the inefficient use of land resources and increasing of water and wind erosion. In some regions the level of agricultural tilled soil land even exceeded 90 % (Kirovograd – 95.9 %, Kherson – 94.0 %, Cherkasy – 93.6 %, Dnipropetrovsk – 92.9 %, Mykolaiv – 90.8 %, Vinnytsia – 90,5 %) [5, p. 14].

The main changes in agricultural soils are related to the mechanical application of a fertilizer on them. Plowing the soil changes its profile, destroys its structure, leading to depletion of the upper horizons by water and wind erosion while agricultural machines compact the soil. Mineral and organic fertilizers also have a great influence. They are sometimes excessive and pollute groundwater and surface water. Particularly it is the case for developed economies, where inten-

sive technologies are applicable and fertilizer is being brought more than 100 kg / ha.

Obtaining high yields is currently impossible without the use of different pesticides to protect plants. Now there is a tendency of reducing their use because many pests have adapted to them. There is also a loss of beneficial soil microorganisms, contamination of finished vegetable production and accumulation of harmful substances in the water, animals and humans.

One of the main conditions of soil contamination from pesticides is through creating a less toxic volatile compounds and the reduction of norms of chemical treatment. There are ways to reduce the volume of processing plants by pesticides without the loss of efficiency:

- A combination of agro technical pesticides with biological ways of combating pests. The aim of it is not to completely destroy the pests, but to protect the agricultural spices;

- The use of new pesticides. The use of new forms of pesticides allows to reduce the rate of active substance and to minimize soil contamination;

- An application of 2-3 pesticides with varying mechanisms of action in turn. This prevents the adaptation of pests.

The low culture of livestock farming leads to an accumulation of huge amount of manure near cattle farms, which is a dangerous factor in contamination of soil and water. They pile up a large amount of harmful bacteria which may be causative for dangerous diseases – tetanus, brucellosis, anthrax, tuberculosis and others.

To particularly dangerous consequences of the negative impact of humans on earth belongs accelerated erosion. Under erosion one should understand processes of destruction and removal of fertile layer of water or wind. Natural erosion occurs very slowly, and the processes of leaching and soil blowing are balanced by natural soil. Under the condition of accelerated erosion the damage on soil processes many times faster. Natural erosion processes and human activities contribute to the economic loss of humus layer, reducing the thickness of which on 1 sm leads to the yield losses of 1 kg / ha. In Ukraine for the past 30 years humus content has decreased by 30 %. The situation is being complicated by the fact that for the recovery of the soil layer with the thickness of 1 cm by natural way at least 100 years are needed [1].

*Water pollution.* An untreated effluent of agricultural production is one of the sources of water

pollution. Wastewater contains dangerous chemicals, pathogens, insecticides and herbicides. This problem provokes worries about health and lives of the population. An environment is so much polluted that it is impossible to completely eliminate the infection. Pesticides and fertilizers used in agricultural production are washed into rivers, lakes, seas with rain water and become the food for bacteria. Bacteria consume dissolved oxygen in water, which results the start for a suffocating of fish. Untreated sewage is appearing into the rivers and to the sea, which causes diseases, and sometimes even death of animals and humans.

Unfortunately our state, being in poor conditions in regards to renewable water resources, does not implement stringent target programs for the conservation and economical use of drinking water. It is known that out of 50 water objects in our country, in which hydro biological and chemical research reveals had been made no watercourse or lake, which would correspond to the requirements of the background state or could be characterized as «pure water» have been found [4, p. 47].

Despite to the decline in agricultural production, which led to some reduction in the amount of the wastewater, water objects of Ukraine were contaminated mainly by nitrogen compounds, petroleum products, heavy metals (increase of these substances has been recorded in the basins of the rivers Danube, Dniester, Southern Bug, Seversky Donets). Due to an unfavorable situation in the sphere of public water supply and water conservation, Ukraine's population is exposed to a risk of various diseases associated with the consumption of a poor quality water and products made from fish and crustaceans, which are being fished in polluted waters, rivers, estuaries and seas. For water conservation and efficient use of water in rural areas the necessary measures should be ensured:

- Provision of rural population with quality drinking water;
- State regulation of water supply;
- Secure and reliable water supply.

*Environmental pollution by solid wastes.* Rural areas are polluted by construction, industrial and household waste; scrap metal, packing materials, glass, most of which are chemically inert and don't have an ability to self-utilize. In the rural area there are 12,254 unorganized landfill of waste, 8,220 unorganized dumps, which occupy the territory of 4,722 hectares and 2,108 water objects contaminated by solid waste [2].

In Ukraine there are 5,913 villages that have unorganized dumps of the waste of industrial, residential and construction matter; 4,045 villages where the stations (points) for fueling cars and tractors are situated; 2,847 villages with the storage of fertilizers and pesticides; 1996 villages with contaminated surface water bodies.

*Air pollution.* Atmospheric air is polluted by the oxides of carbon the most. The main «suppliers» of carbon monoxide in the world are the U.S., Russia, Japan and Germany. Ukraine pollutes the air relatively a little, but it is not due to the observance of the environmental norms, rather the crisis of production in virtually all sectors of the economy.

Agriculture in comparance with other industries pollutes the air slightly. Emissions of harmful substances into the atmosphere from stationary pollution sources in agriculture in 2009 were up to 43.5 thousand tons, which is less than 1 % of the total emissions for all types of the economic activity – 4448.9 thousand tons [5, p. 18].

But still is the periods of mass introduction of herbicides and pesticides the majority of the farmers (not to mention the direct perpetrators) are at risk of harming the health. This especially concerns large agricultural enterprises working on the base of new intensive technologies.

Based on all the above, it is clear that agriculture makes a huge impact on the environment, including human health. And the impact may be both positive and (is is more likely) negative.

Despite the fact that the agricultural production is based on the use of cultivated plants and domestic animals administering this branch is not as easy as it may seem. The criterias for the optimal control are not only the maximizment of the efficiency of agricultural production, but also the prevention of environmental pollution, the support of the normal functioning of natural landscapes.

Sustainable rural development implies the provision of targeted social mobilization in social, economic and environmental spheres. If the social development of rural areas should ensure the uniform growth of positive social indicators (living standards, education, health, etc.), the economic issues of rural areas just have to provide the necessary level of income for the social functioning of the village. It means that these two areas are complementary between teach other and there is a direct proportional relationship: a higher level

of economic development leads to a stable quality of life of citizens and ensures their fuller infrastructure. Instead of that, the relationship between economy and ecology is inversely proportional: the rapid development of the economy leads to the environmental crisis and on the contrary, the crisis in the economy (such as in the 90s of the last century) – reduces the anthropogenic impact on nature: environmental situation improves. The interaction between ecological and economic spheres of rural areas in a simplified form can be understood as the relationship in order to involve natural resources into productive activities and environmental pollution. That is why it is very important for the sustainable development of rural areas for the optimal ratio (balance) between the production and the ecology to be found.

The strategy for sustainable rural development should include mutually agreed set of economic and environmental measures in order to achieve the main goal – the optimization of a sustainable ecological and economic mechanism of the respective territories.

One of the directions for the salvation of the environmental problems in rural areas should be the integration of environmental policy into the strategy of socio-economic reforms by the means of developing environmental programs as part of the economic and social development of rural areas.

Targeted environmental programs should be designed on a resource-territorial principle, which will help to generate and evaluate activities as of regarding specific rural and also resource areas of environmental protection. While working on the environmental programs for the rural area primary attention should be paid to the most significant and immediate measures, which have a significant environmental effect.

Environmental problems can not be separated from the economy – they are inextricably linked. We offer the following economic mechanisms of ensuring environmental safety in rural areas of Ukraine:

1. *Environmental taxes.* For the tax base it is intended to consider the amounts of pollution in rural areas. In order to simplify the administration of these taxes they can be included into the price of fertilizers, herbicides, pesticides and other resources which are used in agriculture and are environmental pollutants. Revenues from these taxes should be allocated to the local budgets and used only to financing environmental programs.

2. *Licenses on pollution.* This is the introduction of the market quotas for the pollution in the rural

areas. For example the village council may sell the pollution limits for agricultural, industrial, construction, transport, service and other companies operating in its territory or in the immediate vicinity. If the company has leveraged its limit, the quota can be out bided from other business entity. That means that for the company that uses new energy and low-waste technology this is not only the savings of the costs, but also additional revenues.

3. *The system of benefits for the environmentally sound production.* Among them separately can be distinguished:

- Higher purchase prices for agricultural products, grown without pesticides (under the circumstances of higher income of the population the demand for such products will expand)
- Tax incentives;
- Accelerated depreciation of capital goods;
- Subsidy for the payment of interest on loans for the implementation of environmentally sound technologies and acquisition of appropriate equipment.

Besides economic mechanisms of ensuring the environmental safety, one must also use the legal, technical, medical, humanitarian activities of government influence, which in this case is beyond the scope of our study. The combination of these measures is the national system of environmental safety.

The state system of ecological safety of Ukraine is a set of state measures (legal, economic, technical, humanitarian, medical), aimed at maintaining a balance between its ecosystems and man-made and natural loads [3, p. 11].

For the realization of the state system of ecological security various ministries, departments, institutions and organizations, and local authorities should be involved. Based on the general state of modern ecological and economic mechanism for the rural development, we can conclude that the environmental situation in Ukraine puts an urgent ecological efficiency and economic development of rural areas on its agenda.

### Conclusions

Thus, the relationship between the economy and ecology is inversely proportional: the rapid development of the economy leads to an environmental crisis and on the contrary, the crisis in the economy is reducing the anthropogenic impact on nature: environmental situation improves. The interaction between ecological and economic spheres of rural areas in a simplified form can be understood as the relationship in order to involve natural resources into productive activities and environmental pol-

lution. It's very important for the sustainable development of rural areas to find the optimal balance between production and ecology.

Environmental problems cannot be separated from the economy – they are inextricably linked.

Therefore, we proposed economic mechanisms of ensuring an environmental safety in rural areas of Ukraine. Besides the economic mechanisms one must also use the legal, technical, medical and humanitarian measures of state influence.

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WAYS OF INVESTMENT ACTIVITY PROMOTION  
IN REGIONAL ECONOMIC SYSTEMS

*System of principles of state influence on the implementation of the investment process is defined. The interconnection of investment policy at the macro-, meso- and micro level is analyzed. Ways to accelerate investment in regional economic systems to ensure economic growth and welfare are grounded.*

*Keywords: revitalization, economic system, welfare, investment activity, investment policy, mechanism, region.*

**Герасименко І. С. Шляхи активізації інвестиційної діяльності в регіональних господарських системах**

*Визначено систему принципів впливу держави на здійснення інвестиційного процесу. Проаналізовано взаємозв'язок інвестиційної політики на макро-, мезо- і мікрорівні. Обґрунтовано шляхи активізації інвестиційної діяльності в регіональних господарських системах для забезпечення економічного зростання та підвищення добробуту населення.*

*Ключові слова: активізація, господарська система, добробут населення, інвестиційна діяльність, інвестиційна політика, механізм, регіон.*

**Герасименко И. С. Пути активизации инвестиционной деятельности в региональных хозяйственных системах**

*Определена система принципов воздействия государства на осуществление инвестиционного процесса. Проанализирована взаимосвязь инвестиционной политики на макро-, мезо- и микроуровне. Обоснованы пути активизации инвестиционной деятельности в региональных хозяйственных системах для обеспечения экономического роста и повышения благосостояния населения.*

*Ключевые слова: активизация, хозяйственная система, благосостояние населения, инвестиционная деятельность, инвестиционная политика, механизм, регион.*

### Introduction

Analysis of the evolution of investment activity theory shows a wide range of existing domestic and foreign literature approaches to the investment process on mega-, meso- and micro levels. However, many problems concerning the formation and use of investment potential, the optimal structure of investment, analysis of mechanism for attracting investment resources and identification of directions of investment growth from the perspective of the organizational, legal and institutional support, remain controversial.

### Analysis of recent research

The complexity of the regional challenges of investment activity and research of the mechanism of regional factors' influence on the investment process investigated M. P. Butko, O. V. Gavrylyuk, M. M. Nedashkivs'kyi, Y. V. Orlovs'ka and other scientists. We share methodological approaches to assessment of the impact of regional factors of the investment process realization formed by them, which helps to build more efficient state investment policy.

### Statement of research objectives

- to define a system of principles of state influence on the implementation of the investment process;
- to analyze the interrelationship of investment policy at the macro-, meso- and micro-levels;
- to justify the ways of activation of investment activity in regional economic systems to ensure economic growth and the increase of the population's welfare.

### Results

Under conditions prevailing in the domestic economy, it is advisable to change the existing regulatory and legal framework and provide the subjects of economic activity with such opportunities, under which: firstly, loss-making enterprises will depreciate at levels that ensure reproduction of the means of production on the minimum required level; secondly, profitable enterprises, which make an active investment activity, will reliably reflect the reality without increasing production costs and raising prices simultaneously with the targeted use of tax incentives for renova-

tion of fixed assets; thirdly, all enterprises will be free to choose and use the most winning method of depreciation that should become the base of their gradual financial recovery and growth of investment activity [1, c. 35].

In our opinion, the review of legislation on the procedure for calculating depreciation will give an additional impetus for the domestic businesses to enhance investment activity. Using along with the existing methods the policy of accelerated depreciation, providing target direction of using the acquired assets, depreciation funds can be considered as a real source of financing the investment programs aimed at restoring the existing means of production.

Unlike depreciation deductions, which provide basically only the current depreciation of fixed assets, refinancing of profits should facilitate the processes for expansion of reproduction. However, the research of the enterprises in various sectors of the Ukrainian economy, namely industry, demonstrates the low income and the set of factors that had caused it, namely, inefficient tax system, an inadequate regulatory legislation and corruption, which, on the one hand, distort incentives, and on the other – lead to concealment of income.

An important source of increasing investment resources in the region, which is also now little used, is the savings of the population. However, under current law framework in Ukraine savings of the population do not have a clearly defined investment focus, and therefore there are no effective incentives to attract these resources for the investment purposes at the regional level [5]. To solve this problem, modification of the tax and customs system, change of some rules of customer services in banks, savings mobilization of the population by creating a system of state guarantees for population savings in banks and financial institutions, long-term savings (pension and insurance funds). Banks and financial institutions that express their desire to enter this system should take the obligation to ensure reliability of population's savings (requirements for the structure of assets, reliability of auditing, etc.). In addition, it is needed to legally remove all obstacles on legalization of foreign currency deposits of non-criminal origin.

A significant source of additional financial resources could have become the stock market. However, sub-optimal ratio of open and closed joint-stock companies, insufficient protection of shareholders, undeveloped infrastructure and understated value of assets are the main obstacles to

the revival of investment activity through the securities market.

One of the potentially significant sources of investment may become the development of tolling, which is a processing of the raw materials, supplied by domestic companies in return for finished products, including in investment content.

Centralized financial means, such as state, local budgets and special extra-budgetary funds occupy a special role in the investment process. It should be noted that Ukraine's current practice of investment programs' formation on the bases of budget sources requires substantial methodological and practical improvement. This means that the investment programs are formed within the State Budget depending on the political objectives of the Government, and direct financing is usually done at the end of the year, which leads to gaps in the technology works and coordination of work of design, contracting, assembly companies as well as suppliers of equipment, materials and structures [1, c. 36].

Increasing the investment consumption is possible also by funding raised internally, namely the creation of private pension funds (PPF), collective investment institutions (CII), industrial and financial groups (IFG), and consortia. These fundamental changes in creation of capital are caused by transformation of the institutional character and stimulation of domestic investment processes that would speed up economic development and improve well-being of society. The law of Ukraine created favorable conditions for entities to invest in venture funds.

Since 2001 the Ukrainian state at the legislative level had received an effective mechanism for accumulating populations' savings and directing them to the development of national economy in the form of collective investment institutions. The system of private pensions in Ukraine was created in 2003, which was perceived as an effective system that meets international standards in this sphere. However, the total amount of investment borrowed from the population by these institutional investors is less than 100 million UAH with the operation of over 200 professional participants of the joint investment market, which is almost 1000 times less than was attracted by the banking system of Ukraine.

Conducting the survey on the topic «Evaluation of the Ukrainian public's attitude towards the stock market and collective investment institutions and private pension funds» by the Razum-

kov Center of Sociological Service on the order of the Ukrainian Association of Investment Business (Investment Business) helped to identify the causes of this limited use of the population of joint investment system's potential.

The main reasons for slow raising of the population's savings under sociological study of the Razumkov Center of Sociological Service are the lack of public awareness about the collective investment market, low incomes of the population of Ukraine and low level of confidence of Ukrainians in the institutional investors due to the uncertainty of this activity and no guarantees in the return of public's investment. Distrust of Ukrainian population in joint investment system is based on not regulated questions of corporate governance at the legislative level, low corporate culture, imperfect and discriminatory taxation system in the area of collective investment; lack of effective instruments for targeted investment of borrowed funds; limited infrastructure of stock market, especially in the part of reliability of recording ownership of securities' system and the concentration of sales on the civilized market of securities.

In developed countries the bank lending is an important source of investment resources' formation because borrowing enables subjects of investment activity to implement their investment plans within set deadlines with minimal distraction of their own finances from the process of production and market positioning.

Insufficient provision of investment projects with necessary amounts of financial resources, poor state of the economy in lending and investment amounts in fixed assets can be explained by a number of aspects: firstly, minor economic potential of Ukraine's banking system; secondly, volumes and growth rates of credit resources; and thirdly, state of public finances, goals and methods of monetary and fiscal policies.

External funding may be presented in the form of foreign direct investment and investment from other regions. In recent years there has been a tendency of the increasing volumes of foreign investment and aggressive competition between countries for attracting foreign investment. However, for the countries with economies in transition, including for Ukraine, it is difficult to rely on activation of the inflow of foreign investment due to domination of an unstable investment market in these countries. In addition to the above-mentioned, a balanced approach to attracting foreign investment should be taken in the coun-

tries with economies in transition, because often foreign investment comes to the domestic market with the goal of exclusion of competitors from its own competition environment. Foreign investors weakly consider technological backwardness in the countries with economies in transition, and often they even consciously laying the technological backwardness which is contrary to the interests of national production. Quite often domestic enterprises, trying to refrain from bankruptcy, transmit the construction works, installation and adjustment of equipment, technology transfer to the foreign enterprises. This activity of the domestic enterprises reduces the possibility of full operation of the domestic market. However, such negative consequences can be avoided by effective actions of government institutions in the process of attracting foreign investment [5, c. 101].

There are different ways of attracting foreign investments. These include such forms: tax incentives, legal protection, bilateral agreements with countries – donors of investment resources; giving an opportunity to form a flexible scheme of financing of investment projects; protectionist tariffs on goods that compete with those goods that are produced by the foreign investor; introduction of «currency corridor»; information and incentive activities in terms of some regions and industries.

Each region has its own peculiarities which greatly affect its economic development, and hence they also greatly affect increasing or slowing down the investment activity. Therefore, the primary valued goal should be the determination of the size of domestic investment potential and gross domestic investment potential of the region as well as its level of use.

Increasing volumes of investment resources in the economy of the Chernihiv region of Ukraine, the discrepancy of the actual state of the investments attracted with the available investment demand, involves solving the following priorities:

1. Creation of conditions for economic interest of enterprises and territories in increasing volumes of investment.
2. Functioning of the proper market environment and paternalism towards increasing investment attractiveness of the region.
3. Formation of a favorable investment climate to attract investments to long-term investment projects.
4. Flexible use of joint capabilities that may be obtained through increasing funding from state

and local budgets and financial resources of business entities in the region.

5. Improvement of fiscal and depreciation policy of the state.

6. Providing preferences for the most effective investment projects.

7. Reducing levels of investment risks of economic and social nature.

For solving the abovementioned priorities the state should create an investment bank data, to which all the regions can be involved on a competitive basis in order to offer real projects aimed at efficient use of existing potential and formation of the regional segments of the national economy.

Obligatory aspect in solving of the problem stated above is the definition of the principles and objectives of investment policy for managing the investment process and, consequently, the directions of state regulation of the investment activity's conditions.

Investment policy in Ukraine is carried out by realization of investment activities through ensuring compliance with the legal requirements, systematic control over the use of investment funded from the state budget, profits of state enterprises, emission of government securities.

Economic and legal framework of Ukraine on the regulation and legal protection of investments actually started to be formed in the Verkhovna Rada of the Ukrainian Soviet Socialist Republic with the adoption of the Declaration of State Sovereignty of Ukraine on the 16<sup>th</sup> of July, 1990 and the proclamation of the Act of Independence of Ukraine on the 24<sup>th</sup> of August, 1991 [6, p. 78].

One of the first legal acts in regulation and legal protection of investments were the Law of Ukraine «On Protection of Foreign Investments in Ukraine» [3] and the Law of Ukraine «On Investment Activity». This was connected with the formation of the legal framework in the investment business and legislative regulation of legal relations between business entities (between business entities and the state too).

However, because of the absence of legal principles of formation and realization of regional policy in Ukraine, regional authorities have no respective rights and powers to help economic systems to achieve optimal economic independence. Also there is no clear division of powers in the system of hierarchy of public administration in Ukraine in respect of management of socio-economic development of the regions [1, p. 326].

Two opposing concepts of investment development are known, which vary by the state role in shaping investment policy.

The first concept of investment development denies government involvement in the development of investment processes, believing that only the market can optimally adjust the economic processes.

The second concept of investment development gives great importance to the active state role in the management of investment activities in order to implement economic, scientific, technical and social policy.

We believe the state's role in shaping and implementing effective investment policy should be strengthened, especially given the state's means of production, technical and technological backwardness, expenses of production, the low competitiveness of national economy.

The system approach in the implementation of state influence on the investment activity is based on the use of such general principles as: efficiency, justice, stability, consistency, adequacy, optimal convergence of administrative, legal and economic instruments; continuity and stages, ensuring the unity of strategic and current state regulation [2, p. 120-122] as well as the complexity, proportionality, balancing of the development, and social orientation of the investment activity.

The principle of efficiency of state influence on the investment activity leads to elimination of cyclic of the investment activity and monopoly by the means of state regulation and promotion of tax policy to achieve economic efficiency.

The principle of fairness of state influence on the investment process aims to correct the inequalities redistribution by progressive taxation, by the implementation of the policy of income support (assistance to the elderly, the disabled, large families), ensuring proper motivation of active behavior in the labor market (continuation of employment beyond retirement age).

The principle of social orientation of state influence on the investment process is about respect for social justice (effective work should be paid properly), creation of social structure of the European type (with level of poverty and material stratification), and presence of full-scale social insurance system.

The principle of consistency of state influence on the investment process allows using a comprehensive approach to the issues of investment ac-

tivity concerning economic, social, environmental, and external economic direction.

Under the principle of stability of state influence on the investment process the alignment of upturns and downturns of the business cycle, curb of unemployment, support of social and economic growth by improving state financial, tax, customs and external economic policy are understood.

Ensuring the unity of strategic and current state regulation of state influence on the investment process is made by the radical changes in the system of state support for research in the technical sphere, investment and innovation programs to accumulate new investments of innovative character.

The principle of adequacy of state influence on the investment process provides not the government intervention, but the market regulation only in those areas where business entities can not work effectively.

The principle of convergence of administrative, legal and economic incentives is aimed at maximizing the efficiency of economic system particularly in the period of transition.

Administrative methods of state influence on the investment process on the phase of economic transformation to a liberal economic model are aimed at encouraging efficient use of resources, production and investment infrastructure, a comprehensive solution of ecological and social problems.

The principle of continuity and stages of state influence on the investment process takes into account the time factor for large-scale government regulation in addressing national, regional, and sectoral problems.

There are different definitions of investment policy. For example, investment policy is seen as a «strategic action plan on the investment market of the region», «implementation instrument of strategic objectives of economic development, which provides financial, and resource base», «purposeful and scientifically grounded activity of regional authorities and management activity with attraction and efficient use of investment resources» [4; 7], «complexity of targeted events held by the state to create a supportive environment for all business entities with the aim to ensure steady economic growth, improvement of production efficiency and solution of social problems» [6, p. 92]. Taking into account different definitions of investment policy, we under a regional investment policy understand one of the main components of

social and economic policy in the region that can create conditions for effective and dynamic economic growth, investment in the medium and in the long term perspective both domestic and foreign direct investments.

The mechanism of investment policy implementation includes the following components: definition of the deadlines and selection of the authority bodies responsible for implementing investment policy; creating the necessary legal framework for the functioning of the investment market; creating a favorable investment climate and a positive investment image of the country; the choice of reliable resources and methods of investment financing.

The state investment policy, which is closely related to economic, regional and investment policies of individual business entities, should contribute to activation of the investment activity. We agree with the definition of M. M. Turiyanska [6] concerning the relationship between the investment policies at the micro-, meso- and macro-levels, which can be represented schematically.

Regional investment policy should be based on clear national economic policy and be directed at increasing the investment activity in the region, at the maximum mobilization of all possible resources for the development of the region through:

- orientation on the implementation of regional priorities and strategic plans of business entities;
- involvement of the direct state investments on the basis of studies of demand for products of the particular industry as the current period, as for the distant future;
- targeting investments to the promising high-technological productions, territorial and industrial clusters, which will ensure the development of related industries by providing the output of innovative products;
- the sequence of projects' realization based on regional interests and available resources;
- minimizing investment risks, which are formed and may occur just at the regional level.

The investment policy includes: the formation of separate directions of investment activity in accordance with the development strategy and implementation of investment programs; ensuring high efficiency of investment activity; ensuring real investment resources and optimization of their structure; assessment of the investment portfolio of business entities in the region; protection of investment activity and minimization of

bureaucratic influence on these processes from the local supervisory authorities.

As to the staged research, on the first phase of a regional investment policy's formation the social, environmental and economic problems of the region are determined; the solutions of these problems are not possible without a certain amount of investment. Also use the SWOT – analysis for complex assessments of strengths and weaknesses of eco-, social-, and economic systems of the regions, variant opportunities and threats to their sustainable development do not require additional studies.

In the second stage the economic policy guidelines are determined and the investment priorities are clarified. However, in our opinion, these actions are not enough, because to develop a regional investment strategy, the regional investment climate and factors of its formation, it is necessary to determine the parameters of the investment attractiveness of the regions and factors of its formation.

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#### Conclusions

Regional investment policy should be directed at creating a favorable economic climate for the promotion of innovative processes and priority financing of high-technological industries. It should include establishing national and regional priorities, and also organizational and structural reorientation of the system of research, planning and design development; and creation of new domestic structures of scientific and technological content as well as their regional branches, attracting investment potential to the investment process. Formation, reproduction, and realization of a favorable economic climate to enhance innovation processes take place through market self-regulation in combination with government regulation.

The implementation of practical measures of state investment policy based on the provisions of the proposed methodology and methodological approaches would facilitate further investment activity in regional economic systems to ensure rising of living standards and economic growth.

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**MANAGEMENT PROCESS OF THE DEVELOPMENT OF  
SOCIO-ECONOMIC TERRITORIAL COMPLEXES  
IN SPATIAL AND REGIONAL CONTEXTS**

*The essence and content of regional policy is provided. The process of socio-economic development of territorial systems of different levels and forms of organization in spatial and regional context is improved.*

*Keywords: improvements, mechanism, spatial aspect, process management, regional policy, socio-economic development, territorial complex.*

**Гура Я. В. Процес управління розвитком соціально-економічними територіальними комплексами у просторовому та регіональному аспектах**

*Розкрито сутність та зміст регіональної політики. Удосконалено процес управління розвитком соціально-економічними територіальними комплексами різних рівнів та форм організації у просторовому, регіональному аспекті.*

*Ключові слова: вдосконалення, механізм, просторовий аспект, процес управління, регіональна політика, соціально-економічний розвиток, територіальний комплекс.*

**Гура Я. В. Процесс управления развитием социально-экономическими территориальными комплексами в пространственном и региональном аспектах**

*Раскрыта сущность и содержание региональной политики. Усовершенствован процесс управления развитием социально-экономическими территориальными комплексами различных уровней и форм организации в пространственном, региональном аспекте.*

*Ключевые слова: пространственный аспект, процесс управления, региональная политика, социально-экономическое развитие, территориальный комплекс.*

**Introduction**

The increased attention to the regional studies, in-depth theoretical explorations of the nature of the basic concepts associated with the development of socio-economic territorial systems, working out new terms of regional studies, foundation of new approaches to the formation and implementation of regional policy, improvement of the system and management process of the internal regions of the state is viewed in Ukraine in recent years. This academic interest to study the nature and content of regional policy of the state, defining characteristics of the components of this policy is connected with the fact that they are the precondition for formation of a long term strategy for socio-economic development of Ukraine. Besides, they is also the precondition of formation of the mechanism of its regions' management, approaches of regional management, analysis of the direction of the interdependent territorial interests, goals and objectives of spatial development of separate regions and the country as a whole.

**Analysis of recent research**

To the methodology of public administration as a social phenomenon and complex process,

including the development of regional and sub-regional socio-economic systems at different levels are dedicated to fundamental scientific works of V. B. Averyanov, B. I. Adamov, O.Y. Amosov, G.V. Atamanchuk, V.M. Babaev, V.D. Bakumenko, S. O. Bila, A. O. Dehtyar, V. B. Dzyundzyuk, V.Y. Keretsman, V.Y. Knyazev, V.A. Kozbanenko, I. B. Koliushko, S. P. Kolomytsev, O. I. Kryukov, V. S. Kuybida, Y. O. Kutz, O. Y. Lazor, G. I. Lelikov, V. V. Mamonova, V. M. Martynenko, O. A. Mashkov, A. F. Melnyk, A. V. Merzlyak, O. G. Mordvinov, S. P. Mosov, N. R. Nyzhnyk, O.Y. Obolensky, G. S. Odintsova, S. E. Sahanenko, V. M. Selivanov, O. V. Skrypnyuk, Y. P. Surmin, V. V. Tokovenko, V. V. Tertychka, V. V. Tsvetkov, Y. O. Chernetsky, F. I. Shamhalov, Y. P. Sharov and other scientists.

**Statement of research objectives**

- to analyze the nature and content of regional policy;
- to improve the management process of the development of socio-economic territorial complexes on different levels and forms of organization in spatial and regional context.

## Results

In the monograph edited by M. I. Dolishniy the rightly claim about the requirements for making definitions, and in particular the concept of «regional policy» is expressed. Moreover, in particular the need for categorical term compliance and generic words is highlighted [10, p. 10]. This definition adequately describes the existing ideas about regional policy and the main is that it points to the possibility of creating acceptable for both the state and its regions the mechanism of interaction. This mechanism of interaction will take into account characteristics of particular territories and promote the best use of available resources. However, to the presentation of the contents of regional policy as a «system of goals and actions» we consider it necessary to go after indepth analysis of this issue.

The comparison of different approaches to the representation of the term «regional policy» showed that the definition proposed by A. P. Golikov and Y. G. Prav meets the requirements regarding the presence of generic word «politics». They believe that the state regional policy can be defined as a «*policy of the state* concerning political, social and economic development of the country in the spatial (regional) aspect that reflects the relationship as between the state and regions, as between the regions with each other» [6, p. 22]. Immediately we note that the state regional policy is important, but not the only component of the regional policy of any state, because there are independent sub-national policies on the regions' levels that play an increasing role in the territorial development of the countries of the world.

In determining regional policy generic term «politics» is also present. In this opinion, regional policy is a *sphere of public policy* aimed at detecting irregularities in terms of socio-economic development and living standards of the population, analysis of the causes of their emergence, development and implementation of special measures for sustainable territorial development, prevention of social conflicts on the basis of inter-regional disparities [2, p. 69]. It is obvious that the definition provided refers to the state regional policy and, therefore, it characterizes regional policy only partially.

The disclosure of the nature of the term «regional policy» or concepts related to it depends on the understanding the concept of «politics». That is why special attention should be paid to analyzing the term «politics». According to the

definition given by M. I. Dolishniy, V. S. Kravtsiv and V. K. Symonenko, «politics is a *strategic course of the state's activity* in those or other areas of social life. In the particular case one speaks of clearly defined «rules of the game» in the relationship between the state and regions, which would, on the one hand, regulate its influence on the regional processes, and on the other – determine standards of conduct of regions themselves [10, p. 12]. While agreeing in general with a given interpretation of the term «politics», which reveals the essence of this phenomenon, it should be noted that in reality it is the interpretation of the term «public policy». After all, politics can not be defined only as a line of conduct of the state, despite the fact that there are policy areas, organizations, parties and more.

One of the meanings of politics that fits the most the context of this research is the one written in the modern explanatory dictionary as «a course someone's action in anything» [11, p. 456]. Also, if we turn to strategic planning of any organization's activity, we will see that phase of realization of back strategy involves the development of this organization's policy. For professional opinion of specialists in management theory such as M. Meskon, M. Albert and F. Hedoury, politics is a *general guide for action and decision making* that facilitates achievement of organizational goals. On the premise of G. Shteyner and G. Mayner and as they indicate that the politics *directs action* to achieve goals or fulfillment of the tasks, explains how the goals should be achieved, and is designed to store the sustainability of objectives in order to avoid short-sighted decisions based on the requirements of the particular moment [7, p. 288-289].

Therefore, in terms of revealing the essence of the term «politics», it can be defined as a strategic line of conduct of any business subject in a particular area of life that determines the choice during the decision-making and is implemented through the system of actions aimed at achieving the strategic goals or desired strategic outcome. In determining regional policy it should be taken into account the fact that the regions can be of different levels: supranational (set of states, regions or several countries), national (state) and sub-national (major administrative regions of the state, or regions, for which separate regional programs are developed). In accordance with this regional policy in its essence is a strategic line of conduct of supranational territorial units, states or regions



of subnational level in addressing the complex issues related to the spatial aspect of their socio-economic development.

For fulfillment of tasks of policy development for specific individual, business or political organization, region, state or supranational structures it is needed firstly to have a more concrete idea about its general content or ordered set of elements, of which it consists. So, strategic course of action may be first of all represented by an organized sequence of strategically oriented objectives, achievement of which will contribute to fullest realization of policy subject's interests based on interests, state's needs and systems of higher and lower order. Immediately we note that the effectiveness of the developed policy will be determined by how realistic are its goals, can they be specified and made measurable and to orientate them in time, and also to provide their mutual assistance.

Based on the fact that there are usually several alternative variants to achieve defined objectives, the strategic line of the subject's behavior should include a number of criteria that significantly affect the selection of possible alternative decisions for particular actions necessary to implement targeted goal. The criteria for decision making are the standards under which we plan to evaluate alternative variants of choices [7, p. 204] or rules with which the alternative variants of solutions can be correlated [Ibid, p. 686]. Because of that partly they are already taken into account when subject of policy is developing the system of goals and objectives, and partly they are included in the principles' composition on which the policy is based on. For example, providing unitarity of Ukraine can be considered as one of the objectives of state regional policy and also as a principle that is the criterion to choose the ways of realization of other purposes of this policy.

Given that the essence of the policy is a strategic course of the subject's behavior, exactly principles should complement the system of goals, which is its basis because the concept of «principle» is interpreted as a fundamental principle, notion, leading idea; the main rule of behavior and activities [3, p. 520]. So the content of any subject's policy is a system of strategically oriented objectives which is combined with a system of rules for their implementation

After clarification of the term «politics» («policy») it makes sense to turn to the disclosure of the contents of regional policy and, above all, to

the approach of M. I. Dolishniy, who in the basis of this definition laid out the phrase «system of goals and actions» [10, p. 14]. There is no doubt that one of the components of regional policy is a corresponding system of objectives relating to the development of the state in the spatial (regional) aspect. But the question arises whether specific actions for implementation of the stated goals are included in the composition of the regional policy. The study presented above gives rise to a negative answer to this question because actions are already not the politics itself but its implementation, realization, which makes it logical to attribute it to the sphere of management, in this particular case - to the sphere of regional management.

Therefore, such approach to understanding the policy's essence that is demonstrated by L. A. Pal can be considered as quite acceptable. It defines public policy as «a *direction of action, or refrain from it*, chosen by public authorities for solution of a particular problem or a set of mutually related problems» [9, p. 22]. So under the policy he understands not the actions themselves, but their direction, which is likely to be indirect, however, necessarily consistent with the main purpose and the system of principles. In developing appropriate measures to implement specific policies and during their implementation these principles will allow or will not allow foreseeing and taking certain actions. It is necessary also to draw attention to the following: one has to refrain not from those actions that are not suitable for promotion to those specified in politics objectives, but from those, perhaps, that would have been the most effective ones, but which do not meet the selected principles.

At the same time, the vast majority of experts who explore and develop the theoretical framework of regional policy, unfortunately, believe that the essence of this term first and foremost is constituted by precisely «the activity». Part of regional policy is really part of regulation (part, because policy is also included in all other management functions), but particularly because it includes the goals and principles of development (in the case when it comes to regulation of this particular process), which are defined during policy formation.

Insertion of action in politics can be explained by its identification with the implementation of policy, which involves taking concrete actions to promote the objectives chosen by the subject of a particular policy of determining compliance with the fundamental principles.

Researching directly the policy of regional development V. I. Pavlov concludes that «it is a *system of goals* for regional development *and measures* undertaken by state and local authorities with the goal to ensure capable management of political, economic and social development» [8, p. 13]. Here we have to note that in case of inclusion of the measures' system to policy that should be done only in the future, they may be seen as a task that refines the objectives of this policy. And when it comes to measures currently undertaken, it's nothing but specific management actions in the process of policy implementation even if they are related to the creation of certain conditions to achieve the strategic goal set by the subject of policy.

Attention is drawn to disclosure of the contents of regional policy according to the approach proposed by P. T. Bubenko. He believes that «the content and results of special activities, called the policy» is «the common organization of the objectives of the control system and of the system controlled» [4, p. 85]. Based on this one can come to the following conclusions. Policy is needed for balancing the goals of the control system and of the system controlled, and after achievement of this goal is no longer needed. Policy is directed only to the internal environment of the management system. Both statements are very contradictory, because, firstly, we can not agree with the fact that «the common organization of goals» is the «result» of policy. Secondly, it must be recognized that there are a few specific policies that come out of the purposes of system's goals that manages in complex systems; system, which is being managed; and also management system as an integrated entity that interacts with the environment. However, a set of goals and principles that is the essence of each policy is really conducive to the achievement of the balanced interests of all independent systems and their subsystems.

It is impossible not to draw attention to the fact that E. B. Alayev, known specialist in regional studies, under the state regional policy understands «the scope of management activities in economic, social and political development of countries in the spatial, regional context, that is associated with the relationships between the state and the

regions, and regions with each other» [1, p. 189]. Thus, the scholar equates the concept of «regional policy» and «regional management».

By the way, crucial is that to the main functional forms of regional policy Z. S. Varnaliy attributes «1) forecasting; 2) programming and 3) planning» [5, p. 12]. They are absolutely unnecessary under the presence of pre-designed program. However, when we analyze these functional forms, it turns out that regional policy is not managing the development of the country, as is seen from described above definition. Regional policy is only part of it (because mentioned management functions do not cover the whole process of management). Moreover, it is also not an activity, since it is only achieved during forecasting, planning and programming, with this being their result. The study of the term «policy» presented above proved that it means a set of objectives and a number of criteria (requirements) that determine the selection of acceptable alternatives for the subject of this policy in the process of taking decisions on its implementation.

### Conclusions

Management process includes setting goals, forming a system of criteria for decisions made, and also examination of internal and external environment of the organization, creation and improvement of the particular institutional structures, organization and regulation of activities in order to achieve goals, motivation of productive and efficient work, the development and implementation of the previous, current and final control systems, ensuring necessary changes on the subject and object of management. Because of that regional policy should be seen as decisive, but not the biggest in terms of amount of work component of the regional management.

Generalizing conducted detailed analysis and comparison of approaches to determining the content of the concept of «policy» we can make the following conclusion. Content of regional policy is a set of strategically oriented objectives and principles that define ways of implementation the goals in the process of socio-economic development of territorial complexes on different levels and forms of organization in spatial and regional context.

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**EVALUATION OF FOOD MARKET DEVELOPMENT ON THE REGIONAL LEVEL**  
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*Estimation of food market at the regional level is made. The decisive factors of the demand formation in the food market in the state is proved.*

*Keywords: agriculture, food security, food market, food products, formation of demand.*

**Замикула І. В. Оцінка розвитку продовольчого ринку на регіональному рівні**

*Надано оцінку розвитку продовольчого ринку на регіональному рівні. Обґрунтовано визначальні чинники формування попиту на продовольчому ринку в державі.*

*Ключові слова: галузь сільського господарства, продовольча безпека, продовольчий ринок, продовольчі товари, формування попиту.*

**Замикула И. В. Оценка развития продовольственного рынка на региональном уровне**

*Дана оценка развития продовольственного рынка на региональном уровне. Обоснованы определяющие факторы формирования спроса на продовольственном рынке в государстве.*

*Ключевые слова: отрасль сельского хозяйства, продовольственная безопасность, продовольственный рынок, продовольственные товары, формирования спроса.*

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**Introduction**

The basis of balanced human nutrition is the consumption of meat. The problem of proper provision of population of this product is extremely urgent, and, above all because meat is the main source of protein, fat, etc.

Meat sub complex provides the need of the population in meat and its processing products. The basis for its establishment is field of livestock that produces meat. Meat sub complex's positive work in general depends on the efficiency of their operation.

Unfortunately, stockbreeding of Ukraine has been a backward and low profitable sector of agriculture for many years. It is caused by a significant reduction in livestock and poultry, high production costs, disparity in prices for industrial and agricultural products, disparity in wages of workers in these industries, monopoly of processing and trading business enterprises, inadequate credit and fiscal mechanisms of the state. The level of purchasing prices does not lead to even simple reproduction. The discrepancy appears in the ratio of purchasing prices for agricultural raw materials and sales prices, retail prices for processed products. As for purchase capacity of population, Ukraine has developed socio-economic situation that led to the reduction of solvency's level and, therefore, to the consumption volumes of meat and its processed products.

**Analysis of recent research**

On the relevance of public policy problems of food supply indicate numerous theoretical studies

and synthesis of both domestic and foreign scientists, including works of A. I. Altukhov, V. Y. Ambrosov, Y. D. Bilyk, V. I. Boyko, O. I. Datsiy, S. M. Kvasha, M. H. Koretsky, A. S. Lisetsky, I. I. Lukinova, P. M. Makarenko, V. V. Maslakov, L. Y. Melnik, V. M. Oliynyk, B.I. Paskhaver, E. E. Rumyantseva, P. T. Sabluk, I. N. Topiha, V. A. Tochylyna, M. Y. Khorunzhiy, Y. S. Khromov, G. V. Cherevko, A. M. Shpychak, V. V. Yurchyshyn. Besides, scholarly works of scientists dealing with food security should be mentioned such as I. Y. Bogdanov, V. M. Geyts, B. V. Gubsky, Y. A. Zhalilo, V. I. Muntian, S. I. Pyrozhkov, V. Senchahova and others.

**Statement of research objectives**

- to provide assessment of the food market development on the regional level;
- to justify the decisive factors for the demand formation in the food market on the state's level.

**Results**

Neither today, nor in the nearest future regions will have the opportunity to meet the needs of Ukrainians in meat products only at the expense of domestic meat producers. Therefore, they are forced to allow the import of meat and meat products. Thus, today the government firstly has to put all its effort in getting agricultural enterprises out of the crisis; in the development and expansion of cattle; in the restoration of animal herds and in increasing production levels; and in state regulation of imports and exports of meat and meat products.

This will allow in the long term to increase production volumes and consumption patterns as a whole and as per capita.

The main strategic objective for market of milk and milk products, eggs and other livestock products is the expansion of the boundaries of existing market and finding new opportunities for export of production.

Formation of demand for milk and milk products is influenced by many factors. They, in our opinion, can be brought to the following groups: economic, demographic and marketing ones. With regard to economic factors, the leading ones in this group are an effective demand of the population and price of product unit realization. Demographic factors include population, its age, habits, tastes and preferences, place of residence. Marketing factors analyze the profile of the proposed product. These include primarily the quality of products, consumer characteristics, and purpose of products and methods of their use. In recent years a significant factor of demand change is an organization of advertising appeals.

The determining factor in the demand formation in the food market is purchasing power of population, which has decreased sharply in recent years. In turn it negatively affected the level of demand and thus narrowed the domestic market capacity. At the same time restraining factor of purchasing power of the population is a high level of retail prices for food products. So the challenge of the price formation steps out as one of the central in marketing activities of each subject of the market and is the defining condition for the formation of supply and demand in the market [6, p. 93].

Essential role increasingly beginning to play a so-called «beneficial products» with a long shelf life, functionality of packages applied, and the possibility of consumption in any conditions. These deep-processed products do not require significant labor costs and time in the process of preparation for consumption. In this group there are also much of dairy products. «Profitable products» win not only in view of the consumers' demands, but also in view of market services offered.

In the production of «beneficial products» price, quality and benefits act as integrated elements of the product that is a market product. All of that ultimately helps to reduce production costs and sales costs [4].

Consumption of milk, as well as other foods besides physiological needs depends on two groups of factors: economic and not economic. Economic

factors are, above all, the market price on food and income of the population. Not economic factors are also very important, in particular preferences and tastes of consumers and other factors.

Calculated based on average data rate of demand elasticity's price is traditionally determined by the ratio of changes in consumption to changes in commodity price. It is negative and equals 0.45. So we can assume that milk and dairy products are little elastic goods, since the coefficient of elasticity is in the range from 0 to -1. This means that every change in price leads to a proportionally smaller change in quantity demand [5, p. 83].

Mutual influence of supply and demand, as it is noted by V. G. Andriychuk, determines the state of market equilibrium. However, their action has opposite directions. «The limited consumption affects the production volumes and limited production affects consumption volumes. In Ukraine, namely consumption is now the main limiting factor for food production. The sharp limitation of purchase capacity of Ukrainian population made even the consumption of basic food products sensitive to the level of prices on them». [1]

The impact of income on demand for dairy products is best assessed on the basis of the coefficient of income elasticity of demand. Overall rate of profitable elasticity of demand for milk and its derivatives is low, but is significantly different for different products. The lowest coefficient of elasticity is characteristic of fresh milk. Higher is revenue elasticity of different types of cheese, especially with taste additions. With increasing household incomes exactly on those dairy products the demand will increase.

Low purchasing power of population as a result of low level of income leads to increasing demand for basic products – food products. In this respect, Ukraine belongs to the «poor» countries (the countries where the spending on food is over 50 % of income). Total or cash costs are best correlated with income. Therefore, the attempt is made to assess their impact on the consumption level of milk and dairy products in different population groups.

1. There is a tendency to equalize the level of consumption of milk and dairy products in different groups depending on income, but it is quite slow.

2. Milk consumption is increasing in all groups (with few exceptions of the fourth group), regardless of income level.

3. More rapidly is increasing consumption of milk in groups with lower incomes and total expenditures respectively. There is a close cor-

relation between income levels and growth rates of consumption of milk and its processing products. During 2007-2010 years the pace of growth in consumption of milk and dairy products in the poorest population group have been exceeding the growth rate of consumption in the most wealthy group in 1.18 times.

5. On the annual rates of consumption of milk (360 kg) it can be noted that according to the norms milk and dairy products are consumed by about 35-40 % of Ukrainian people.

Interesting is another trend that is observed in rural families. With the growing share of total costs rate of milk products consumed that are produced in private households, is significantly reduced, which has a positive effect on increasing the supply of milk. This fact together with price levels, market conditions, and the ratio of supply and demand do not affect changes in consumption of dairy products by rural population [6, p. 94].

Incomes of the population are closely correlated with the demand for agricultural products. Obviously, it is expected that with increasing the incomes of household new trends in consumption will arise. First of all there will be an opportunity to buy more expensive and highly nutritious foods and to eat outside the home (in restaurants and bars, cafes, etc.). World experience shows that after reaching the appropriate level of the populations' income, food consumption and some of their kinds including dairy, is a relative constant value, and the share of the expenditures on food in total aggregate expenditures is constantly decreasing.

Issues related to solvent demand for animal products should not be resolved by further deepening of unprofitableness of their production, but by increasing the real incomes of households and the introduction of targeted food support (subsidies) to people with low-income, which needs state protection. Average insufficient consumption of milk per year is 118 kg and of meat products – 9 kg. 1000 UAH would have to cover this gap in consumption according to the prices of 2010. This requires the organization of targeted subsidies (school breakfasts, school lunches and food assistance to preschool institutions, as well as those who are below the poverty line; supporting the purchasing power of large families).

The main strategic question for the industry's development in the long term remains a steady increase in productivity of the dairy herd. Low productivity of dairy cows is caused primarily by diseases, deficiencies in the organization of pro-

duction and selection-breeding work, insufficient level of nutrition, resulting in feed used primarily to maintenance of the vital activity of livestock rather than formation of milk. As a result, cost of feed per 1 kg of milk is in 1.5-1.8 times higher than in the developed countries. Improving the quality of feed and livestock breeding highly reduces feed costs per unit of output. Thus, with the increase of productivity of cows from 2500 to 4000 kg the feed consumption is reduced from 1.31 to 1.05 kg feed per 1 kg of milk.

In our opinion, the most promising strategy on the milk market integration is to create groups of horizontal and vertical types. Establishment of cooperatives of producers of raw milk (vertical integration) provides an opportunity to strengthen their market power to adjust the market price for raw milk, and to ensure quality control of manufactured products in private households. Cooperative formation can supply significant quantities of raw materials for processing, which will allow increasing their selling price for milk and increasing profits of private producers.

Strategy of horizontal integration we also propose to apply for the grain producers in the region. Because they are many (about 2 thousand), the market power of each of them is minimal. Creating powerful grain cooperatives will reduce the intensity of competition between them and will contribute to the growth of market prices for grain.

Unlike the dairy industry, poultry farming is completely focused on meeting domestic demand for poultry meat and eggs. Meat is almost completely consumed within the region, while eggs from 10 to 30 % of the gross production are exported from the region where they were produced. The main consumers of eggs in Ukraine are large cities, for example, Kyiv, Odessa and others. For this industry we recommend the creation of trade marks to encourage the industry consolidation strategy in the markets of these cities. This will create a favorable image of Vinnitsa manufacturers.

A similar situation is in the markets of potatoes, vegetables and fruits in the region. Almost all production of these products is concentrated in the private sector in Zaporozhe region. The main causes of the current situation are the low level of yield of these branches of agriculture as well as high labor costs and complexity of the cultivation of vegetables and fruits. Another drawback of these branches of agriculture is the lack of market sales infrastructure. The only buyer of fruits and vegetables, which were grown in the

agricultural enterprises of region, are canneries. However, the specified channel of the product realization is the least profitable for the sale because of the low prices offered by the canneries on put harvest.

We believe that without creation of appropriate infrastructure of fruits and vegetables' production market in the region the intensive development of the respective agricultural sectors is impossible. This task can be performed only under the condition of assistance and support from the state authorities. Trade fairs that take place each year in the regions with the assistance of municipal administrations enable agricultural enterprises of the region to find distribution for a large number of grown products. Besides, trade fairs enable consumers to make appropriate reserves for the winter season with the lowest costs.

Such measures will contribute for the development of these areas: application of this practice (trade fairs that take place each year in the regions with the assistance of municipal administrations) more than once a year as well as expansion of wholesale food markets, providing free access to them for agricultural producers, the resumption of procurement databases, creating of stockpiling, processing and marketing cooperatives by most enterprises themselves.

Consumption of grain products in recent years has been almost equal to their production levels. That means that companies-producers of grain products are dedicated to fulfilling the intra regional needs and they almost do not export grain products outside the boundaries of the administrative regions. Considerable part of business enterprises in the sphere of grain production ceased operating. The others are on the brink of survival. Given the above, we suggest for bread food production spheres of industries strategy to expand its markets beyond the regions' borders because inter regional market is almost saturated.

It should be mentioned that unlike the markets of agricultural products that are highly competitive, markets of food products are less competitive. This is caused by, primarily, a much smaller number of producers and structuring the markets according to the trade marks. Relatively competitive markets can be named the markets of flour and cereals, sugar, milk and sausage products (there one can observe a significant number of equally powerful players in the relevant markets).

Solving complex problems related to the strengthening of state food security involves the

study of characteristic features and trends in development in the food market, including the elasticity demand for food products. Elasticity of demand as an economic category reflects the reaction of consumers of the product on the replacement of this or that product. It can be used to characterize the impact on consumers' reaction in different conditions. In practice, scholars mainly study the elasticity of demand based in price (reaction of consumers to prices change for goods) and income (changes in activity of consumers in purchasing goods with a change of their income).

Research of elasticity of demand for food is of great practical importance. The relevant studies are regularly carried out in many countries, and their results are used for determining development strategies of individual firms and for development of measures of state regulation of economy.

These issues are discussed in the works of V. Andriychuk, V. Artemenko, Y. Bilyk and other authors [1, 2, 3], which emphasize the relevance of their analysis. However, for systemic synthesis and interpretation of information about the features of consumption of food product in Ukraine there is a need to develop the research method, adapting it to existing information sources, to the peculiarities of the domestic economy.

Because of great importance of food to human beings elasticity of demand for most of food products (both in price and income) is generally low. Often in publications when determining elasticity of demand for food products information is used about changing the relevant parameters for a long (5-10 years) period of time. This approach often allows confirming or clarifying the conclusion about inelasticity of demand for food products. It, however, does not allow to thoroughly investigating the reaction of consumers for these or that circumstances. Elasticity's indicators can be dynamically changed in a quite large range depending on various factors. Therefore, determination of elasticity's indicators of demand for food products based on annual performance indicators allows responding quickly to the changing situation on agricultural markets, assessing the effectiveness of these or that measures of state regulation of the agricultural sector.

According to the mathematical definition of elasticity it is a level of one variable's response on the shift of another variable, expressed as the ratio of percentage change. Thus, the elasticity of demand shows on how much percent the demand on the particular product will change with the change

of the product's indicators and of factors that affect it (price or consumers' incomes) by one percent. Therefore, for the defining of the elasticity of demand it is necessary to set the level of changes for a certain period of time or for different groups of consumers and demand factors, the effect of which is studied.

Different formulas can be used to calculate the levels of elasticity. The most popular are those formulas to calculate the levels of elasticity that are built on the basis of the famous mathematician and economist Robert Allen's proposals. He proposed to determine the ratio of changes in demand, price or income of consumers to the midpoint of the interval in which the change has occurred. This approach is advantageous because it allows analyzing elasticity as with an increase of investigated parameters as with their reduction.

Traditionally, to determine the demand for food products the average rates of consumption per capita are used. In determining the elasticity of demand for food products it should be taken into account only those products that reach the consumer through the stage of implementation. This is connected with the essence of the concept of «demand», which is an economic category of commodity production and is determined on the market need for goods.

The vast majority of main food products that are consumed by the rural population are produced in their own farms. Therefore, to study the manifestations of the elasticity of demand for food products we propose to use data on their consumption and on income of urban households. Because part of the food consumed by urban households was made in private households (for example, in 2010 potatoes – 35.3 %, vegetables – 24.4 %, eggs – 12.3 %, etc.), such products are not taken into account when calculating the elasticity of demand.

In determining the demand for basic food commodities according to the income the information on households' groups that are located in urban areas with different levels of average per cost were used. Because between the income level and the total expenses there is a direct and very close relationship, the difference in total costs between different groups of households we will consider as the indicator of their incomes' change. We rejected data on a group of households with the

highest costs and several relatively small groups with the lowest incomes. As a result, we investigated changes in consumption of purchased food products' indicators among households with average per total cost of minimum cost of living.

It is well known that increasing the level of incomes of the population in general leads to a less than proportional growth in expenditure on food products. This pattern was first recognized in the XIX century by the German statistician Ernst Engel and is called «Angel of the law». A manifestation of this law is a low elasticity of demand for food products by income.

The carried out calculations basically confirm this pattern. To goods with low income elasticity can be attributed such goods as bread, potatoes, butter, eggs and vegetable products to some extent. Exactly these food products populations are inclined to attribute to the «basic products». There is nothing among the basic food commodities, such as those that can be characterized by a negative income elasticity, which would mean referring them on according to consumer characteristics to the category of so-called «low-grade» (less valuable) good products. Survey data of households' investigations indicate that relatively wealthier segments of the population do not reduce the consumption of bread or potatoes compared to the poorer. On the one hand, national traditions are manifested in this, and on the other hand, too low is a proportion of inhabitants of Ukraine, whose level of income could be considered as acceptable.

### **Conclusions**

Obviously, unequal are elasticities of demand for food in different regions of the country with different levels of population's income and the structure of agricultural production. The accumulation of relevant information would make it possible in the future to use the regression analysis for the study of elasticity of demand. This would give the opportunity to apply a more advanced method of elasticity's coefficient calculation.

The analysis made by us demonstrated that in case of increasing the incomes of the poor part of Ukraine's population the significant increase of the levels of their purchases of meat and dairy products, fish and vegetables is expected. Nowadays it is important to reduce prices for meat products to increase demand on them.



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CONCEPTUAL BASIS FOR THE PUBLIC ADMINISTRATION  
IN THE SPHERE OF INNOVATIONAL DEVELOPMENT OF THE REGION

*Essence and mechanism of government control of innovative activity are investigated. Theoretical approaches to forming the mechanism of realization of regional innovative policy are analyzed. Components of mechanism of regulation of innovative activity at the regional level are defined.*

*Key words: innovations, innovative activity, innovative economy, region, adjusting of innovative activity, public innovative policy.*

**Равлюк В. В. Концептуальні засади державного управління інноваційним розвитком регіону**

*Досліджується сутність та механізм державного регулювання інноваційної діяльності. Проаналізовано теоретичні підходи до формування механізму реалізації регіональної інноваційної політики. Визначено складові механізму регулювання інноваційної діяльності на регіональному рівні.*

*Ключові слова: інновації, інноваційна діяльність, інноваційна економіка, регіон, регулювання інноваційної діяльності, державна інноваційна політика.*

**Равлюк В. В. Концептуальные принципы государственного управления инновационным развитием региона**

*Исследуется сущность и механизм государственного регулирования инновационной деятельности. Проанализированы теоретические подходы к формированию механизма реализации региональной инновационной политики. Определены составляющие механизма регулирования инновационной деятельности на региональном уровне.*

*Ключевые слова: инновации, инновационная деятельность, инновационная экономика, регион, регулирование инновационной деятельности, государственная инновационная политика.*

**Introduction**

Innovative way for the development of Ukraine, as well as for the whole world is a non alternative strategy. Only this way in the context of globalization and the rapid movement of the world to post-industrial civilization, the country could count on a decent place in the world community.

Administration of the innovative activity is being realized through purposeful influence from the side of the governmental bodies on economic interests of institutions of the innovational sphere and provides predicting reactions of these institutions on the operation of state agencies as a condition of its effectiveness.

In order to deliberate the creation of conditions for the activities in research and innovation areas the state creates goals and principles of its own policies and priorities in this area. The aim of the innovation policy is to create socio-economic, scientific-technical, organizational and economic conditions for the priority development of the productive forces of society and regions.

**Analysis of recent research**

To the issue of state regulation of innovation activities at national and regional levels are devoted works of domestic scientists: O. M. Alymova, O. Amosha, V. D. Bazylevych, I. A. Blanca, M. P. Butko, B. V. Burkynskoho, A. D. Vasylyk, V. Geytsa, A. M. Ivanitsky, V. A. Izyumsky, D. V. Karamysheva, M. H. Koretsky, M. M. Kulyayets, M. I. Krupko, M. A. Latynina, A. S. Lisetsky, V. Martynenko, Y. E. Pashchenko, A. A. Transplanted, V. L. Pilyushenka, L. M. Pismachenko, D. C. Povazhnogo, A. S. Popovich, S. F. Povazhnogo, A. M. Fedoryschevoyi and others.

To the formation of conceptual apparatus, a method for estimation of innovation potential, the definition of determinants of innovation development, the development of theoretical and methodological foundations of an innovative model of regional economic research are devoted works of a number of domestic and foreign scientists: L. L. Antoniuk, A. F. Balatsky, V. Dorofiyenko, S. M. Illyashenko, Y. Kanygin, I. Komarnitsky,

V. P. Miklovdyy, M. V. Odrekhivska, M. I. Pityulych, A. M. Poruchnik, H. Y. Zhytsa and others.

Theoretical and applied aspects of the government support and the promotion of innovative activity at the regional level are being researched in scientific works of famous contemporary scientists and practitioners: A. Achkasov, P. Bubenka, V. Heyets, Z. Gerasymchuk, A. Golikova, B. Malitskaya, V. Onishchenko, G. Onischuk, V. Semynozhenko, V. Solovyev, V. Torkatyuka, M. Chumachenko, L. Shutenko and other scientists.

Analyzing the results of the studies of the above named authors concerning an innovative management development and the definition of an innovation potential, it should be noted that they did not find the proper coverage of the issue of forming a complex mechanism of innovation development of the region which require a more throughout study and systematic approaches; not sufficiently studied remain the questions of the analysis and evaluation of an innovative quality of the production potential of the region and the development of the mechanisms for increasing its innovativeness [1, p. 3-8].

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

The purpose of the article is to make a justification of a theoretic – methodological mechanism of formation and realization of state regional innovation policy and establishing the role of a state in the regulation in the sphere of formation of innovative regional economy.

Based on this goal, the main objective is to investigate the nature and main directions of a state regulation of innovation activities; to study the mechanism of the realization of state innovation policy and to outline the components of the mechanism of regulation of regional innovation activities that affect the intensification of innovative processes in the region.

#### **Results**

The implementation of innovation policy involves some combination of measures, methods and relevant institutions which develop and implement measures that are crucial for the development and implementation of the innovations and which ensure the realization of innovative potential of individual regions.

The necessity and appropriateness of the government regulation of regional innovation development is due to three factors:

- unstable state of the economy;
- shortcomings of market-mechanism of self-innovation, generating problems that cannot be solved without the participation of the state;

– motivational factors in the formation of the state revenues.

The formulation and implementation of a regional mechanism for regulation of innovative activity involves separation of tasks or objectives to be set by the regional authorities, which can be distinguished as strategic, intermediate and current. All these goals are realized by using an appropriate mix of methods and control measures in the regulation of the innovative activity.

The strategic goals of innovation development of the region should be considered in the context of social and economic policy in the region and the key goals and objectives aimed at ensuring economic, social and environmental development. Strategic goals are formed for the long term, based on the prediction of regional development in the future. Implementation of strategic objectives includes the development of the system of intermediate and tactical goals and their adjustment to the current state of development. Their main feature is a direct link to the outlined strategic goals of regional development.

The implementation of a mechanism of regional innovation development has made the following main steps [2, p. 75]:

- Formation and legislative strengthening of the state policy to support innovative regional development;
- Building an efficient regional innovation infrastructure;
- Development of innovative programs of specific regions with priorities for innovation at the regional level;
- Implementation of innovative programs of regional development with the current adjustment.

Given the range of strategic, intermediate and tactical objectives the regional authorities are developing their own regional innovation policy based on the overall economic and political situation. In order to implement this policy there is a certain set of methods and instruments in innovation sphere available for the regional authorities.

The methods of implementation of innovation policy by the criteria of their application can be classified on legal, administrative and economic. There are also simple methods that provide one way of impact; and difficult methods that combine all three methods.

An important component of the mechanism of regulation of innovative activity in the region is the use of administrative and fiscal instruments, which are aimed at enhancing innovation pro-

cesses in the region. Using a system of direct and indirect leverage, the state regulates the economic environment of innovation and determines the «rules» for all institutions which are involved in the innovation sphere. Indirect control levers create conditions for the activity of economic entities and their interest in innovation and act in such forms as tax regulations, pricing, financial-credit policy, public order etc. The state regulation of innovation activities are carried out by legal, economic and social measures.

The measures of direct state regulation of innovation areas include financial assistance in the form of investment allowances, subsidies, grants, loans for the implementation of priority projects and innovative programs and more. The traditional instruments of direct state regulation of innovation are the development of the state sector regulations, regulations, guidelines that directly affect the activity of economic entities. Especially important are the legislative laws and regulations on taxation, innovation and investment, legal forms of activity and more.

Given the need for complexity, the modern state innovation policy among the objects of state regulation should include: identification and support of innovation priorities at national, sectoral, regional and local levels, as well as the formation and implementation of innovative programs for each of them; creating a regulatory legal framework and economic mechanisms to support and encourage innovation, protect the rights and interests of its subjects; funding of innovative projects; encouraging commercial banks and other financial institutions that control the implementation of innovative projects; establishing preferential taxation of innovation activities and supporting the operation and development of modern innovation infrastructure [4, p. 122].

The components of a comprehensive regional innovation policy are: the creation of an innovative infrastructure, the development of a technology transfer, the venture capital, the formation of regional innovation system, the development of a high-tech manufacturing, the integration of science, education and production, the formation of innovative clusters.

State influence on innovation activity in the region can be performed by organizational, managing, distribution, regulatory, incentive, control and research – analytical functions. Specification of the state innovation policy can be carried out

by research and innovative programming, public planning, which are contributing to the formation of government contracts.

To the important functions of the state bodies empowered to regulate the innovation in the region should be included: the formation of scientific and innovative structures, an improvement of social status of innovation. The state (which is represented by the government and its agencies) is ought to ensure the activities of information systems – one of the main channels of distribution of innovations.

The main streams from the point of view of the need for complexity management actions and implementation of innovation policy at the regional level are the following:

- Formation of the institutional and legislative environment for positive change in the innovation sphere. The scale introduction of advanced technology and knowledge-intensive industries are largely determined by institutional transformation, development of new advanced forms of business innovation;

- Government support and encouragement of investors which are investing in knowledge-based, high-tech manufacturing, as well as organizing various forms of ownership (during the development of innovation) through introduction of certain tax incentives, government guarantees, insurance and credit;

- Improving the tax system in order to create favorable conditions for conducting innovative activities by all subjects regardless of the ownership and types of financing. In today's economic climate it comes to the specification of the tax base and tax collection mechanism, changing depreciation policy in order to enable organizations to increase the depreciation funds as a source of investment in innovation;

- Foreign economic support, which requires forming joint organizations with foreign partners with the aim of production of domestic high-tech products and its implementation in the foreign market, providing national advertising innovations abroad, improvement of exhibition and fair activity, participation in international information systems with the purpose to exchange information on innovative projects.

The growth of economic independence of regions corresponds to the modern requirements of the world economy, which are embodied in the new paradigms of management. Modern public administration is being built on three main prin-

principles: territoriality, democratic participation, partnership between public and private sectors. This strategic choice extends beyond the economy and encourages the state to act as the organizer of the search of the target plants. Therefore, the main feature of the regional socio-economic systems is the formation and implementation of strategic development of the region, which determine the image of the future of its condition and meets the system requirements for modern management approaches.

Defining the objectives of regional development is a subjective and objective process that is associated with the needs and interests of individuals, groups, organizations and management's subjects. The strategic goal for the development regional systems – ensuring high quality and standards of living that defines the following feature – meet the needs of areas. In meeting the goals of regional socio-economic system helps solve problems that involve the presence of special activities – management.

So, under the conditions of a systematic transformation of the economy one of the most important questions is the formation of a balanced regional policy. This requires an objective conceptual approach towards state management of innovative development. The essence of the concept is to use a system of government strategic approach which is widely used in the management of economic systems.

Generalizing the basic provisions of the strategic approach of innovation development of the region it can be argued that the strategy is a system of installations and measures to strengthen long-term competitive position within organization's mission. In today's conditions the strategy consists of two parts: 1) planned in advance and provided methods and action of adaption to the environment and 2) reactive actions to unforeseen events in the external environment. Given the internal hierarchy (structure) of the system, the strategy may be common to the entire region as a whole (total, base) and private (for a particular type of business -competitive, business - strategy, for management functions - functional, for business unit - operating).

The essence of the national strategy for regional innovation development activity is aimed at aligning the interests of the state, regions, local self-government, and various subjects of property, national-territorial units and all citizens. The procedure of strategic management and institutional

development of the region involves the use of different approaches given the high extent of differentiation of regions in terms of socio-economic development, natural resources, and the size of economic activity, social organization of life, political conditions and performance of local authorities.

An important strategic component of the regional innovation policy in the context of an integrated concept of innovation of regional development is the formation of innovative clusters [5].

A cluster is a network of suppliers, manufacturers, customers, items, industrial infrastructure, research institutes, which are interconnected in the process of creating surplus value. This approach is based on the calculation of positive synergy effects of regional agglomeration, meaning the proximity to the consumer and producer, network effects and diffusion of knowledge and skills. Consider some benefits of a cluster:

- the number of taxpayers and tax base is increasing; handy tool to interact with businesses appears; the dependence on the individual business groups reduces; the basis for the diversification of economic development area appears;

- the infrastructure of human resources is improving; the infrastructure for research and development appears; the costs are being reduced; opportunities for more sufficient entry into international markets are disclosed.

There are a number of conditions that may contribute as well as to hinder the cluster development in Ukraine. Experts refer the following conditions to positive: the existence of scientific and technological infrastructure, psychological readiness for cooperation. To the restraining factors for the development of clusters should be included: the poor quality of business – climate; low levels of associative structures (chambers of commerce, industrial associations) that cannot cope with the task of development and implementation of priorities and interests of the regional business; short-term planning horizon – the real benefits from the cluster development appear only in 5-7 years.

So, talking about the successful implementation of the projects under the special promotion of clusters is possible only if the regional innovation strategy exists. Developing a cluster in isolation from the regional development is inefficient. No wonder that one of the founders of the cluster approach M. Porter in his method called an existence of a stable strategy as one of the most im-

portant factors for successful cluster development [3, p. 92].

While using the strategic approach towards governance of regional innovation development one must take into account which key points of growth are there in the region, and what can various groups of interest make for the development of these key points of growth. At the same time in identifying the promising innovation clusters and in planning their development regional strategies must be considered.

### Conclusions

The study of a genetic basis of management thought and the basic tools of ensuring it allows to constate the evolution of the theories of state governance while the economy was approaching towards a postindustrial stage and in the role of investments in regional development, was gradually enriched by the determinants of innovation development; the development of theoretical and methodological foundations of an innovative model regional economic; the instruments of state support and promotion of innovative activity at the regional level; the formation of a conceptual apparatus, methods for estimation of innovative potential of the region.

However, the lack of security and conceptual depth in research in this area has meant that an integral concept of the innovation process was not formed; no effective mechanism of the functioning and the development of innovative capacity was created, there has been no sufficient impact

on the assessment of a model for the developed innovative potential in the dynamics of economic growth of the region.

Only applying a systematic approach towards a research allowed us to specify the nature and approach the defining of the element of a comprehensive mechanism in administering the innovative development of the region.

The general concept of innovation processes at the regional level should be concretized in the priorities of the government regulation of regional innovation development, provide the salvation of the strategic, intermediate and routine tasks by using appropriate management tools, which are aimed at enhancing innovation processes in the region and which include the appropriate set of methods and measures of state regulation of innovative activity.

Building a management mechanism of innovation activity in the region requires the coverage of the entire set of components of the system of innovative development which should be considered when implementing a balanced state regional innovation policy. The defined components will determine the potential for the development of the innovative areas of the region and promote a consistent innovation in these territories. The mechanism of regulation of innovative activity should be formed taking into account the specific features of the respective areas and should provide the universalization and diversification of measures and instruments of the state regional innovation policy.

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## THE STRATEGIC AREA OF DEVELOPMENT AS A SEGMENT OF REGIONAL SPACE

*Modern understanding of the content of the concept of «region» is defined. A number of the most common causes of regional disparities are revealed.*

*Keywords: competitiveness, region, socio-economic relations, strategic development zone, form of regulation, functioning.*

### **Чернов С. І. Стратегічна зона розвитку як сегмент регіонального простору**

*Визначено сучасне розуміння змістового наповнення поняття «регіон». Досліджено ряд найпоширеніших причин регіональних відмінностей (нерівностей).*

*Ключові слова: конкурентоспроможність, регіон, соціально-економічні взаємовідносини, стратегічна зона розвитку, форма регулювання, функціонування.*

### **Чернов С. И. Стратегическая зона развития как сегмент регионального пространства**

*Определено современное понимание содержательного наполнения понятия «регион». Исследован ряд распространенных причин региональных различий (неровностей).*

*Ключевые слова: конкурентоспособность, регион, социально-экономические взаимоотношения, стратегическая зона развития, форма регулирования, функционирования.*

## **Introduction**

Complications of socio-economic relations between regions in connection with the development of productive forces and production relations led to the emergence and development of such new phenomena as inter-regional economic ties. Based on foreign and domestic experience, one could argue that the processes of interregional economic relations in practice have existed long enough, on a large scale since the twentieth century. However, in theoretical terms, these processes and the associated specific phenomenon of inter-regional economic relations have not found, in our opinion, a sufficient attention in research, study and scientific publications.

Interregional economic relations reflect the current level and identify promising areas in the division of labor, interdependence of regional food systems which are the economic ties for the production, sale and exchange of homogeneous types of food between their producers and consumers. These links come in the form of flow of food and raw materials from one district to another, reflect those prevailing in a given time period, the division of labor, the locative efficiency and the degree of specialization of production.

## **Analysis of recent research**

Problems of state regulation of the development of regions have been by both foreign and domestic scientists. Among the foreign scientists should be noted the works of: P. Samuelson,

A. Smith, J. Fisher, D. Hicks, W. Sharpe, domestic – A. M. Alymova, P. Y. Byelenkoho, M. P. Butko, M. I. Dolishnyogo, A. A. Yeroshkinoyi, A. M. Ivanitsky, O. Ivanchenko, V. Y. Keretsman, M. H. Koretsky, Y. B. Korotych, A. P. Kraynyka, M. A. Latynina, A. S. Lisetsky, O. H. Topchiev, Y. Hvesyka, and others. In particular, the essence, the main directions and priorities of regional policy have been defined by M. M. Mykolaychuk and D. V. Nehaychuk.

## **Statement of research objectives**

– to define the modern understanding of the content of the concept of «region»;  
– to explore a number of the most common causes of regional disparities (inequalities).

## **Results**

The problem of regional disparities is of a very difficult, complex character. It cannot be overcome by considering only economic options without understanding the social component of regional and cultural conditions of its development.

The region serves as not only a social but also a cultural category. Due to the fact that the value system of any society, including the region is defined by the both institutional and social factors, the culture influences the nature of institutions which are formed in society, the emergence of various regional formations. On the other hand, these different formations affect the nature of cultural change. And then what was the result causes further chang-

es, leading ultimately to the differences in the ways of the development of individual regions [7, p. 96].

Cultural region combines some aspects of regional specificity, which are considered to be basic for the allocation of geographic, economic or social problems of the region. Its specialty comes from specific natural, historical and economic conditions, in which specific community has been forming. However, specific features of the cultural region cannot adequately comprehend without taking into account the existing environment and, therefore, physical and geographical region, and without regard to the nature of economic ties that were formed in it, historically inherent social trends and more.

Modern understanding of the content of the concept of «region» appears in the definitions adopted in the EU region's sustainable development (Sustainable Development), which means a socio-economic development, when the process of integrating political, economic and social activities comes while maintaining the natural balance and the development of basic natural processes with an aim to ensure the basic needs of every social group or citizens of this and all subsequent generations [3, p. 36]

Thus, theoretical and methodological understanding of the content of the concept of «region» had come through series of stages, each being characterized by taking into account the key to understanding regional differences in factors that had been occurring at different stages of socio-economic development of society. Depending on the nature of these changes theoretical approaches to the nature of economic relations between regions of Ukraine varied.

The complexity of the regional economy means, above all, a balance, a proportion, a coordinated development of the productive forces of the region. It is a relationship between elements of the economy, when the major national economic function is being effectively implemented. In the specialization of the region there are no significant intra-regional disparities and the region's ability to carry out in their play within the expanded based on available resources and develops economic relations between regions remains.

The integrity of the region means the rational use of natural resources in the region, proportional coupling of different industries, and the formation of stable intra-regional and inter-regional industrial and technological ties, the presence of a particular community of people with certain tradi-

tions, certain way of life. An important feature of the region is its handling, directly related to the administrative and territorial division of Ukraine. It is appropriate to emphasize, that control to some extent contributes to the integrity of the region, because administrative and territorial authorities should ensure coordination (management) of all elements of the social economy: a material production, natural resources, an infrastructure, a manpower, etc., as well as various relations – trade, financial, social, environmental, industrial, with a spatial and temporary stability.

The specialty of the development of the regions of Ukraine, regional differences of a single economic space are caused by different historical and geographical preconditions for economic development of eastern and western areas of natural resource potential, the resettlement of population and demographic situation. In the works of domestic and foreign regionalists [1, 2, 4, 6] a number of the most common causes of regional disparities (inequalities) are indicated. The most important of them, in our opinion, are the following:

- Differences in climatic conditions of life and business in certain regions of the country;
- The scope, quality and direction of the usage of natural resources that define «productivity» regions. This factor affects not only agriculture, fisheries, mining and forestry resources, but also in terms of distribution of industry and people's lives;
- Peripheral or deep location of the region, resulting in increased transportation costs, rising prices and shrinking market. Poor transport and communication links of peripheral region impede its economic development;
- The old pattern of production, delay the introduction of innovations;
- Sinter advantages (large intersection in the region of inter-relationships) and Sinter deficiencies (congestion);
- Trends in economic development of the country (in periods of economic growth in the so-called backward areas new firms arise, which causes an economic activity while during the stagnation the activity falls);
- The stage of technological development that affects one or more types of goods (raw materials, intermediate products, final consumption goods, services and so on.)
- Political conditions, forms of general and regional policy, institutional factors: the degree of regional autonomy, the history of development and so on.;



– Infrastructure factors: the presence or absence of harbors, airports, transportation systems, industrial sites, providing telecommunications systems and others, meaning a production infrastructure;

– A large external control on firms or small proportion of firms established by local entrepreneurs;

– Socio-cultural factors: the degree of urbanization, population's education, the availability of research centers and so on.

The strategic objective of socio-economic development of the region should be a substantially raise of the living standards of population by improving the quality use of regional resources, fundamentally new approaches to the development of productive forces and the radical improvement of ecological conditions. Therefore, the regulation of regional development should be aimed at resolving the prospective tasks of socio-economic development of the region, the search and evaluation of alternatives to a long-term economic development, and developing programs that will implement the priorities and the development of economic ties.

The purpose of regulating the development of the region should establish a specific course of action to prepare for the effective functioning of a competitive region. The main forms of regulation that are to be the macro-economic forecasting, planning or programming [5, p. 24].

Forecasting should be regarded as a scientific-analytical phase of the process of developing a comprehensive program of regional development. Forecast outlines the scope and capabilities of the set goals and objectives, identifies the direction of development and management decisions, and considers options for an active influence on the objective factors of long-term development. These forecasts are the starting material for macroeconomic planning or programming aimed at the development of programs of regional development.

The transformation of Ukraine into an independent sovereign state, the transition to a market economy and diversity of ownership have created entirely new conditions for the solution of social and economic problems at the business of the country, so that regional issues came to the fore. Due to this approaches to the selection of the most important issues, their priorities, resources, sources and methods of solution varied.

The strategic development zone is a geographically, technologically and socio-ethnically differentiated segment of the regional space, which development is purposefully maintained in order to achieve the goal. The selection of a strategic development zone of a spatial system must meet the previously-established development objectives and selected problem areas.

The preparation of various planning documents involves identifying and solving economic, social, scientific, technical and other problems. Problems in social and economic planning are the theoretical and practical issues that require resolution. They are also the differences between actual and desired state facility planning. By the nature of structuring (meaning the degree of development of relations between the phenomena and processes between factors, causes and consequences) is divided into four classes of problems associated with the development of economic relations between regions: standard (strictly deterministic relationships), structured (links correlative nature of the high degree of interdependence) weak structured problems (low level of interdependency relationships), unstructured problems (links can be established only on the basis of logical analysis).

### **Conclusions**

Thus, the uniqueness of inter-regional relations in Ukraine is due to the significant differences in the industrial, scientific, technical and natural-resource potential of regions, vast distances between different areas, underdevelopment of transport communications and the low level of life of significant percentage of population. The mechanism of market competition has made a significant impact on the development and specificity of inter-regional cooperation, which divided the regions of their competitive advantages and disadvantages; varying degree of adaptation to market regions with different economic structure and the different mentality of the population.

Besides that, the regulatory role of the state has weakened, which resulted in the reduction of public investment in regional development, the abolition of many regional forms of social and economic support. It has also affected the actual inequality of different regions in economic relations. The disintegration of the Ukrainian market of goods in the 1990s was in a more rapid fall of interregional exchange of goods in comparison with the decline in production.

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**Section 3.**

**PECULIARITIES OF THE PROCESS OF PUBLIC  
ADMINISTRATION IN HUMANITARIAN SPHERE**

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**BASIC CONCEPTS OF ADAPTATION THE TECHNICAL REGULATION  
OF ENVIRONMENTAL PROTECTION TO THE REQUIREMENTS  
OF THE EUROPEAN UNION**  
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*Stages of formation of environmental policy of the European Union are highlighted. The European experience to improve the organizational and legal mechanism for regulating land use and protection in Ukraine is evaluated.*

*Keywords: safety, environment, environmental disaster, environmental policy, mechanism, natural resources, formation.*

**Гіндес О. Г. Основні положення адаптації технічного регулювання у сфері охорони навколишнього природного середовища до вимог Європейського Союзу**

*Виділено етапи формування екологічної політики Європейського Союзу. Досліджено європейський досвід щодо удосконалення організаційно-правового механізму регулювання використання та охорони земель в Україні.*

*Ключові слова: безпека природного середовища, екологічна катастрофа, екологічна політика, механізм, природні ресурси.*

**Гиндес О. Г. Основные положения адаптации технического регулирования в сфере охраны окружающей естественной среды к требованиям Европейского Союза**

*Выделены этапы формирования экологической политики Европейского Союза. Исследованы европейский опыт по усовершенствованию организационно-правового механизма регулирования использования и охраны земель в Украине.*

*Ключевые слова: безопасность природной среды, экологическая катастрофа, экологическая политика, механизм, природные ресурсы.*

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**Introduction**

The twentieth century brought many benefits to the mankind that are connected with the rapid development of scientific and technological progress, and at the same time, these developments put life on the Earth to the brink of ecological disaster. Growth of world population, intensification of extraction of natural resources in many countries, uncontrolled emissions and the discharge of pollutants lead to radical changes in the environment and reflect on the very existence of mankind.

Involvement and even delay in the decision of the most critical problems related to protection of the environment can lead to catastrophic consequences for the whole of civilization. All of this can not but cause deep distress and concern. Until recently social progress was associated exclusively with a growing appreciation of public needs at the expense of unlimited by anything exploitation of natural resources. To avoid total ecological crisis under such circumstances it is necessary to invent ways of making appropriate changes in the model and the nature of production,

to achieve a reasonable limit of consumption, to develop a system of responsibility for the safety of the environment, immediate measures for its protection as well as to severely punish those specifically responsible for pollution of the environment.

**Analysis of recent research**

Significant contribution to the development of theory and practice of evaluating the effectiveness of natural resources and economic activities have made the following scientists: A. Aganbegyan, L. Abalkin, B. Burkynskyy, V. Mishchenko, O. Tsarenko, L. Melnyk, M. Hvesyuk, S. Harichkov, B. Stepanov, A. Aksenenko, O. Amosha, T. Ben', I. Bulyyev, A. Wasylyk, N. Konischeva, A. Turylo, L. Chervova, M. Chumachenko, A. Sheremet, and others.

**Statement of research objectives**

- to highlight the stages of ecological policy's formation of the European Union;
- to evaluate the European experience concerning the improvement of the organizational and legal mechanisms for regulating land use and land protection in Ukraine.

## Results

Environmental problems in the modern world in a large-scale have global, interstate and regional nature. Clearly, each country inherits its peculiar set of environmental characteristics and each region has a specific set of environmental problems.

Centralized and structured environmental policy is typical for the twentieth century. This environmental policy is characterized primarily through the use of the industrial model for resource consumption, resulting in decades to an unprecedented degradation of the environment in all European countries. However, European countries were among the first countries to note that the favorable environment condition for the human being is one of the components of high quality of life [2; 3].

The European Union in the past 50 years has carried out its own policy in the field of environmental protection. The EU made significant on the scale nature conservation measures, established legal framework for regulation and coordination of environmental activities of the Member States, developed and implemented new approaches to protection and improvement of environmental quality. The European Union is one of the world leaders in the field of international environmental cooperation. At the same time this environmental policy and activities of the EU as a whole are inextricably linked with global events in the field of environmental protection, including those conducted under the auspices of the United Nations Organization.

However, this situation with the environment protection in the EU has not always been this way. For instance, the founding treaty of Rome in 1957 did not give the EU an authority in the field of environmental protection. Activities of the EU in that period only briefly touched this field and were committed for the achievement of other economically and socially significant goals. Environmental activities were carried out optionally. However, in the early 1970s because of the worsening of the environmental crisis in Europe there was a need for environmental action at the EU level. In the 1970s the decisions on the development of the organization active in the field of environmental protection were adopted at the meeting of the EU heads of states. Still, the positions of the founding treaty of Rome were not reviewed, and the competence of the EU in the sphere of environment protection was still not provided [6].

There are five stages of ecological policy of the European Union that can be distinguished.

*The first phase (1957-1971 years)* is characterized by the lack of the EU's legal competence in the environment protection. Only a few optional activities in the sphere of the environment protection were held at this stage. At first the «environment» was not highlighted in the Treaty of Rome in 1957 as a sphere of general European integration. However, environmental issues defined limits of legal regulation of a common market creation in the EU countries, which, for example, is reflected in the Article 36 of the abovementioned Treaty, which allows Member States to introduce restrictions on the import, export, transit of commodity circulation for reasons of environmental safety. Overall, despite the lack of a common policy in the environment area in this period, the EU institutions were prepared to expand their activities in an ecological direction. Problems of environmental protection were touched more precisely in the secondary law, especially in the documents aimed to implement common agricultural and energy policy of the EU countries.

*The second phase (1972-1985 years)* is characterized by carrying out the initial steps to protect the environment by the European Union countries, the advent of the first programs of action in this area, the initial development of legal regulation in the field of ecology. In 1972, the Council of Heads of Government of the EU decided to expand the competence of the EU, including the environment protection sphere. However, the amendments were not made in the primary EU law. All decisions in the new field of activity were adopted through the articles of the Treaty of Rome of 1957, which made it possible to achieve the objectives of the EU to take actions in the areas not designated in the memorandum. This extension of competence received a title of a «transfusion effect». Regulation of a new region of integration was carried out mainly through the issuance of directives – acts harmonizing the rights of the EU Member States. European Union joined a number of important international conventions on environmental protection, such as the Convention on the Protection of Wild Flora and Fauna and Natural Habitat in Europe (1979), International Tropical Timber Agreement (1983), the Convention on Transponder Air Pollution on Long Distances (1979). Thus, the second stage was marked by the establishment of Community policy concerning the environment and the development of the main ways of its legal regulation.

*The third stage (1986-1991 years)* can be described as a consolidation phase of competence in the field of environmental protection by the EU institutions. The Single European Act of 1986 made amendments to the Treaty of Rome of 1957. The Single European Act identified goals and objectives, principles and directions of the EU policy in the sphere of an environmental protection. In relations between the EU and the Member States in environmental protection the principle of subsidiarity was introduced. This principle means that the EU operates in the field of ecology to the extent to which the objectives of environmental policy can be implemented at the EU level in a better way than at the individual Member States' levels. The growth of the legal regulation of the environmental activities on the basis of regulations – acts of environmental legislation of the Member States is seen in secondary law. Simultaneously, activities continued in coordination of the legal framework of the EU Member States, particularly in the field of soil protection and environmental protection from chemical contamination. During this period of primary importance for the Community had become the questions of implementation of evaluating system of the likely impact on the environment, monitoring, dissemination of environmental information and making publicly available the environmental information, and especially financing of environmental activities. Therefore, the process of the EU policy formation towards the environment protection and legal regulation in this sphere in its main features was completed in the third stage [7].

In general, in the early stages of measures to protect the environment about 200 laws regulating the challenges of industrial wastes, water pollution and air pollution were adopted in the period since 1972. A characteristic feature of this period was vertical and sectoral approach to environmental problems. The first European Union Action Programme in the field of environment protection was based on this approach.

*Fourth stage (1992-2002 years)* stands out among other stages with the improvement of the EU's environmental policy. During this time the basic frameworks of the current environmental policy were marked through institutional strengthening of the environmental policy's questions and the environmental issues in the EU Treaties.

Today the goal and objectives of the EU policy towards the environment are stated as follows:

- preservation, protection and improvement of the state of the environment;

- concern for the protection of human health;
- achievement of rational use of natural resources;
- promotion of measures at the international level that address regional and global issues of environmental protection.

It is important to note that the European Union's environmental policy has a «pass through» character, which was enshrined by the Maastricht Treaty in 1992 (Declaration number 20). The EU activities in the field of environmental protection are due to such three features:

- EU environmental expertise is shared with the Member States;
- environmental activities of the EU is inextricably linked with other areas of European integration.

In the Maastricht Treaty the requirements for current programs of the EU action in the field of environmental protection as well as the provisions concerning the financing of environmental activities are set out. The principle of subsidiarity was removed from the environmental articles, becoming one of the general principles of the EU.

Amsterdam Treaty of 1997 introduced several changes to the Treaties establishing the European Union and laid out the foundation for further transformation and development of environmental legislation. Treaty of Amsterdam confirmed the commitment to the principles of «sustainable development», including the questions of environmental protection. In addition, environmental integration has become mandatory for all EU Member States and candidates for the EU accession. For comparison, the Treaty of Nice of 2000, whose goal was to conduct overdue institutional reform in the EU, did not foresee significant changes in the sphere of environmental protection. Currently the EU environmental activity is based on Articles 174-176 of the Treaty on the establishment of the European Union, and also on the basis of Article 95 of that Treaty, which empowers the Union with the harmonization of environmental legislation of the Member States to support the functioning of the internal market. In connection with the mandatory nature of environmental integration in the EU a system of environmental certification (Green Star System) was developed, which was adopted in 1998 at a session of the European Council in Cardiff in the framework of «Partnership for Integration». Energy, transport and agricultural policies of the EU one of the first fell under its

action. Later this kind of integration has spread to the internal market policy development, fisheries, industrial and financial sectors.

Under the scope of legal regulation of environmental protection, which is made by the European Union, fell such measures as environmental standardization, evaluation of anthropogenic and anthropogenic impacts on the environment, collection and processing of the environmental information, state of environment monitoring, environmental certification, environmental management and environmental audit, development of funding mechanism and protection of the environmental rights [5, p. 56].

Therefore, the mid-1990s can be characterized by the release of the environmental policy as one of the priorities of the EU. Moreover, since 1998 the European Commission and the European Council in Vienna (on the 11-12th of December, 1998) have announced the goal of integration of environment protection questions into all policy areas of the European Union. The «horizontal» approach, which guiding principle is to record the full range of industries involved in environmental pollution, started to be used in the EU as part of the EU's environment protection measures.

*Fifth stage (2003 – to the present time).* Today the environmental activities of the EU are based on environmental competence under articles of the Treaty establishing the European Union. At the present stage the improvement of legal regulation of environmental protection is carried out in the EU.

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In particular, those acts underwent restoration that provide legal base in the system of collection and processing of the environmental information, environmental monitoring, environmental certification, assessment of impact on the environment, mechanism of financing the environmental measures. Also attempts for codification of numerous standards in the sphere of environmental standards and certification are made.

An important element of environmental policy's implementation in Europe is the inclusion of the environmental protection questions in the draft EU Constitution, despite the fact that the EU Constitution draft was rejected by referendums in a number of leading EU Member States.

The European Union is gradually transformed into the «ecological union» since the signing of the Maastricht Treaty. The EU Member States are obliged to integrate environmental protection objectives into the legal acts and regulations, enforced in all policy areas. EU passes numerous directives on environmental protection which the EU Member States must incorporate into their domestic legislature.

### Conclusions

Thus, the operation of each European Union institution is affected by the environmental problems. Therefore, the common EU environmental policy can be an example of institutionally mature regional policy, and European experience should be necessarily taken into account to improve the organizational and legal mechanism of regulating land use and land protection in Ukraine.

PROCESS OF THEORETICAL COMPREHENSION OF PRIVATE EDUCATION  
AS A NEW SOCIAL PHENOMENON

*Strategy for public and private universities in the education market of Ukraine is defined. Ways to enhance the efficiency of private universities through the mechanism of competition are explored.*

*Keywords: higher educational institution, non-governmental education, educational policy, business, process, social phenomenon, strategy, theoretical reflection.*

**Кобець А. С. Процес теоретичного осмислення недержавної освіти як нового соціального феномену**

*Визначено стратегію розвитку державних і приватних ВНЗ на ринку освітніх послуг України. Досліджено шляхи підвищення ефективності діяльності приватних ВНЗ через механізм конкуренції.*

*Ключові слова: вищий навчальний заклад, недержавна освіта, освітня політика, підприємництво, соціальний феномен, стратегія.*

**Кобец А. С. Процесс теоретического осмысления негосударственного образования как нового социального феномена**

*Определена стратегия развития государственных и частных вузов на рынке образовательных услуг Украины. Исследованы пути повышения эффективности деятельности частных вузов через механизм конкуренции.*

*Ключевые слова: высшее учебное заведение, негосударственное образование, образовательная политика, предпринимательство, социальный феномен, стратегия.*

**Introduction**

Modernization of higher education as determined by the imperatives of a modern national education policy of Ukraine is carried out under market conditions. Market relations gradually enter into the sphere of education. They determine the directions and forms of higher education institutions' (HEIs) activities, orient them to the needs of consumers and to the diversification of funding sources, increase competition as between universities on the market of educational services as among graduates in the labor market.

**Analysis of recent research**

Certain attention to the problems of state regulation of education in the overall context of the knowledge economy was paid by well-known scientists G. Becker, E. Bowen, E. Denison, J. Kendrick, J. Minser, and T. Schultz. In the works of domestic scientists L. I. Antoshkina, T. N. Boholib, A. I. Butenko, V. A. Visyashchev, V. V. Geyts, O. A. Hrishnova, B. M. Danylyshyn, G. A. Dmytrenko, T. A. Zayets, S. N. Zlupko, I. S. Kalenyuk, O. A. Kratt, V. G. Kremin, V. I. Kutsenko, L. K. Semiv, A. P. Sologub, D. M. Stechenko, L. A. Jankowski and others specific organizational and economic problems faced by the system of

higher education are highlighted. However, market conditions of functioning of higher education require the elaboration of new mechanisms of state regulatory activities in the sphere of its management.

**Statement of research objectives**

- to identify the development strategy of public and private universities on the market of educational services in Ukraine;
- to explore the ways of increasing the efficiency of private universities' activities through the mechanism of competition.

**Results**

A word combination «business structure» in relation to higher educational institutions shows in particular the type of connections and relationships within it, the way of its organization and management. Legislative provision of the business status for the private higher educational institutions will allow them to implement a strategy to maximize the present net income, to openly conduct its business activities (for example, to publish annually a balance sheet).

It should be recognized as an important advantage of private higher educational institutions



that they, having a high level of freedom and mobility, are able to diversify their activities. Their main business of teaching students, in our opinion, must be unprofitable. However, in the price of educational and other services private higher educational institutions can lay down a certain level of profit.

Entrepreneurship in education, which is apparent in the functioning of private higher educational institutions, changes the economic nature of the student. The student becomes a client of higher educational institution. This approach has advantages and generates a number of challenges. The changing role of the student to the client, on the one hand, will involve strengthening of the higher educational institutions' responsibilities for the quality of services provided. On the other hand it can lead to the situation where the student is not recognized as unfit for education in order not to lose money that he pays to the university. Or, conversely, this situation can lead to the exemption of marginal students with the aim of not to lecture them once again, which is associated with additional expenditures [6].

Analysis of 20 years activities of private higher educational institutions allowed formulating certain strategies for their development and comparing them with the relevant strategies of public higher educational institutions [8].

Most of higher educational institutions have used various modifications of the above mentioned strategies. To make the operation of private higher educational institutions more transparent and understandable to the public, there is a need to continue to formulate their own strategy (including the mission and goals), and to make it concise, clear and show it to the general public.

It is understandable that even within a certain time private higher educational institutions can not create hard competition for public system of education. At the 21st year of independence of Ukraine, which gained the status of market economy, in the Programme of Education Development developed for the years 2010-2015, nothing is said about the role and prospects of private education. And this is despite the significant number of existing privately owned higher educational institutions (over 200 at all levels of accreditation). This is an indication that private higher education institutions still have no significant achievements recognized by the state and are not regarded as an important factor in increasing the competitiveness of national education.

Today much is said about the difficulties in system of public higher education in Ukraine. These are the isolation from the economic practices, corruption, an aging infrastructure and others. However, these deficiencies do not affect a lot the level of competition to public higher educational institutions, which remains high. This can be explained, on the one hand, by the conservatism and inertia of the Ukrainian society, and, on the other hand, by the long-term and absolutely deserved fame of these schools, which has developed in Soviet times.

Performance improvement of private higher educational institutions is possible primarily through the mechanism of competition. Because public higher educational institutions raise «the bar» on the activities in the educational services market, the state must take all measures to improve the quality level of education and scientific work at public universities. Then private higher educational institutions will be forced to or «pull-up» to the level of public higher educational institutions, or to terminate their activities. The lack of requirements from potential university entrants and their parents to the quality of teaching makes viable unscrupulous private universities.

It should be recognized that in Ukraine private higher educational institutions can not compete favorably with public higher educational institutions unless they find their niche on the educational services market, unless they offer entrants educational services on such a level, that are not offered to them by public educational institutions. In these circumstances for the Ukrainian private higher education extremely important is what I. Ilyinsky calls «self identification» [4, p. 10], in other words, the understanding private higher education's essence, its advantages over paid public higher education. It is important to understand which feature will allow the private education, if paid public higher education remains, to preserve its sovereignty.

The advantages of private higher education institutions, whose use can improve their competitiveness in the market of educational services include:

1. Orientation of private higher education institutions to narrow demand. Public education, of course, pays attention to the market and to the demand. But public education as paid and free nevertheless focuses on mass that is standard training. Private education is more independent and flexible. It has the ability to effectively focus on the

individual and low income demand for human resources, to pay more attention to specific areas of demand, to consider not only its various aspects, but also the individual tones.

2. Focusing on individual work with students. Private higher education institutions are freer in building the educational process; they can create individual programs. This allows private institutions to apply an individual approach to their students to as talented ones and, as to those whose level of training is below average. After all, public education, occupied with mass training, often ignores the first ones and simply does not consider the second.

In private higher education institutions it is possible to establish special groups for various contingents of students, such as those with insufficient level of training (if such students' income level of parents allows to pay for their individualized training, which will enable them to get full education); who in the future is going to inherit parents' business, or planning to start their own small business. It is possible to offer more intense programs, additional courses, and classes in their spare time for gifted students.

3. Greater opportunities for education of comprehensively advanced people. Paid education and orientation to the appropriate contingent of students gives the educational institution great opportunities. For instance, higher education institutions may offer classes in elite sports, music, art, rules of etiquette, in-depth study of foreign languages (not necessarily international), and so on. In addition, private higher education institutions have more opportunities to take into account the wishes of certain ethnic groups, religious settings of parents and so on.

4. Development and use of flexible schedules for students who found employment in the specialty (i.e. not earlier than after five semesters), had a baby, but do not want to transfer to the distance education or to take sabbatical leave. Still high standard of requirements for knowledge of such students should be kept; the composition of academic groups may be unstable.

5. Ability to more effectively organize practical training (academic, industrial-technological, pre-diploma) of students. Most public higher education institutions do not offer students a place of practical training. Practice manager of the company, without having financial rewards for his/her work with the student, is not interested in effectively carrying out the role of mentor, adviser

and, in the best case, limits his activity to providing material for student's report. Private higher education institutions have wider possibilities to establish long-term contacts with enterprises and organizations, to pay for the work of practice manager of the enterprise, to monitor student's work in the enterprise, which should improve its passing.

6. Ability to abandon the ideological settings of the state. With no ideology private higher education institutions can invite as representatives of different parties, as scientists-carriers of different conceptual visions of this or that field of science to speak to their students.

7. In private higher education it is easier to try new teaching methods, new applications, new subjects and specialties. In this regard, private higher education institutions become a testing ground for various experiments (for example, the famous case-method appeared in the Harvard University). For innovation public higher education institutions need a long time because their initiatives are considered, agreed and approved in many regional and state bureaucracies. Private higher education institutions are more flexible and quicker for such decisions.

8. Private higher education institutions are attractive for faculty who are willing to experiment, to seek new approaches to teaching, to change the content of the subjects. Work in private educational institutions is usually more highly paid and more flexible, because teachers can focus all their energy on teaching and scientific work and not to seek additional sources of income.

We agree with I. Ilyinsky, who upholds the principle of «rescue of the drowning is in the hands of the drowning». He defends the idea that attention and support from the state and society need only those private higher education institutions which have proven worthy in the education market and were able to confidently stand on their feet. Instead, helping outsiders is impractical: «Let them firstly help themselves... Let them prove that their intentions are real. Let them prove that they are capable and are strong enough to carry them out» [4]. This approach is a market approach, because under the conditions of competition the strongest «survive».

At the beginning of 2007/08 academic year in Ukraine operated 202 privately owned higher education institutions, out of them – 42 universities, 9 – academies, 80 – institutions, 71 – technical schools and colleges [8]. A significant number of private universities highlight the scientific com-

ponent of their activities, their material, technical and personnel security's base.

The contribution of private higher education institutions in the development of the education system (as of 2010) [7]:

- created thousands of workplaces (in private higher education institutions the total number of core staff is about 25 thousand people, including doctors of sciences 14.5 %, Ph. D. s – 70 %.);

- provided an opportunity for tens of thousands of young people to get education, particularly in new specializations. In the higher education institutions of private ownership as of 2010 426,000 students are enrolled (in private higher education institutions 14% of all students in Ukraine are enrolled, that is every seventh student);

- in 199 universities in private ownership more than 10 doctoral dissertations and more than 100 candidate (Ph.D.) dissertations were defended in the last three years;

- private universities paid about 15-17 millions UAH of wages monthly; from this amount they paid more than 2 million UAH of income tax and 6 million UAH of other taxes and fees;

- except for teaching staff the private sector employs about 17 thousand employees: managers, accountants, financiers, lawyers, business managers, maintenance staff.

- private universities annually prepare 70-100 thousands of specialists;

- for the years of their activities private universities have invested in Ukraine's economy 1.2 billion UAH;

- made a significant contribution in publishing educational and methodological materials for higher education. For the first 10 years of their activity private higher educational institutions prepared and released into the world over 300 titles of textbooks, collections, and methodical materials;

- made a step in the creation of lifelong learning, successfully worked on development of distance learning's mechanisms (for instance, distance learning technology has been successfully implemented already for several years in Kharkiv Humanitarian-Technical Institute, in European University);

- for a quite short period gained considerable experience of computerization of the whole educational process.

- have gained experience of individualization of students' education, along with traditional commonly used new forms of training (training methods, teaching author's courses, workshops, role-

playing and business are used; the introduction of flexible pedagogical techniques and individual lessons).

Employers point out that private higher educational institutions are ideal for getting second higher education [2, p. 51]. But there are also major shortcomings in the functioning of private higher educational institutions; they are not so unambiguous and include:

- payment for educational services and, therefore, the inability (or constraints) of educational use of material incentives;

- difficulties in the employment of graduates because employers are wary of the newly established educational institutions, especially if they operate on a commercial basis;

- specificity of the psychological mood of students (all is paid, you can rest);

- low level of base preparation of many entrants;

- significant psychological and physical burden on the university's management who has to solve a wide range of issues. The main one is the need to form model of collective organization in the collective that would best meet the nature of the institution of such kind;

- small number of staff, the need to attract part-time workers, which increases the burden on the payroll;

- problems of conducting researches.

Concerning the latter, there are private higher educational institutions which are successfully engaged in scientific activities. The distinctive features of scientific work in private higher educational institutions are the conclusion of various agreements on scientific-technical and creative collaboration with academic research institutions, governance structures, creation of scientific, educational and industrial complexes, laboratories [5]. Conferences on the problems of education are regularly organized (Vinnitsa Finance and Economics University, Donetsk Institute of Social Education, European University, Kharkov Institute of Economy and Market Relations Management) [3].

We assume that one of the reasons of the poor level of scientific activity of private universities is ignoring this important component by public universities, especially by classical universities. Private universities must understand that it is not enough to obtain a state license and have a set of students. The affiliation to the sphere of higher education requires active conduction of scientific activities.

There were many state audits of private universities in 2010. As a result of these audits number of private higher educational institutions lost their license. Among the most common deficiencies were indicated the following:

1. Some private universities do not comply with licensing requirements, or work without a license at all.

2. Organization of educational process does not always meet modern requirements of high school.

3. Do not always have the opportunity to ensure human resources, mainly through regional features. A lot of lecturers work part-time, and, therefore, they do not have interest in using their authoring.

4. Material and technical base sometimes fails against any criticism; there are not enough teaching areas and those that are there often rented without sufficient guarantees and are difficult to adapt to the learning process; not always there are libraries, reading rooms, computer networks, medical points, and dining room etc., without which it is impossible to imagine the normal functioning of the institution.

5. Most private universities are not enough purposefully engaged in research work, and if it is done, then at a low, primitive level.

6. Occasionally engaged in educational work.

7. Positive side is that computer skills and modern information technologies have become a mandatory requirement for applicants to the private university put in unequal conditions children from urban and rural areas.

Analyzing the experience of private higher educational institutions' activities, they are divided into three groups [1].

1. Innovative universities that have proved worthy of the education market, have a steady replenishment of applicants and work on the development of national system of education. These universities are active and productive in research work, especially in the educational field. (The total number of such private universities is not more than 20 % of the total number of higher educational institutions). These include The Interregional Academy of Personnel Management, Kharkiv University of Humanities «People's Ukrainian Academy», Graduate School of Business – Institute of Economics and Management (Alchevsk city), Nikopol Institute of Management, Business and Law, Dnipropetrovsk University of Management, Business and Law. These universities are

characterized by extensive infrastructure, existence of their own modern computer database, and powerful libraries.

2. Higher educational institutions that received the license for educational activity and even accreditation. However, their situation is not yet stable and in the pursuit of funding sources they sometimes implied violations of licensing conditions, making business activities not related to education. Majority of these higher educational institutions in the foreseeable future will be able to fill up the first group, if consistently accept the rules offered by the Ministry of Education and Science, Youth and Sports of Ukraine and the Association of educational institutions of private ownership.

3. Higher educational institutions that have come to the market of educational services for the sake of «making money». These higher educational institutions are characterized by persistent advertising and unrestrained distribution of promises to teach everything and in the short term. (Their share in the market of educational services according to various estimates reaches 40 %). Such clearly commercial activity is characteristic of young «neglected» market of educational services.

The main directions of improving the operation of private higher educational institutions in Ukraine include:

- finding a niche in market of educational services, where private higher educational institutions may be more effective and invoked;

- formation in the public consciousness a positive image of private higher educational institutions, but based on real data by means of systematic information about the valuable work they are doing and about improvements in their activities;

- strengthening the legal framework of private education, enhancing its legal protection, involvement of private higher educational institutions to the legislative process;

- overcoming the existing gap in the quality of educational services in non-state higher educational institutions in major cities and regions;

- establishing a new paradigm of self-government of all non-public education.

In economically developed countries all higher educational institutions, regardless of ownership, operate and are funded within a single educational space of the country; they claim the state order concerning training practically on the same principles. And this is despite the fact that public

and private higher educational institutions objectively function as quite different models of education and form of ownership with different structure and management system. The state should approach the regulation of non-state educational institutions not on the basis of ownership, but on the basis of the quality of services provided by them.

The state must protect its citizens from abuses in the sphere of private education, primarily by creating an effective legal framework. To ensure the quality of training the state should support the policy of accreditation of private higher educational institutions and certification of training programs by approving them with the level of national standards.

Private higher educational institutions operate based on the same principles as other business structures: economic independence, self-financing and self-support. They are inherent in such business signs as riskiness, initiative, and innovation as a condition to ensure competitiveness and development. Because of the aforementioned it can be argued that the operation of private higher educational institutions is one of the areas of entrepreneurship in education. The consequence of the freedom of their activities can be both successes and failures; the latter depends solely on them. As for policy, private higher educational institutions build it relying on their own strengths, cultivating entrepreneurial spirit and such type of internal or-

ganizational relations, characterized by trust, understanding, responsibility, clarity, performance, and discipline.

The current stage of development of Ukrainian private higher educational institutions can be characterized as a «time of «break» between non-state higher educational institutions: the separation of good from bad, important from the unimportant, best of backward, honest from dishonest».

### Conclusions

Thus, despite the prejudice and difficulties, private higher education sector in Ukraine took place. However, today is the process of serious theoretical understanding of private education as a new social phenomenon. The emergence of private higher educational institutions is an objective and logical process for a country on the path of building a market economy. Basic foundations of the market – freedom and private property are deep and fundamental reasons for private education's emergence; the role of other factors is secondary. Given the irreversibility of market transformations in Ukraine and public opinion, it is logical to assume that in the next decade the sector of private higher education will remain as more flexible shell of powerful state's nuclei, which are public universities. Further «fate» of private higher educational institutions will depend on many factors, but the key one among them is the efficiency of their operation.

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ENVIRONMENTAL SAFETY OF RURAL AREAS IN UKRAINE

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*The optimal ratio of the production and the environment as a necessary condition for rural development is substantiated. Circumstances of environmental problems in rural areas that are characteristic of most villages are defined.*

*Keywords: the agricultural sector, reproduction, ecology, population viability, reform, rural areas, function.*

**Антонов А. В. Екологічна безпека сільських територій України**

*Обґрунтовано оптимальне співвідношення виробництва та екології як необхідної умови розвитку сільських територій. Визначено обставини екологічних проблем сільських територій, що характерні для більшості сільських населених пунктів.*

*Ключові слова: аграрний сектор, відтворення, екологія, життєздатність населення, реформування, сільські території, функція.*

**Антонов А. В. Экологическая безопасность сельских территорий Украины**

*Обосновано оптимальное соотношение производства и экологии как необходимого условия развития сельских территорий. Определены обстоятельства экологических проблем сельских территорий, которые характерны для большинства сельских населенных пунктов.*

*Ключевые слова: аграрный сектор, воспроизведение, экология, жизнеспособность населения, реформирование, сельские территории, функция.*

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### **Introduction**

The main type of production in rural areas is agricultural production. The agricultural sector performs a number of socially necessary functions. It not only produces, but also ensures the reproduction of socially necessary values, which are not always quantifiable or cost estimate. If certain requirements are met, the agricultural sector makes a significant contribution to the vitality of rural areas, preserving the agricultural landscape, cultural heritage and agrobiologic diversity.

### **Analysis of recent research**

Recognized scientists in the research of rural areas' development are M. K. Orlatyy, I. V. Prokop, P. T. Sabluk, V. V. Yurchyshyn and other researchers.

### **Statement of research objectives**

- to substantiate the optimal ratio of production and the environment as a necessary condition for rural development;
- to identify the environmental conditions of rural areas that are typical for most villages.

### **Results**

Agriculture plays a vital role in maintaining soil fertility and protection of land against erosion and other negative effects of natural and man-made disasters. At the same time agriculture is essential for the economy of our country.

Firstly, the agricultural production of Ukraine provides Ukrainian population with food. Lack of food resources the country experienced in 2003 when it was not a harvest year and the country had to buy food resources and borrow them around the world. A similar situation but on a smaller scale took place in 2007. By the way, even presently the shortage of meat of domestic production and corresponding increase in prices on this product lead us to a conclusion that Ukraine has almost no large livestock enterprise commodity, and the country lacks meat resources.

Secondly, agriculture contributes to the development of other sectors of the economy (automobile and agricultural machinery, transport, services and food, fuel and energy sector). In the total volume of trade in the consumer market, the share attributable to food reaches 50 %. It supports operational financial arteries of many sectors of the economy of Ukraine. Thus, agriculture is a cartoonist.

Thirdly, agriculture remains the main and sometimes the only economic activity and employment in rural areas, occupying about 2/3 of all land surfaces in Ukraine. Agriculture is the main component of the rural economy, that is, it creates the economic base of government in most rural areas of our country. It should be especially stressed in connec-

tion to the increase of the role of local governance in the future.

However, society is interested not only in raising the level of food self-reliance of the country and recognition of the importance of agriculture, but also in the preservation of the historic way of life of rural population, environment and nature globally.

Agricultural production, which had the greatest potential compared with other sectors in the early 1990s to become the leader of reform, a powerful supplier of food products and raw materials for domestic and international markets, due to prolonged political debate actually had only recently entered a phase of market reforms.

Even after seventeen years of state independence and permanent agrarian reform there are considerable differences of opinion on the development of the economy in general and particularly agricultural production. There is a need to give a deep assessment of the present situation in agriculture sector in order to develop optimal ways of its development.

Agricultural production is under the influence of the crisis, and its material resource potential has decreased almost by half compared with 1991. To illustrate, in 1991 the share of agriculture reached 40.1 % of gross domestic product, which was 95 billion rubles in comparable prices.

By this measure agro industrial complex was significantly ahead of metallurgy, engineering, chemical and forest sub complexes, provided 95 % of food resources, and 2/3 of the total fund of consumer goods, it employed 7.6 million workers, or 31.5 %, and its business assets were estimated at 89 billion rubles, or 30 % of their total cost [5, c. 6].

But the third millennium the agricultural sector entered with such indicators as: 12 billion UAH of debt; the production of gross agricultural output was 48.5 % from the percentage level of 1990, and livestock – 44.2 %. Livestock and poultry decreased to critical limits. Most farms became unprofitable (in 1998 – 93 %) and in general only the production of corn and sunflower remains profitable in Ukraine. Consumption of main foodstuffs has decreased by one third [3, c. 14].

Evaluating these negative trends, the government began to take decisive steps towards taking agriculture out of the crisis. In recent years, joint efforts of all branches of local governance vigorously carried out the change of ownership and active implementation of new organizational forms of management based on market economy. The Decree of the President of Ukraine «On Urgent Mea-

asures to Accelerate Agricultural Reform» from the 3<sup>rd</sup> of December, 1999 played a critical role in it. It launched a comprehensive system of large-scale measures that ensured the privatization of land and former state farms' property and transformation of collective farms (kolkhoz) into private enterprises of market type.

Despite significant improvements there are many unsolved problems in agriculture in Ukraine. In 2009, agricultural production was only 61.4 % of the level of 1990. Cattle stock as of February 1, 2010 was only 22.5 % (and in agricultural enterprises – 9.1 %) from the level of the end of 1990, respectively: cows – 36.9 (10.9) %, pigs – 34.7 (19.9) %, sheep – 21.7 (4.5) %. One thousand cattle farms were destroyed, and gross production of livestock products in 2009 was 50.2 % (in farms only 28.7 %) from the level of 1990. In 2009 in crop production total area of crops decreased by 20 % (while in sugar beet – in 2.7 times, vineyards – in 1.9, fruit plantations – in 2.9, flax – in almost 7 times) compared with 1990. The relationship between business and personal sectors of agriculture changed significantly: in 1990 it amounted 72 % to 28 %, and in 2009 – 41 % to 59 %. [4, p. 273; 6, p. 39].

Many unprofitable farms, the lowest wages, the low level of use of agricultural land, relatively weak social protection of farmers compared with other sectors of the economy is present in agricultural sector. An important problem is to update the machine-tractor park, a technological reorientation of modern resource-saving technologies, and production of competitive products.

Economic activity is also done in rural areas, except agricultural enterprises, by the enterprises engaged in forestry and fisheries, mining and manufacturing, transport and construction companies, and recreation institutions. Most of these enterprises are in private ownership.

Reproduction and growth of productive capacity of agricultural sector of the economy is not possible without proper resourcing, so let us analyze in more detailed manner the possibility of reproducing and increasing the logistical capabilities, resources, labor and land.

Material and technical potential of rural areas depends on the level of the inflow of investments. According to the Ministry of Agrarian Policy of Ukraine to revive the agricultural sector of Ukrainian economy there is a need to invest 20-25 billion UAH in it annually. Only to increase the level of mechanization of agriculture, according to the cal-

culations of the Institute of Agricultural Economics NAAN, 10 billion UAH are needed annually, and additionally 2.5 billion UAH for spare parts, repairs and maintenance.

To solve the problem of procurement of agricultural production it is foreseen:

- a partial compensation of agricultural machinery's costs when it is purchased by the agricultural producers;
- the allocation of loans for the purchase of equipment with partial compensation of interest rates for farmers from the state budget;
- an allocation of funds from the state budget to purchase equipment under lease [2, c. 8].

Given that the overwhelming share of capital investment in agriculture is carried out by the producers themselves, then for the expansion of investment it is necessary to adjust the price, loan and tax state's mechanisms towards increasing of the solvency of agricultural producers. To provide equipment for the manufacturers with low solvency there is a need to use leasing, clearing operations, and deferred payments. In addition, it is needed to expand the formation of multidisciplinary agricultural service cooperatives.

Improvement of usage of labor resources in agriculture is possible under the following conditions:

- formation of rational employment in agricultural production to ensure proper performance of work;
- introduction of an effective mechanism to motivate effective work.

Employment rate in agricultural production is currently redundant, with significant hidden unemployment. The volume of agricultural production compared to 1990 decreased almost twice, and the share of population employed in agriculture stabilized at the level of 1/5 of all working-age population (which is several times higher than in developed countries).

Most of the farmers who work in private household farms are not fully loaded with work and therefore do not have sufficient revenues. Sufficient level of revenues can be achieved by extending the land for farming, increasing the amount of loans, improving financial and technical support, logistics, selling agricultural products produced and creating additional job positions not related to agricultural production.

Question of legal registration of employment in the private commercial farms (determining the order of seniority, social security and pensions) also requires solving. For the improvement of the effi-

ciency of agricultural labor, high-quality reproduction of the labor potential it is necessary to increase the potential wages in this sector. Despite the lowest among other sectors levels of wages in agricultural sector of the economy in Ukraine, it still remains one of the main sources of income for rural residents. To increase the income of rural residents the improvement of the current system of payment for the job done is needed as well as the improvement of the efficiency of the agricultural production. To meet the abovementioned goal it is also needed to restore the parity prices for industrial and agricultural products and to develop new forms of farms.

Potential of land resources in Ukraine may grant our country a chance to take an important place among suppliers of agricultural production in the world food market. However, to achieve this it is necessary to invest money in land protection and restoration of soil fertility. Numbers of measures of legal, environmental, economic, organizational and managerial nature are needed to implement the abovementioned goal.

To establish a stable legal framework for the land use it is necessary to ensure the strengthening of the public administration bodies of land protection, to organize a national system of control over rational use of land and to complete the development and adoption of comprehensive legislation on land protection in Ukraine.

One of the areas of sustainable land use is a gradual withdrawal of degraded lands from cultivation, dangerous plots of land erosion, and steep slopes. In Ukraine the rate of land tilled soil is one of the highest in the world, water erosion extended to the area of 10.6 million hectares of arable land, almost half of the arable land is under the influence of planar erosion (slopes greater than 1 degree) [3 c. 18]. On the protection of land and rational use of land (construction of structures against erosion, landslide, avalanche, and for the protection of the coast, the creation of protective forest strips, terracing of steep slopes, reclamation of land) about 35 million UAH are spent annually. In our opinion, it is better and more rational to withdraw part of land from the active cultivation. Depending on its condition it is possible to use this part of land taken out of active cultivation with such alternative methods of their use: conversion to natural feed lands, forestation, creation of ponds, and temporary withdrawal from circulation to improve the quality of land with its further return to the arable land, and so on.

An important problem remains to be the decline of humus content in soils in Ukraine. To improve its



content, it is needed to increase the amount of organic fertilizers in the land and to use such technologies that improve humus content in soils. It is also necessary to actively use economic mechanisms for stimulation of the land protection activities among agricultural producers:

- penalties for land degradation;
- exemption of farms from taxes in the amount of money invested in land protection;
- providing government subsidies to agricultural producers for purchasing environment safe techniques and technologies;
- concessional loans to enterprises that invest their own funds in the measures for reproduction of land, protection of land, and reclamation of land.

Protection is needed not only to land, but also to air, water, flora and fauna resources, and all environments surrounding a person. The combination of these problems explores ecology.

Ecology is complex of issues related to human interaction with the environment, including economic, legal, engineering, technological, ethical and other aspects of this problem. Ecology is not just a science but also an ideology that permeates all areas of science and human activity. Its main goal is to optimize the interaction between society and nature, which prevents imbalance of natural systems and thus the conditions of society's vital functions [1, c. 12].

For humans nature is an environment of life and a source of livelihood. Optimal environment is a normal state of nature with normal operating processes of substances' turnover and energy flows.

Human activity affects the environment, and this effect increases with the development of society and the increasing weight of substances that are involved in production. Human impact on the environment became so large that it had turned into a threat to breach the existing balance in nature and

an obstacle to further development of productive forces.

People have been perceiving nature as an inexhaustible source of material wealth for a long time. But the negative consequences of human impact on nature gradually convinced humanity of the necessity of environmental protection and rational use of its resources, including in respect of rural areas.

### Conclusions

Thus, rural areas are very different in natural conditions and types of economic activity. Most pollution of the environment in rural areas is done by the enterprises of mining and manufacturing production. However, agricultural production also generates significant environmental problems, the main factors of which are fertilizers, pesticides, intensive livestock waste. Rural territories have environmental problems associated with the following circumstances that are typical for most rural communities:

- the human impact on large areas (virtually 100 % of areas experience human impact);
- small percentage of forest area and insignificant percentage of area under the meadows;
- high level of soils' erosion;
- contamination of soil and water reservoirs with fertilizers and pesticides.

It is important to determine the degree of stability of ecological systems to anthropogenic influences. Resistance rises from the sandy soil to clay soil, from alkaline to acidic soils, with an increase of the annual moisture and an increase of the biological productivity of plant communities – both natural and cultural. Destruction of forests increases washed away soil, leads to silting of rivers, reservoirs, and flood arrays. The active migration of chemical elements in ravines of the reservoir leads to pollution of surface waters. And such pollution can be extremely toxic, because elements such as mercury, strontium, lead, cadmium, zinc are the most mobile in most soil types, and therefore are the most dangerous ones.

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**Section 4.**

**MAJOR TRENDS IN THE DEVELOPMENT OF  
MANAGEMENT SYSTEMS OF HOUSING AND  
COMMUNAL SERVICES**

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STATE REGULATION OF HOUSING CONSTRUCTION IN UKRAINE

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*The ways of further development of residential areas that require improvement of legal regulation of investment and construction activity are proposed. Principles of the process of drafting regulations on construction are grounded.*

*Keywords: public policy, housing, demand dissatisfaction, legal regulation, principle.*

**Ковалевська О. П. Державне регулювання житлового будівництва в Україні**

*Визначено шляхи подальшого розвитку житлової сфери, що вимагає вдосконалення нормативно-правового регулювання інвестиційно-будівельної діяльності. Обґрунтовано принципи процесу розроблення нормативної бази з питань будівництва.*

*Ключові слова: державна політика, житлове будівництво, незадоволення попиту, нормативно-правове регулювання, принцип.*

**Ковалевская О. П. Государственное регулирование жилищного строительства в Украине**

*Определены пути дальнейшего развития жилищной сферы, требующей совершенствования нормативно-правового регулирования инвестиционно-строительной деятельности. Обоснованы принципы процесса разработки нормативной базы по вопросам строительства.*

*Ключевые слова: государственная политика, жилищное строительство, неудовлетворенность спроса, нормативно-правовое регулирование, принцип.*

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### Introduction

Nowadays it is a time when active formation of comfortable and efficient accommodation spaces for the population in Ukraine becomes one of the most important objectives of public policy. This problem is being solved within the framework of housing policy at the expense of housing development, changes in its structure; increasing the funding and increasing the volumes of reconstruction and repair works of existing housing stock as well as protection of rights of housing stock users and owners.

### Analysis of recent research

The importance and significance of the theme attracts the attention of many scientists, among which we can distinguish such as: A. Asaul, I. Brizhan', V. Babaev, S. Bushuev, P. Bubenko, V. Buzyrev, P. Borschevsky, V. Bolshakov, V. Heyets, N. Gura, E. Datsiy, V. Dorofiyenko, I. Dragan, B. Danylyshyn, V. Dubischev, J. Geller, E. Egorov, M. Yermoshenko, T. Zavora, I. Zapatri-na, D. Zhukova, A. Karlova, T. Kachala, M. Koretskiy, V. Kirnos, E. Klyushnychenko, I. Korkun, I. Kucherenko, V. Kravchenko, Y. Lega, R. Larina, V. Lyubarov, V. Mamutov, Y. Mantsevych and others.

### Statement of research objectives

– to identify ways of further development of housing sphere that requires improvement of

normative and legal regulation of investment and construction activity;

– to justify the principles of the process of drafting regulations on construction.

### Results

During the last decade in the construction complex of Ukraine there have been considerable structural and technological changes associated with the overall reform of economic and social policy in the state and the implementation of international norms and standards, both in design and in construction of housing for civil and industrial purposes.

Public administration body governing building complex in Ukraine is the State Construction Committee of Ukraine, whose core competencies include:

– development and implementation of national policy in the field of construction, architecture, urban planning, housing and communal services; the development of system adequate to current economic conditions and forms of state regulation of these areas;

– contribution to the formation of market relations, social partnership, system of state guarantees for the workers in investment, construction and housing and communal spheres;

– coordination of management bodies' work in Ukraine on matters within the competence of

the State Committee on Construction, Architecture and Housing Policy of Ukraine;

- conducting scientific and technological policies, development of normative documents' system on construction, urban planning, engineering searches, design and operation, capital repairs and reconstruction of housing and communal spheres of economy;

- development of state housing policy and participation in its implementation; preparation of proposals for the formation of development programs of social sector and communal infrastructure [1];

- policymaking of structural adjustment of the base of construction industry and industrial building materials and the promotion of its implementation;

- taking practical measures to improve urban planning and system of settlement, improving the quality of architectural planning and architectural art-based solutions of buildings, structures and enterprises during building the cities and other settlements in order to create valuable habitat for population [2].

Legal and institutional arrangements of any activity in the field are regulated by a number of laws and regulations, including: Laws of Ukraine «On investment activity» (1992), «On the basis of urban planning» (1992), «On Architectural activity» (1999), «On the territory planning and building» (2000), «On licensing of certain business activities» (2000), resolutions of the Cabinet Ministers and orders of the State Committee on Construction, Architecture and Housing Policy of Ukraine, state building codes of Ukraine and standards.

Currently 1300 normative documents of the state level (state building codes, standards, etc.) are valid in Ukraine, including about half of the normative documents of the former Soviet Union, of which 10 percent are state building norms.

Much of the normative materials in construction legislation occupy legal and technical documents. Normative documents in the construction industry include design standards, technical requirements for building materials and structures, rules of organization and technologies of building production. State Construction Norms (SCN) contains general requirements for different types of construction activity. They are developed for products, processes and services in urban planning and building (research, design, construction, reconstruction, planning and building of settle-

ments and territories) and in the field of organization, technology, management and construction economics. These rules are approved by State Construction Committee of Ukraine.

Institutional building codes (IBC) are developed by relevant state agencies under the approval of the State Construction Committee of Ukraine in case of State Construction Norms' absence, and, if necessary, the establishment of requirements exceeding or supplementing the requirements of SCN, taking into account specific character of activity of organizations and enterprises of these state agencies.

The regional building codes (RBC) contain regional rules development of human settlements and territories. They are developed by local state administrations with the approval of State Construction Committee of Ukraine.

State Standards (SS) establish organizational, methodical and general technical requirements for objects of investment, including construction and industrial production of construction supplies, ensuring their development, production (manufacturing) and exploitation (use). They are approved by the relevant economic ministries, departments, and in building sphere by the State Committee for Construction, Architecture and Housing Policy of Ukraine.

Technical Specification (TS) establishes requirements for specific types of industrial production of construction and other purposes, its use, packaging, labeling, acceptance, control and testing, transportation and storage. They are approved by the concerned organizations with the agreement of the State Construction Committee of Ukraine or other agencies, which belong to the sphere of production organization of relevant products. The generalized document in the construction is the Building Norms and Rules (the BNR). It should be noted that a large number of currently existing building codes was adopted in Soviet times, which therefore require urgent adjustment of their content in accordance with the present level of technological development. For example, in Ukraine there are no regulatory requirements for the design and construction of buildings up more than 73.5 meters. Therefore, all high-rise objects are considered experimental and their projects must be agreed in the Ministry of Construction. Thus, the development and approval of technical requirements for the construction of tall buildings is a priority of building regulations. The BNR contain not only technical but also legal norms.

To ensure the development of innovative construction industry there is a need to constantly update and improve the normative base in this sphere. Development in Ukraine of the normative base on construction, adapted to the international requirements, solving the problem of raising the technical level, quality and reliability of domestic products and ensuring its competitiveness are possible only with identifying key directions of the normative base's development of construction in Ukraine in the years ahead.

In this regard «The Concept of implementation of public policy on the normative base of construction in Ukraine till 2015» (Order of July 14, 2010 № 1436-r) was developed and approved by the Cabinet of Ministers of Ukraine. Its purpose is to establish principles and mechanisms of public policy implementation on the normative base of construction.

This Concept implies that in the process of developing the normative base on construction the following principles should be observed:

- transparency and accessibility for all participants in the construction market (investors, customers, designers, contractors, government agencies, consumers);
- consistency, coherence and unification of terminology normative legal and acts, regulations of technical documentation;
- priority of mechanisms of technical regulations' application in the process of implementing unified public policy in the construction sphere;
- use of international experience and taking into account the specific features of the construction industry;
- ensuring planned manner and gradual process of development of new, revision and updating of existing regulations of a technical nature and normative documents [5].

Given the proposed goal the basic principles of the development of the construction's normative base are:

- ensuring the safety and security of buildings and structures;
- providing an innovative model of industry development;
- promoting development of domestic production;
- creating conditions for fair competition in the market of construction products and works;
- ensuring proper identification and compliance of construction, building materials and products according to their purpose;

- achieving the rational use of national resources;

- removing unnecessary restrictions and technical barriers in the construction market [3, 4].

Developing the effective normative base for the construction sphere, which should include normative and legal acts of the Verkhovna Rada of Ukraine, the President of Ukraine and the Cabinet of Ministers of Ukraine, normative acts of a technical nature (state building codes, industry construction standards) and regulations (standards, specifications) requires :

- formation of professional space for drafting the norms and standards in the construction sphere;
- cooperation with international and regional organizations on the matters of drafting norms and standardization in the field of construction;
- providing feedback of developers of normative base on construction with the consumers and regulatory authorities.

As result of implementation of this concept the following can be achieved:

- development of normative base on the construction matters with defining the mandatory requirements for buildings, structures, production of construction supplies and taking into account new technologies and efficient development;
- dissemination of normative base on construction for the period of the life cycle of buildings;
- development of mechanisms for monitoring compliance with safety requirements;
- improvement of mechanisms for the accelerated introduction of innovative products;
- preservation in the normative base for building national architectural, technical and technological features, traditional approaches to development of human settlements;
- development of normative base on construction for the two consumer groups - designers and developers of software design;
- harmonization of normative base on construction and conformity assessment procedures of construction products with regulatory framework and procedures that operate in the technically advanced countries (regions);
- revision of state standards, building codes and regulations of the former Soviet Union;
- adapting state building norms to the normative base of the European Union and harmonizing national normative documents in the construction with the referred basis [5].

In order to improve state regulation of construction the Law of Ukraine «On amending cer-

tain legislative acts of Ukraine to improve state regulation in the field of housing construction» was adopted in 2010.

It introduces certain changes in the Housing Code of the Ukrainian Soviet Socialist Republic, the Civil Code of Ukraine, the Law of Ukraine «On investment activity», «On local self-government in Ukraine», «On the planning and building of the territories», «On financial and credit mechanisms and property management in construction of housing and real estate operations», «On the prevention of the effects of the global financial crisis on the construction industry and housing construction» and others.

In 2011 the Ministry of Regional Development, Construction and Housing and Communal Services of Ukraine completed the preparation of regulatory acts of the Government needed to implement the Law of Ukraine «On regulation of city planning», which entered into force in March 12<sup>th</sup>, 2011. In accordance with the requirements of the mentioned Law, the central executive authorities drafted the resolutions of the Cabinet of Ministers of Ukraine, which settled a number of issues related to reform of city planning, including the following:

- Resolution of the Cabinet Ministers of Ukraine from 13.04.2011 № 461 «The question for the commissioning of completed construction projects»;

- Resolution of the Cabinet Ministers of Ukraine from 13.04.2011 № 466 «Some questions of implementing the preparatory and construction activities»;

- Resolution of the Cabinet Ministers of Ukraine from 23.05.2011 № 547 «On the approval procedure the application of construction standards, developed on the basis of national technological traditions, and construction standards, harmonized with the regulations of the European Union»;

- Resolution of the Cabinet Ministers of Ukraine from 25.05.2011 № 548 «On approval procedure of the examination of urban planning documentation»;

- Resolution of the Cabinet Ministers of Ukraine from 23.05.2011 № 549 «On the formation of territorial bodies of the state archive of house inspections»;

- Resolution of the Cabinet Ministers of Ukraine from 23.05.2011 № 551 «On amendments to the resolution of the Cabinet Ministers of Ukraine dated from December 5<sup>th</sup>, 2007 № 1396»

(On Licensing Certain Types of Business Activities in Construction);

- Resolution of the Cabinet Ministers of Ukraine from 23.05.2011 № 553 «On approval of the exercise of state architectural and construction control»;

- Resolution of the Cabinet Ministers of Ukraine from 23.05.2011 № 554 «Some aspects of professional certification of responsible contractors in certain types of works (services) related to the creation of architectural objects»;

- Resolution of the Cabinet Ministers of Ukraine from 25.05.2011 № 555 «On approval of procedure for public hearings for consideration of public interest during the drafting of urban planning documentations at the local level»;

- Resolution of the Cabinet Ministers of Ukraine from 25.05.2011 № 556 «On procedure for exchange of information between the town-planning and state land cadastre»;

- Resolution of the Cabinet Ministers of Ukraine from 11.05.2011 № 557 «On approval of procedure of the placement the construction objects to the IV and V degrees of complexity»;

- Resolution of the Cabinet Ministers of Ukraine from 25.05.2011 № 558 «On the approval procedure for maintenance of activity of state architectural and construction inspectorate of Ukraine and its territorial bodies with the necessary resources»;

- Resolution of the Cabinet Ministers of Ukraine from 25.05.2011 № 559 «On the urban planning cadastre»;

- Resolution of the Cabinet Ministers of Ukraine from 11.05.2011 № 560 «On the approval procedure of construction projects and their expert examination».

Analysis of housing provision in Ukraine suggests that lack of support and control of housing construction by the state, lack of financial and credit system, the lack of stimulating factors in resolving issues of construction, greatly exacerbated problem of creating new housing in the country. High uncertainty of political and economic environment leads to a reduction in residential real estate construction, to increasing of the prices' level for existing housing, and, therefore, to dissatisfaction of the population's demand for housing.

### **Conclusions**

It should be noted that this negative situation in the area of housing construction deepened since the beginning of financial and economic crisis. Namely there was a decline in the construction

production as it has been demonstrated in previous sections of this work. Therefore, the questions of taking the construction industry out of the crisis, increasing the volumes of construction become of a very important character for the country today.

So, nowadays the domestic construction industry is in recession. The causes of this negative

situation for the construction industry are the lack of funding under the antirecessionary laws passed by the state to support the construction market, and that procedures, provided by anticrisis laws, were not developed or are in various stages of development.

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THE FUNCTIONING OF THE SYSTEM OF INNOVATIONAL MANAGEMENT  
IN UTILITIES SECTOR OF ECONOMY

*Directions of innovative management of public utilities are proposed. The main task of management of communal property in the state is defined.*

*Keywords: public administration, objectives, innovative development, mechanism reform.*

**Костерін В. А. Функціонування системи інноваційного управління комунальним господарством**

*Визначено напрями інноваційного управління у сфері комунального господарства. Визначено основні завдання управління комунальним майном в державі.*

*Ключові слова: державне управління, завдання, інноваційний розвиток, механізм, реформування.*

**Костерин В. А. Функционирование системы инновационного управления коммунальным хозяйством**

*Определены направления инновационного управления в сфере коммунального хозяйства. Определены основные задачи управления коммунальным имуществом в государстве.*

*Ключевые слова: государственное управление, задача, инновационное развитие, механизм, реформирования.*

**Introduction**

Utility's sector of economy holds a special place among the industries that make up areas of economic systems. In the works of most scientists utility's sector of economy is being studied as part of those industries, which are providing remunerated services or in conjunction with housing branch of economy [1, 2]. This approach is traditional and it is based on common features, which are common for both housing and communal services. However, in our opinion, it is somewhat misleading, because the municipal economy has features that allow it to be separated from housing and other industries and to be considered as one particular branch of territorial economic complex.

**Analysis of recent research**

The problems of ways to reform housing and communal services were studied by well-known domestic and foreign scientists: A. G. Alshevskiyh, A. I. Bezlyudov, A. Blohnin, B. V. Burkynskyy, A. Butenko, J. Galbraith, T. Thunderbird, N. Kostecki, L. K. Polezhayev, A. Raykov, V. S. Romeyko, E. E. Rumyantsev, A. N. Ryahovska, F. G. Tahi-Zade, L. Shalabay. However, many issues still remain vague at the present stage.

**Statement of research objectives**

– to identify areas of innovation in management of the field of public utilities sector of economy;

– to identify key issues in management of municipal property of the state.

**Results**

The problems of innovative management in housing units are becoming more relevant in connection with the implementation of a state policy regarding an introduction of innovative mechanisms in the development and promotion of scientific and technical progress in this sector, which found its reflection in such laws: the law of Ukraine «About the management of the objects of state property» [3], «On financial leasing» [4], «On agreements of production sharing» [5], «On the wholestate reform program in the sphere of the development of utilities sector of economy in 2009-2014 years» [6], the resolution of the Cabinet of Ministers from 17.10.2008 «On approving the regulations on purchase of goods and services by the means of public funds». According to these and other laws, innovative approach in the development of utilities sector of economy is of a high priority and an important task. This process is accompanied by further transformations in the system of regional and local authorities, which are aimed at solving the problem of their efficiency in operation. Also market mechanisms are being implemented in the process of running the municipal (communal) formations, which justify the specific features of budget services.



An effective management in communal area consists of managerial innovations from the perspective of the effectiveness of resource management from a side of companies which are a part of state or municipal property for the matter of providing high efficiency of their activities. It assumes a high level of education of state and municipal (public) employees, developed legislative regulations, methodological and methodical accomplishments, the transparency of technologies being used in their activities, a variety of forms for registration of public opinion, a positive image of government and enterprises, etc. The role of a resource management in this sense will solve many problems in the organizational and economic development of local public entities.

If state and regional levels of management currently have theoretical and legal framework of functioning, the municipal management is being under development, both in theoretical and practical matters. Moreover, scientific and theoretical process of conceptual and methodological foundations of the effectiveness of municipal management significantly lags behind the practical process.

Today the theory of municipal management is based on known basics of the general management theory, the theory of state governance, and at the stage of formation.

Problems of an effective functioning of the utilities sector of economics are set before all by administrative and budgetary reforms, as well as the reform of local self-government. The practical absence of methodological, legal, informational, methodological and other types of ensuring of the process of municipal (communal) management in the terms of reforms led to the novelty and complexity of the problems, shown in this paper.

In the works of scholars practically there are no questions, which are devoted to the complex study of the nature and the prospects for innovation in the management of public services in the region. Existing studies tend to consider some separate problems of the formation of the budgetary resources and operation of public utilities. Almost raw in evaluation remains the problem of the judgment of the resultativity in management of public utilities, because its solution requires the specification of theoretical and methodological bases of research of the results in the management of these resources, the analysis of the strategic conditions of improving the quality of housing of local population and the actual dynamics

performance of the level dynamics, organizational development and economic mechanism for solving these problems.

Currently in unsuccessful attempts to reform municipal sphere of economy lies a resultless application of the basics of classical and neo-classical theory, which involves the analysis and implementation of reforms and development of programs with isolation from social, political, psychological and other factors development. Rethinking approaches, methods and principles for the reformation and development of public utilities should go next to the fundamental study in this area. Thus, one of most prominent approaches is the use of an institutional concept, which will give us a possibility to provide a more objective assessment of the socio-economic and production processes that occur in public services. These limitations began to emerge in the analysis of individual behavior and interaction between people at different levels, inaccurate forecasts, which reflected an increase in dissatisfaction with the result. The use of institutional analysis allows more accurate assessment of the economic processes taking place in the society by not only economic but also social, political, psychological and other factors of development.

An application of the institutional approach for the solving of problems gives a possibility to identify special features of the communal forms of management as an independent object of study in the management area, is particular residential units in the region. Features of utilities as socio-economic systems are resulting from the specificity and mode of public management, since they are objects of this management. The main feature is that the population acts simultaneously as the target, object and the subject of management, therefore, a person is the main local resource that is tied to a particular place, that's why the local community and elected by it organs of state power (municipality) is an organization primarily of a social nature, which pursues non-profit purposes and managing it is far more difficult because of the global dependence of the municipal (local) power on the will and interests of the population and a big quantity of simultaneously solved problems. This area of management, unlike public management, is using mainly methods of partnership and corporative participation leaving the methods of coercion aside.

Today an effective management of any system should be used and based on the knowledge of

the basic laws of functioning and development of an organization. These laws include the law of composition, the law of proportionality, the law of the least, the law of synergy, the law of the conregularity, the law of the unity of analysis and synthesis, the law of self-preservation.

Principles and approaches for an objective regulation of natural monopolies such as enterprises of water and drainage, gas and heating supply are derived from the essence of the functioning of these enterprises. Complete absence of market mechanisms in their activities with an objective necessity requires the presence of the relevant regulators from the side of the state in the areas such as normalization (establishment and compliance with standards and regulations), pricing, the policy of the antimonopoly and competitive development. Low levels of state and municipal management, unacknowledgement with the laws and mechanisms of strategic management have led to a systemic crisis in public services.

Thus, the failure of the principle of composition have led to the chaotic operation of public utilities, which is expressed in disagreement and disunity of the goals, objectives, executives and managers at all levels in accordance with a management hierarchy. Failure to comply with the principle of compositionality is manifested in the duplication of functions and processes (jobs) in the system of municipal utilities. Thus, housing complexes of the oblast' and regional entities are controlled directly as state departments of regional, district administrations and executive committees of village, town, city, district and regional councils headed by the mayor. Overlapping of the functions, decision-making and implementation processes have led to the disunity in most municipal systems.

In these circumstances as urgent become problems of management of the subsystem in resource ensuring of collective utilities (legal, methodological, resource, informational) and the effective functioning of the managing subsystem, which components include personnel management, development of managerial decision, coordination of the development of projects in the sphere of public utilities. All this requires the development of new approaches and mechanisms for the administration of territorial resources in order to support the innovative development in the sphere of public utilities. According to a systematic approach, the process can not be competitive if the subsystem of resource

supply is ineffective. First of all, the problem of the management of resource development affects competitive relations in this sphere, meaning that the process of municipal resources shall be a subject of competitive relations.

At the present the problem of an effective resource management is mainly investigated with respect of resource potential of the country, but the modern Ukrainian conditions require a separate and more wide research at the regional level, which is caused by a number of circumstances:

First, territorial entities are forced to seek new revenue sources of socio-economic development. Second, reforming the state and municipal administration puts the question of increasing the effectiveness of housing and communal economy. Thirdly, the resolution of these questions determines the resource availability of the powers of local government in a budget reformtion. Fourth, giving the economy the nature of innovation is an essential condition for improving the quality of life.

So, along with deepening and systematizing of research on resource management subsystem at the regional level, it is relevant to the study the problem at the municipal (local) level. Municipalities are trying to compensate the gap between resource opportunities of municipal (public) entities and obligations imposed on them by the state bodies by finding not only additional financial resources, but also by the means of the search of innovational technologies in management of financial resources of municipal (local) communities. In this context the reform towards greater organizational and economic independence of local authorities must become the factor that will balance financial relations in this sphere.

Currently, violations in the management of local resources can be explained not only by the lack of local budgets, but also the lack of appropriate legal documents or ignoring them in the activities of local government, lack of qualified personnel, and especially not sufficiently high level of theoretical and methodological evaluation of the effectiveness in local resource management. Both science and practice show that the standard of living of a nation and its well-being depend on a systematic approach to the management and efficiency of management, meaning the scientific and educational resource, which is the main component of innovativeness of the economy. Today, more and more value is created by intangible assets and intellectual capital.

In this regard, for innovative development of certain municipal utilities (municipal) entities it is essential to apply new approaches and principles aimed at the active use of innovation and new technologies in the municipal area. In the conditions of reformation of the state municipal management there is a need to develop effective approaches towards evaluating the effectiveness of resource management of municipalities. This fact makes it actual to study the whole complex of issues that involve resource management of municipal formations, particularly in the development of a resource management in the context of methodological and systematic approach in evaluating the effectiveness of management. Innovations in the field of housing and communal complex, namely in the administrative and management unit (as a subsystem of local authorities) are not quite clear not only in municipal management, but also in other types of business entity ownership.

These objective circumstances require the formation of innovative resource management in state utilities area, the assessment of effectiveness of its functioning, the specification of the conceptual apparatus for the realization of this management system.

The operation of the system of innovation management in the sphere of state utilities involves: the establishment of management objectives, the introduction of new organizational forms of production and management of enterprises, the formation of an ordered system of management functions, the formation of indicators for evaluating the effectiveness of management, the development of methodological approaches towards the performance of management, the development and implementation of ministerial and regional target programs, the introduction of monitoring studies on the results of management;

According to the municipal development strategy, based on innovation and using the method of program-target planning the system of so called «tree goals» is being formed together with the objectives in achieving the main goal. Adequate resources should be allocated for each of the functions (tasks), which in turn should be a subject of continuous monitoring. The goals and benchmarks of performance in the various areas of public utilities will look the following way. The general objective of utilities is based on the innovational basis of improving the quality of life. This goal in turn implies to an improving of the usage of economic resources in public services.

According to the key objective of the first level of the «tree», one of the most important purposes one of the main goals of the second level (subsystem) of public utilities is to ensure the effective utilization of economic resources with the aim to maintain high rates of economic development of the municipal complexes.

The objectives of the third and next level or the effective use of the economic resources are represented as follows:

1. The efficient use of natural resources that are in the territory of a state.

2. The effective use of fixed and current assets, which are municipally owned.

It is essential to build appropriate organizational structure taking into account the institutional approach while implementing the strategic goals of the management subsystem.

According to the goal which is set regarding the development of state utilities the new organizational forms of management of utilities should be implemented. They will ensure the consolidation of the interests of the population, business and local government on many fundamental issues of social and economic development of territorial entities and will void the duplication of functions and consequently irresponsibility. In order to implement the goals and objectives one should clearly define the set of functions, and they must be tied directly to the responsibility of local authorities.

### **Conclusions**

Thus, in the basis of reforming the municipal unities lies an unsuccessful application of the basics of both classical and neoclassical theory, which involve the analysis and implementation of reforms and applications development in isolation from social, political, psychological and other factors. There is also the lack of effective system of management in the context of complete ignorance of basic laws, approaches and principles of operation and development of the organization.

The specialities of the communal enterprises as socio-economic systems, arising from the specificity and mode of communal governance and being the objects of this management, have been established. The main feature is that the population acts simultaneously as the target object and the subject of management, therefore, a person is the main local resource that is tied to a particular place, because the municipality is an organization of a primarily social character, which pursues non-profit goals and managing it is much harder because of the global dependence of the municipi-

pal (local) power on the will and interests of the population and many problems being simultaneously solved.

It is necessary to introduce the new organizational forms of management in the sphere of state utilities that will ensure the consolidation of the interests of the population, business and local government on many important issues of socio-economic development of territorial entities and will void the duplication of functions resulting

irresponsibility. In order to implement the goals and objectives one should clearly define the set of functions, and they must be tied directly to the responsibility of local authorities and people responsible for the implementation. For the establishment of the promising directions for further research it is logically to include the process of development of new organizational forms in the functioning of utility's sphere of economy with regional structures taking into account.

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CONCEPTUAL FOUNDATIONS OF FORMING STATE GOVERNANCE  
 OF HOUSING AND COMMUNAL SERVICES SECTOR

*System of relations between industry, local authorities and business management utilities is evaluated. Regional model of the system of relations in housing is defined. The municipal model of the system of relations between industry, local authorities and business management utilities is substantiated.*

*Keywords: government, housing, utilities, institutional component, modernization, market mechanism functioning.*

**Рибачук В. Л. Концептуальні засади формування державного управління житлово-комунальним господарством**

*Досліджено систему взаємовідносин галузі, органів місцевого самоврядування та суб'єктів управління ЖКГ. Визначено регіональну модель функціонування системи взаємовідносин у ЖКГ. Обґрунтовано муніципальну модель функціонування системи взаємовідносин галузі, органів місцевого самоврядування та суб'єктів управління ЖКГ.*

*Ключові слова: державне управління, житлово-комунальне господарство, інституціональна складова, модернізація, ринковий механізм, функціонування.*

**Рибачук В. Л. Концептуальные принципы формирования государственного управления жилищно-коммунальным хозяйством**

*Исследована система взаимоотношений области, органов местного самоуправления и субъектов управления ЖКХ. Определена региональная модель функционирования системы взаимоотношений в ЖКХ. Обоснованно муниципальную модель функционирования системы взаимоотношений области, органов местного самоуправления и субъектов управления ЖКХ.*

*Ключевые слова: государственное управление, жилищно-коммунальное хозяйство, институциональная составляющая, модернизация, рыночный механизм, функционирование.*

### Introduction

One of the reasons of the critical state of housing and communal services sector lies in insufficient attention from the state to the institutional component of its modernization process. It has priority significance for this sector's growth and creation of necessary conditions for the life of the population by improving the quality of housing and communal services. This calls for implementation of structural reforms which will deliver a new model of exploitation and development of housing stock to ensure its reliable and high quality service with regard to the interests of consumers. Otherwise, the cost of housing and communal services will maintain at a high growth rate in parallel with reduction of their reliability and quality.

### Analysis of recent research

On the relevance of state governance of housing and communal services' modernization process indicate numerous theoretical studies and generalizations of both domestic and foreign scholars, including: B. I. Adamov, V. N. Amitan,

A. V. Babak, L. V. Bezzubko, P. Y. Belien'ky, I. K. Bystryakov, B. M. Borschevsky, M. P. Butko, B. M. Danylyshyn, O. I. Datsiy, V. M. Inyakin, B. T. Kliyanenko, N. Y. Konysheva, M. H. Korytsky, G. O. Kramarenko, V. I. Kutsenko, Y. V. Makogon, Y. M. Mantsevych, L. V. Melnyk, N. I. Oleynik, Y. V. Ostapenko, T. M. Strokan', G. I. Onischuk, V. P. Poluyanov, Y. M. Samokhin, D. M. Stechenko, V. I. Torkatyuk, L. M. Shatenko and others.

### Statement of research objectives

- to investigate the relations' system in housing and communal services sector, local authorities' bodies and subjects of housing and communal services' governance;
- to define regional model of functioning of relations' system in housing and communal services sector;
- to justify municipal model of functioning of relations' system in housing and communal services sector, local authorities' bodies and subjects of housing and communal services' governance.

## Results

At present one of the main problems in housing and communal services sector in Ukraine is the lack of effective market mechanisms. To understand the reason of this phenomenon one should bear in mind a significant difference of this sector from other sectors of economy. They are not forming systems; they are rather complementary systems of economic sectors that are not independently involved in the international and national domestic division of labor, but support the functioning of sectors of specialization, thus affecting the competitiveness of the latter [6, p. 112].

Let us consider scientific bases of state governance of the housing and communal services sector's development [3, 5]. As it is known market economy of any country can have the following options for its operation and development:

1. Copying of international experience, global development of small and medium business and immediate inclusion in global processes. This leads to the elimination of the majority of producers of agricultural and manufacturing industries at the expense of imports, including allied export-oriented sectors with all the consequences of that.

2. Orientation on the domestic market with creation of the «iron curtain» that will ensure the survival of domestic production, but with a low level of labor productivity and a low level of population's income.

3. Export orientation (with certain restrictions on export) of raw materials and innovative productions with very high customs duties on imports for the protection of domestic producers.

4. Creation of fundamentally new governance model based on a combination of global stimulating of market activity of all segments of the population with integrating this activity into the systemic organization of society. In this case the state's economy will get such additional general systemic effect, at the expense of which it will be able not only to override the individual over-expenditures, but also to use forms of public-private partnership in housing and communal services sector and social infrastructure for a long time.

For Ukraine the combination of two latter options is acceptable. Accelerating the implementation of projects, including in housing and communal services sector, public-private partnerships contribute to the acceleration of the modernization of the economy. The infrastructure is developing and new technologies are rapidly introduced. In order to obtain the right on project realization,

public-private partnership must provide sufficient social and economic profitability, which means to be economically justified and beneficial to the society.

Here there are such fundamental properties of social and economic systems as: both cumulative and synergistic effects; the ratio between alternative (mutually exclusive) and synergistic (mutually empowering) bonds; the principle of system integrity; the principle of homeostasis in the economic, ecological and social processes; the golden rule of accumulation; principle of economy, which is expanding; contribution to the systematic organization of society, the economic fundamentals of confederation and federalism. The nature of the manifestation of these concepts when reforming housing and communal services sector is possible with the optimum combination of state and market mechanisms at the expense of management of overall risks associated with external circumstances as well as risks of design, construction and operation stages. Let us consider only three possible options.

Firstly, market relationships' subject orientation at maximizing its contribution to the systematic organization of society. The latter, represented by the government, sends a large part of this contribution for reimbursement of individual expenditures of this s market relationships' subject (domestic and foreign), reinforcing its position in domestic and foreign markets and expanding its capabilities for further increasing its contribution. This corresponds with the principle of economy that is expanding and the related no less hypothetical golden rule of accumulation (each generation preserves for future generations at least the same part of the national income, which was left for this generation from the previous one). It is evident that only in this case the principle of sustainable development of housing and communal services sector may be implemented.

Secondly, focus on the systemic organization of society based on the totality of the aforementioned concepts in combination with monopolies' information transparency and scientific organization of state regulation. Known thesis that every monopoly leads to degradation turns into its opposite – any demopolization of production leads to lower labor productivity and the competitiveness of the national economy. In particular, in housing and communal services sector the stimulation of the creation of public-private partnerships' model that can compete with private corporate structures should be forced.

Thirdly, focus on individual market activity of small and medium businesses, which will lead (with the exception of high technology), to a significant increase in capacity resources of GDP in the system, dominated by alternative bonds. They virtually exclude the possibility of using benefits from intra regional and intra regional division of labor and also from the optimization of sectoral and territorial concentration of production and settlement. Obviously, national interest for modern Ukraine lies in increasing the competitiveness of the Ukrainian economy, preventing physical, genetic and intellectual degeneration and moral degradation of the population, strengthening economic and political foundations of federalism.

The government can only be guided by those ideological provisions and interests of only those segments of society that correspond with the national interests. Simultaneously, this approach allows separating two very important concepts – «legitimate» law and «legal law». Law is legitimate, if it is adopted in accordance with procedures of its development, discussion, approval, statement and implementation approved in other laws. Only that law is legal, that corresponds with the national interest.

From words spoken above follows another very important conclusion: the optimal combination of efficiency and democratic governance is achieved only when the procedures of laws' legitimization comply with the principles of cybernetics. In terms of cybernetics long-term national interest lies in the need to shift the country on the principle of economy, which is expanding, and maintain the country's development trajectory in the plane close to settlement. Current national interest reflects the appropriate scale of development patterns' realization of each separate sector of the economy in the specific circumstances of this particular period.

At the same, infrastructure sectors' self-financing, including housing and communal services sector, to ensure the reproduction of existing capital assets is possible only under conditions of normal commodity-money relations, when the current tariffs reflect the objective needs of the sector. And consumers, by paying for the services received, ensure the reproduction process.

As it is known, for any market economy it is important to create mechanism of competitive structures to provide services in the housing and communal services sector. Under conditions of very worn-out equipment and engineering net-

works it is necessary to create conditions for simple reproduction of capital assets.

Peculiarity of Ukrainian situation has some specific restrictions on the market of housing and communal services. Namely in the current environment it is not possible to reform housing and communal services sector of the economy based on 100 % costs' compensation [4, p. 114]. This approach will inevitably lead to social tensions.

Budgetary subsidies to the housing and communal services sector (as all social sectors of the economy) must be combined with the principle of targeting. The latter is necessary for two reasons. First, to ensure that each resident is responsible for maintaining housing, for participation in public works on the objects of the communal sector and for economical use of resources. Secondly, in order to differentiate the principles of budget support according to property and demographic types of families.

Expenditure's stabilization and ensuring the competitiveness of Ukrainian economy are only possible under the condition if the state at the expense of:

- a) land rent provides partial address support for the poor;
- b) natural rent offsets the increased costs that occur on energy production, on transportation of goods and passengers, on elimination of prices' disparity in agricultural sector of the economy;
- c) structural policies ensures decreasing of the growth in the need of resources.

Under state regulation of the modernization of housing and communal services sector it is necessary to ensure a comprehensive approach to this problem at all levels of regional and territorial governance by radically changing the technology of housing and communal services sector's management of at all levels of governance. It is especially important to comply with all the principles of society's systemic organization and interaction of upper, middle and downstream levels of governance. At the same time the effectiveness of the system is determined by the effectiveness of its primary elements and its lower tiers.

The residential market functions just as any other commodity market, where there are goods (dwelling), supply and demand. Demand comes from the desire of people to obtain dwelling; the supply comes from new construction and down-time (unoccupied) dwelling.

At the same time dwelling is a specific product for the following reasons: long term of life,

permanent demand, large monetary value, many specific functions (quality characteristics), and binding to specific places.

The main consumer unit is the family. Families can be grouped into different consumer groups depending on age and social position; ranging from family of one young person who left parents and just starts his/her professional career, to family, consisting of several generations (grandmother parents, children), which intends to always live in that particular area.

The main commodity unit is a unit of dwelling (apartment, single family house), where family can meet its housing needs (rest, hygiene, food, etc.).

There are several mechanisms of demand integration of different types of families on different dwelling units. Herewith important characteristics are: the number of families that enter the market; economic and demographic characteristics of these families; tastes and preferences of families; prices, availability and interchangeability of housing as a commodity market, forecasts of housing prices and housing services; availability of loans and welfare.

All offers of dwelling on the market can be divided into a large number of categories. At that the main ones are: residential units in private ownership of residents that is opposed by public and private housing that is leased; the new housing that is opposed to housing in the old building; single family houses are opposed to apartments, urban housing is opposed to country (cottage) home.

After the classes of goods from the supply side are prescribed, the consumer groups, that have similar characteristics and requests, are determined that enables to perform analysis of the market based on demand. These groups consist of a combination of the following characteristics: age, economic status (income), psychographic characteristics (lifestyle).

Factor of the demand is the number of consumers (families). Probable demographic data makes it possible to calculate capacity of the market, to prognosis its future prospects. For example, a large number of divorces means creating new families, consisting of one person; compatible living tradition of several generations means demand on housing with a large number of rooms, etc.; age structure of the family largely determines the performance of demand for quality and size of dwelling; household income is a key indicator of financial capacity of demand on the market;

conditions of housing loans and mortgages are the main factors affecting the demand and its monetary capacity.

Factors of supply on the real estate market are closely related to general economic conditions and forecasts. The main factors are the productivity (in residential construction) and the cost of construction and repair work. Structure of the factors that affect the supply includes the following: the cost, which is a quality factor at the stage of construction and repair work; productivity, which is a quantitative factor of the stage of construction or repair; the number of property developers and builders (contractors) on the market; developers' predictions on the volume of dwelling sales on the market.

Review of the housing market in Ukraine has shown [1, 2] that the country has developed commercial housing market as a separate sector of commercial real estate market. Currently, this sector of the market attracts a small portion of sales of residential property as a marketable mass.

In Ukraine there is almost no market of public housing and residential services. Significant volume of social housing sector remains in public housing stock, which is under full administrative management and is not involved into the market turnover.

With regard to housing policy, this led to the following consequences: total gross amount of the subsidies for residential sector was decreased, the transition from predominantly subjective subsidies objective ones took place; partial privatization of social housing stock was carried out; the structure of housing market was changed, namely the sector of rental residential housing declined and housing sector in private ownership increased.

In the sector of rental residential housing the following changes are occurring: a special non-market sector of social housing is gradually released, which is intended for households with low incomes and low social status; regardless of ownership landlords of rental housing (private, public, etc.) operate on an open competitive market, establishing market prices for housing rents; share of rental housing sector is reduced in total share of the housing stock. With this there is a danger of reducing it below the minimum required level (25 %).

Analysis and synthesis of domestic and foreign experience in the formation and development of housing markets requires analysis and researches in the area of housing policy in Ukraine and



systematization of factors that affect the market as well as development of mechanisms of housing market's regulation and functioning at the regional level.

The general concept of operation and development of housing markets includes:

- formation of housing market's institutional entities, homeowners and managers of organizations.

This recommendation is aimed at engaging of a large proportion of dwelling in a market turnover and increasing competition in the market.

It can be implemented through the gradual provision of operating managerial organizations with full rights as subjects of the housing market, and also the development of legal framework regulating the creation and activities of non-government institutional residential managing organizations.

- further shift from object-subsidization of residential sector to the subject-one.

This recommendation is aimed at significantly reducing the overall budgetary burden on the maintenance of residential sector and creating economic conditions for prevention of housing stock's physical deterioration;

- improving the system of property rights' registration and real estate transactions.

This recommendation is aimed at increasing the level of property rights' protection as means of increasing the capitalized cost of housing (i.e., an increase of the investment capacity of the entire housing sector of the economy);

- creation of tax incentives for legal part of the rental housing market.

This recommendation is aimed at the withdrawal of a large part of the housing market from the zone of «gray» economy;

- creating a competitive environment in the sector of residential services.

This recommendation can be implemented by: a) the abolition of the territorial principle of the existing management organizations' activities (elimination of local monopolism); b) compulsory open publication in the mass media of all proposals in the social housing sector, presenting the results of the competition for the candidates;

- organizing relations of landlords (homeowners) and renters (tenants).

This recommendation is aimed at progressive improvement of property rights protection in the housing sector. It can be implemented by means of concluding civil and legal agreements between

landlords and tenants and gradually receiving complete juridical personality by governing housing organizations (receiving rights of use and disposal of residential real estate);

- reducing risks for the subjects of real estate markets.

This recommendation can be implemented by means of a partial change in existing legislation about the order of ensuring property rights: differentiation, accounting registration of real estate operations, management. It is necessary: a) to introduce mandatory insurance of risks during operations, b) to empower authorities, which deal with registration, with full civil and legal responsibility for actions undertaken by them.

On the local governance bodies fall all the most difficult work, especially in the modernization of objects of housing and municipal services sector, forming associations of dwelling's users and targeting principle of social protection of population when paying for housing and communal services.

The basic postulates of the general concept of forming effective governance in housing and communal services sector of the economy are:

- The development of housing and communal services sector for the country with high labor costs of the same quality can not go on the path of increasing the share of costs for public on housing and communal services since it will lead to the inflation growth, to the reduction of the competitiveness of the national economy and to the growth of social tension, which reduces even more the efficiency of production.

- There is the necessity of the problem's solution of the significant increase of productivity of individual and social labor in a modern market economy that will allow in the perspective the population to make full scope payments for the housing and communal services. Thus, a necessary condition for the effectiveness of modernization of housing and communal services sector is a combination of: gradual reduction of costs of the poor parts of population for housing and communal services as a result of targeted approach to each type of family; formation of the of population's responsibility for maintaining housing and for economical use of resources; organization of public-private partnership on financing, creating and modernizing infrastructure objects of housing and communal services sector.

The source of financing operating expenses and reproduction of housing and communal ser-

vices' objects must be, other than payments of consumers, also natural and land rent and the national system of specialized loans with developing mechanisms for managing overall risk.

The main condition of the effective housing and communal services sector of the economy is to ensure a complex approach based on the synchronization of actions at national, regional and local levels.

To create sufficient capacity in order to ensure sustainable operation of housing and communal services sector of the economy the leverage actions on the interests of the population should be formed at the strategic level of management through the widespread establishment of users of dwellings' associations; provision of targeted protection for low-income population groups; creation of guarantee funds for public housing and modernization of housing and communal services' objects.

Instrumental basis for reforming the housing and communal services system should become the model system of the housing and communal services sector's functioning on the regional level and sector, local authorities and subjects of housing and communal services on the local level. Such a system would enable the information transparency in communal (infrastructural) and housing management companies on the basis of a threetier system of management: portfolio management, asset management and operational management for the maintenance real estate objects.

Economic reliability of residential management foundation's functioning depends on the relationship between the size of profitability, service quality and price for services, since the integral value of the economic reliability of the system varies with the change of these components.

### Conclusions

Therefore, necessary conditions for the effectiveness of modernizing the housing and communal services sector of the economy are, firstly, a combination of gradual reduction of expenditures of the poor population groups on housing and communal services payments as a result of targeted approach, formation of public responsibility for maintaining the housing stock and for economical use of resources; organization of public-private partnership to finance, create and modernize the infrastructure objects of housing and communal services sector; thirdly, the source of financing the operational costs and reproduction of housing and communal services sector's objects should be, except for consumer payments, the natural and land rents, the system of national targeted loans; fourthly, the main condition of successful modernization of housing and communal services sector is the provision of an integrated approach based on the synchronization of actions at national, regional and local levels; fifthly, the need to identify instruments of influence on interests of the population through the establishment of homeowners associations; sixthly, the basis of modernization should be the introduction of models of the functioning of housing and communal services sector of the economy on regional and local levels.

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