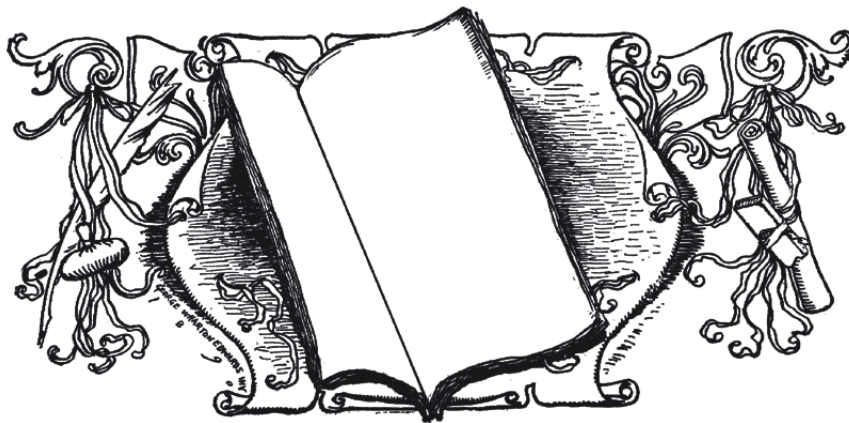


# ***PUBLIC POLICY AND ECONOMIC DEVELOPMENT***

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**Section 1.**

**PUBLIC ADMINISTRATION AT NATIONAL  
AND REGIONAL LEVEL**

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**Dr. Vyacheslav Tolkovanov,**  
**Head of the National Agency of Ukraine on Civil Service,**  
**Ph.D. in Public Law**

**PUBLIC ADMINISTRATION REFORM IN UKRAINE:  
MAIN OBJECTIVES, CURRENT STATUS AND  
PROBLEMS TO BE SOLVED**

**Annotation**

*This article presents the current status and the main objectives of the public administration reform in Ukraine. On the basis of the analysis of the Ukrainian legislation, best national and international experience, the proposals and the recommendations concerning possible ways of further modernization of the civil service in Ukraine are highlighted.*

**Key words:** public administration reform, civil service, administrative reform, National Agency of Ukraine on Civil Service, law on civil service, civil servants, service in local self-government bodies.

**Анотація**

*В статті аналізується сучасний стан і головні завдання реформування державного управління в Україні. На підставі аналізу українського законодавства, кращого національного і міжнародного досвіду, представлені пропозиції і рекомендації з приводу можливих шляхів модернізації державної служби в Україні.*

**Ключові слова:** реформа державного управління, державна служба, адміністративна реформа, Національне Агентство України з питань державної служби, закон про державну службу, державні службовці, служба в органах місцевого самоврядування

**Аннотация**

*В статье анализируется текущее состояние и главные задачи реформирования государственного управления в Украине. На основании анализа украинского законодательства, лучшего национального и международного опыта, представлены предложения и рекомендации по поводу возможных путей модернизации государственной службы в Украине.*

**Ключевые слова:** реформа государственного управления, государственная служба, административная реформа, Национальное Агентство Украины по вопросам государственной службы, закон о государственной службе, государственные служащие, служба в органах местного самоуправления

**Introduction**

An administrative reform was initiated by the President of Ukraine V. Yanukovich in late 2010 in order to implement system changes and to modernize the model for public administration that would make the government accessible, transparent and efficient. Increasing the efficiency of public administration by reforming the civil service and the executive power is one of the directions of the strategic changes established by the Economic Reform Program of the President, titled «Wealthy Society, Competitive Economics, Effective State».

The start to the administrative reform was put by the Decree of the President of Ukraine from December 9, 2010, «On Optimizing the System of Central Executive Power Bodies» [5].

On July 18, 2011 by the Decree of the President of Ukraine № 769/2011 «Issues of Civil Service

Management in Ukraine» the National Agency of Ukraine on Civil Service (NAUCS) was created with the aim to ensure the implementation of state policy in the sphere of civil service as well as the implementation of public administration reform.

The main objectives of the ongoing administrative reform in Ukraine are the followings:

1) optimization of the system of the state executive bodies;

2) reinforcement of the institutional capacity of the Ukrainian civil service in order to enable to implement the Presidential Program of Economic Reforms for 2010-2014 «Prosperous Society, Competitive Economy, Effective State»;

3) professionalization of the Ukrainian civil service; in particular by reforming the National Academy of Public Administration under the Office of the President of Ukraine; development

of the Concept of reform of training system of civil servants, local self-government officials; preparation of a pilot training program for civil service leaders in the frames of Presidential staff reserve «New Elite of the Nation»;

4) realization of the activities aimed at the adaptation of civil service to the standards of the European Union, and implementation of institution building instruments in Ukraine;

5) increasing the quality of the administrative services that are delivered by the state bodies to the citizens.

#### **Analysis of recent research**

During all years of the independency of Ukraine a high attention was paid to issues of the administrative reform and creation of the modern democratic system of public administration as an important element of the modernization of the Ukrainian State. Thus, we could point out the following researchers and scientists who devoted their works to the issues of the modernization of public administration: O. Amosov, V. Bakumenko, M. Bilynska, V. Chmyga, M. Kanavets, Y. Kovbasiuk, V. Kuybida, N. Nyjnyk, M. Pukhtynskiy, O. Rudenko, T. Pakhomova, O. Povajniy, S. Seriouguin, A. Tkachuk and others. At the same time the administrative (public administration) reform, which was started in 2010, will require additional attention and researches concerning the issues of the modernization of civil service.

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

The main objective of this article is to present and to highlight the main problems of the public administration system in Ukraine as well as the possible ways to solve the existing problem, in particular in the framework of the implementation of the administrative reform which was started in December 2010 by the President of Ukraine.

#### **Results**

Nowadays the system of public administration is not perfect. We can identify the following problems, which create the main challenges for further development of civil service in Ukraine:

- lack of professional top managers who can ensure the effectiveness of state policy realization;
- low motivation of civil servants;
- non-competitive salary;
- high staff turnover in the civil service;
- ineffective legislation;
- the system of professional training and retraining of civil servants does not meet actual needs and requirements [10].

As of January 1, 2011, the civil servants staff was almost 280 thousand employees, of which 60 % were female and 40% – male.

– the main problem for the civil service is stability, the integrated indicator of which is high staff turnover;

– between 2007 and 2010, the staff turnover rate for the civil service was 15%;

– the issue of the staff stability, succession and preserving institutional memory is possibly the most pressing one for the public administration. High staff turnover has a very negative impact on the quality of administrative services provided;

– another problem is education and advanced training. Statistics shows that between 2004 and 2010, the share of civil servants, who had received advanced training, was around 15.1 %;

– at the same time, the importance of the tasks and functions carried out by civil servants requires continuous system-wide professional improvement, as well as new approaches to educational programs and the advanced training system as a whole [2].

In this regard, one of the main missions of the National Agency of Ukraine on Civil Service is to prepare the implementation of the new Law on Civil Service, which was approved by the Parliament of Ukraine in late 2011 and was signed by the President of Ukraine on 10 January 2012 [1].

The new Law should enter into force from the 1st January, 2012. The main reasons of the adoption of this Law are the following:

– irrelevancy of current Law «On Civil Service» (1993) to the actual needs;

– weak capacity of civil service to ensure effective implementation of tasks, discrepancy of professional level of civil servants to leading public administration practices;

– non-prestigious status of civil service;

– low efficiency of corruption prevention mechanism;

– insufficiency of quality service delivery;

– absence of a transparent mechanism for the adoption and promotion in the civil service;

– absence of definition of professional competency and evaluation of civil servants.

The purpose of the Law is to improve legal regulation of the civil service according to the European efficient governance principles and in connection with the system reforms initiated by the President of Ukraine [3].

Unlike in the previous version of the Law, the founding principles of the civil service now also

include the supremacy of law, political impartiality and work transparency.

The Law determines the foundations of the civil service, the terms for entering the civil service, the procedure for carrying out and leaving the civil service, the legal status of civil servants, and the grounds of their social and legal security [8].

The above tasks are consecutively resolved in the provisions of the Law that envisage creating legal grounds for:

- creating a politically neutral civil service institution;
- increasing the prestige level of the civil service;
- regulating the status of a civil servant;
- increasing the quality of services provided by civil servants;
- implementing a transparent mechanism for hiring to the civil service;
- implementing a transparent corruption prevention mechanism;
- creating conditions for transparent work of the state power bodies;
- increasing the level of social and material security of civil servants.

The Law contains a range of principal amendments, which include:

- clear division of administrative public law and private law;
- introduction of a system-wide post classification, depending on the nature and extent of official duties;
- unified hiring standards;
- new approaches to personnel management and work evaluation;
- amendments related to the professional training of civil servants, the remuneration of their labor, benefits and incentives, as well as disciplinary and material liability.

At the same time we can point out the following innovative aspects of the new version of the Law on Civil Service [2]:

1. The Scope of the New Law. The new Law regulates relations arising in connection with entering the civil service, carrying out and leaving civil service, and determines the legal status of a civil servant. Currently, approximately 270 thousand civil servants are employed in Ukraine.

The Law clearly separates the civil service from political activity. It determines an exhaustive list of people to whom the civil service legislation does not apply (such as political posts; employees of the prosecutor's office with assigned class

ranks; judges; auxiliary and support employees of the state power bodies; employees of the state-owned enterprises, institutions and organizations; military servicemen; private and superior corps of the internal affairs and other bodies with assigned special ranks).

This allows to prevent the status of a civil servant being given to officials whose posts do not correspond to the criteria determined by the Law, and not only to decrease the number of civil servant staff, but also to prevent its further unfounded growth. Furthermore, the society will be able to clearly identify the circle of civil servants.

2. Public Regulation of the Civil service. Separating the spheres for applying principles and norms of the public and private law is one of the key principles of the European administrative space, which has been implemented through the Law on Civil Service, which regulates all the issues of entering, carrying out and leaving civil service (such as the formalities required for hiring and dismissing, vacations, social guarantees, etc.).

The necessity for the Law to distinguish between carrying out civil service and normal labor activity is caused by the fact that civil servants, while carrying out the tasks and functions of the state, enjoy a special status, ensure the rights and freedoms of the citizens, and protect the public interests. Their own rights, however, are limited, as they are basically working under a public agreement with the state. Therefore, the specifics of their official relations must also be determined by a special law.

The lack of a unified set of reasons for leaving the civil service in practice leads to the litigations and various types of misuse, including that of some civil servants who abuse their vacation or sick leave time in an attempt to avoid facing liability.

3. The Principal New Classification of the Posts, which will allow establishing a logical and transparent system for remuneration of labor, based on the principle of equal pay for equal work, and to overcome unfair inter-post, inter-departmental and inter-regional gaps in the remuneration of civil servants.

In general, all civil servants will receive higher ranks than they currently have. It is envisaged that after the Law takes effect, the heads of staff or heads of state bodies will assign a rank to each civil servant according to the new post classification, while taking the previous rank into consideration according to the procedure to be developed by the National Agency of Ukraine on Civil Service.

4. The Competences' Profile of the Civil Service Posts. The efficiency of public administration depends on the degree to which civil servants (on the central as well as local levels) understand the purpose of the reforms and possess the appropriate competence required to implement them. Unlike the previous version, the Law now utilizes a competence-based approach to evaluating the ability of civil servants to carry out the tasks defined in their job description. The new concepts (terms) have been established on the legislative level: the civil service post professional competence profile (a comprehensive characteristic of a civil service post that defines the content of the tasks carried out at this post and lists the special knowledge, skills and aptitudes required for the civil servant to carry out his or her official duties); and the personal professional competence level (a characteristic of a person determined by his or her education and qualification level, work experience, and the level of mastery of special knowledge, skills and aptitudes).

The professional competences' profiles expand the criteria of the post as established by the qualification requirements, taking into consideration not only the educational and qualification level and the term of service, but also the work experience and the mastery of special knowledge, skills and aptitudes required to carry out the official duty efficiently.

The above characteristics are tools to be used in the various human resource management spheres, including hiring, promotion, human resource planning, professional training, advanced training, career planning and career development, and work appraisal. Competence profiles will, firstly and foremost, become the basis for professional development of the civil servants: from determining personal needs for education to improvement of educational programs and approaches to improve the qualification system as a whole.

The procedure for determining special requirements to the educational profile, work experience, and the requirements to the professional competence level will be determined and approved by the Order of the National Agency of Ukraine on Civil Service.

5. Management of the Civil Service. In order to separate political and managerial activities, the Law envisages that the position of the Head of Civil Service should be introduced in the state bodies. The Head of Civil Service manages the civil service in the state power body and reports

to the Head of the appropriate body on the issues of the civil service functioning in the staff as well as in the state power body system as a whole. The functions of the Head include organizing for competitive hiring to fill the available vacancies, appointing people to the civil service posts and dismissing them from such posts, assigning ranks, making decisions related to the incentives for the civil servants, etc.

6. Competitive Hiring for Civil Service Posts. The Law establishes unified procedures for hiring to the civil service, regardless of the status of the body and the post, except for the specifics of hiring to group I civil service posts (the posts of the heads and deputy heads of a state body; members of a state collegial body with the jurisdiction covering the entire territory of Ukraine and their staff; the power bodies of the Autonomous Republic of Crimea; heads and deputy heads of a local state administration).

The mechanisms for the open, transparent and objective competition are improved by considerably detailing and regulating such issues specifically on the legislative level. In particular, the envisaged new approach to the competition is examination (testing) and interviewing, rather than testing of the knowledge of the Constitution of Ukraine and the Laws of Ukraine «On Civil Service» and «On Principles of Corruption Prevention and Counteraction».

According to the Article 11 of the Law of Ukraine «On Principles of Corruption Prevention and Counteraction», a special inspection is carried out in respect of contenders for the posts authorized to carry out the functions of the state or local self-government, which includes the inspection of data provided personally by them. The decision to assign or refuse to assign a contender to a civil service post is made after the special inspection, within 30 calendar days after the information on the winner of the competition had been made public.

7. Protection of Civil Servants Against Unlawful Actions of Superiors. The current legislation envisages only one way for protecting a civil servant, namely, the Article 11 of the Law envisages the right of a civil servant to hold an official investigation in order to remove accusations or suspicions that are unfounded in the opinion of the civil servant; however, the superior's decision to hold an official investigation is not mandatory.

The new law regulates a procedure for protecting the civil servants, which lies in adhering to a clear action plan of a civil servant in case of



receiving an unlawful order or instruction from their superior.

Article 12 determines that in case of a suspicion as to the lawfulness of an instruction received from a superior, a civil servant has the right to demand the written confirmation of such instruction; after receiving the written confirmation, the civil servant is obligated to follow the instruction. By this, the Law protects the public administration system and the principle of a single authority. In this case, the civil servant is relieved of the liability if the instruction is found to be unlawful according to the established procedure, except for the cases of following clearly criminal orders. The liability for the consequences that arise as a result of such instruction being followed is borne by the person who gave the order.

An important factor regulating the right of the civil servant to have their official interests protected is the fact that the Law allows a civil servant to contest the unlawful actions of the Head of a state body in a specially authorized central executive power body on the civil service issues; the latter must hold an official investigation according to the established procedure, in order to establish the fact of violation of the rights established by the Law, or lack of such violation, and take appropriate measures within the work sphere of the authorized body.

Another factor that makes it impossible for a superior to make a subjective decision when determining or implementing the reaction measures is establishing a procedure for holding an official investigation. A commission of at least seven people is formed by the Head of a civil service body in the state power body of the Autonomous Republic of Crimea or the civil service staff. This prevents bias and allows an objective and comprehensive process of review and decision-making in respect of a civil servant.

Therefore, the new Law envisages mutual liability of the head of the body and the civil servant, and ensures the collegial decision-making in the issues of reaction and influence measures, as well as the adherence of all the parties to the rule of law.

8. Increasing the Level of Professional Competences of Civil Servants. The Law establishes a new approach to the education of the civil servants, namely, increasing the professional competence level of the civil servants, which is done in the appropriate higher educational institutions by training, retraining and advanced training within

the professional programs, specialized courses, themed seminars, training sessions, practical training, or other training forms, according to the procedure determined by the National Agency of Ukraine on Civil Service.

The National Academy of Public Administration under the President of Ukraine is established to be the principal higher educational institution in the system of training, retraining and advanced training of the professionals in the «Public Administration» major.

Increasing the professional competence level should be organized by the Head of civil service in the state body, within the allocated expenses.

Increasing the professional competence level of the civil servants is carried out as necessary, but at least once in three years (according to the previous version of the Law – once in 5 years).

The Law envisages that professional competence profiles are developed for different civil service posts, therefore making it necessary to train the specialists according to the competence profiles, to ensure that the civil servants receive the specialized knowledge, skills and aptitudes required to carry out their official duties.

9. Civil Servant Labor Remuneration System. According to the practices of many European countries, the main part (80-90 %) of the civil servant compensation is made up by the official salary. In such countries, the main principles of the labor remuneration and the minimum guaranteed level of the minimum official salary are established by the law as a social guarantee.

The new law establishes the minimum amount of the lowest official salary as at least two minimum wages (for a subgroup V-4 civil service post), as well as the main parameters for creating the official salary scheme. This is almost 4.5 (!) times higher than the current official salaries of the specialists, particularly in the regional state administrations.

The elaboration of the new version of the Law on Civil Service opened broader debates in the Ukrainian society concerning the priorities of State policy on the personal development in all sectors. In this regard, it is important to note that on the 1st of February, 2012 the President of Ukraine signed the Decree № 45/2012 adopting the State Human Resource Policy Strategy for 2012-2020 [7]. It should be noted that this is a critical step aimed at ensuring a goal-oriented, system-wide and consistent policy in this field. A new philosophy for implementing the state human resource policy was outlined, based on the

principles of professionalism and integrity and on the advantages of the «knowledge economy», where intellectual resources create more value than natural ones.

The purpose of the state human resource policy should be to supply all spheres of state functioning with qualified personnel. In the social aspect, an efficient human resource policy must provide for a highly developed level of the state's human resource potential and satisfy the public need for the professional self-actualization and worthwhile compensation [11].

In the economic aspect, implementing the State Human Resource Policy Strategy must supply all fields of the social economy with the qualified staff and increase the welfare of the population.

A lot of attention is devoted to improving the normative and legal base, in order to implement the novel approaches in the human resource management and to develop the system for managing human resources based on the principle of social dialogue and partnership of the state and business entities.

Furthermore, the Strategy envisages improving the system for forecasting the need for training qualified employees and specialists with higher education in all spheres of the state functioning, and for forming and ensuring the fulfillment of the state order for training of qualified employees and specialists with higher education, according to the social and economic development priorities determined by the state.

The document also contains a number of important tasks, particularly related to implementing a continuous professional training of staff and a mentoring system, and to guaranteeing the first employment for the young people. Accomplishing these tasks is aimed at core modernization of the staff potential.

The state human resource policy strategy will be implemented in three stages and entails the following: developing and implementing the state human resource policy; creating the «New National Elite» President's staff reserve; developing measures aimed at preventing any conflicts of interest of the people authorized to carry out the functions of the state and regulating a conflict of interest in case it arises; implementing the electronic governance; and creating a mechanism for attracting investments for the development of the human resource potential.

The implementation of the Strategy will be financed from the funds of the State Budget of

Ukraine, local budgets, and other sources not forbidden by the law.

The Cabinet of Ministers of Ukraine is charged with the task to prepare the action plan for the implementation of the provisions of the Strategy and submit it for approval to the President of Ukraine on an annual basis.

It is important to note that the role of the National Agency of Ukraine on Civil Service in the implementation of the public administration reform should be also increased. It also includes all the activities related to the approximation of the Ukrainian Civil Service to EU standards, in particular by the implementation of the European institutional development instruments (Twinning, TAEX, CIB etc) responsible for the coordination of all Twinning related activities [2].

At the same time the realization of the administrative reform should be stressed by an important anti-corruption campaign [6].

One of the main objectives of the ongoing administrative reform is the adaptation of the Ukrainian civil service to the European standards. In this regard, we have to underline that Ukraine is a leader in the implementation of Twinning instrument among ENPI countries. Thus, in 2011 Ukrainian pipeline included 52 projects on different stage of preparation and realization:

- 14 Twinning projects (civil aviation, electricity regulation, norms and standards (technical regulation), internal financial control, competition, space, accreditation, transport (road safety and police), statistics, police and food safety, public finance, justice) – completed;
- 6 Twinning projects (gas regulation, civil service, investments, monetary policy, environmental protection and housing infrastructure) – implementation stage;
- 9 Twinning projects (judicial reform, aviation, accreditation, statistics and communications, social police, civil service and internal affairs) – contract signature stage;
- 1 Twinning projects (intellectual rights) on stage of call for proposal;
- 6 projects (transport, migration, finance, space sphere, phyto-sanitary norms and education) – Twinning Fiche preparation;
- 7 Twinning projects on stage of TOR preparation and 9 Twinning projects on identification stage [2].

During 2006 – 2010 4910 Ukrainian civil servants took part in 209 TAIEX activities. As for the spheres TAIEX is mostly involved for

internal market issues, infrastructure. The total number of the completed TAIEX events provided from 2006 to 2010 is 2009. New framework of cooperation between Ukraine and the EU, in particular, the Association Agenda, as well as the future Association Agreement, impose a number of obligations on Ukraine. TAIEX an Twinning instruments could become not only an efficient tool of for implementation of the Ukraine commitments under Association Agreement between Ukraine and the EU, but also an effective instrument for the implementation of the public administration reform in Ukraine.

### Conclusions

Ukraine started an important administrative reform in December 2010. The new National Agency on Civil Service was created by the Decree of the President of Ukraine on the 18th of July, 2011 with the important mission to ensure modernization and further development of the civil service and the service in local self-government bodies. The new Law on Civil Service was adopted by the Verkhovna Rada in the end of 2011. It was signed by the President of Ukraine on the 10th of January, 2012. During the same period other important decisions aimed at ensuring the modernization of the civil service were adopted by the main Ukrainian stakeholders (President, Parliament, Government etc.), in particular the new State Human Resource Policy Strategy.

At the same time, the main priorities for the next period of the implementation of the public administration reform could be the following:

- development of leadership in the civil service;
- combating corruption and ensuring transparency in the activities of executive bodies;
- development and implementation of new models of public administration;
- ensuring competitiveness of civil service in the labor market and optimization of payment of civil servants;
- promoting development of professional services in local self-government authorities;
- development of the integrated infrastructure of information system regarding the civil service;
- introduction of the modern approaches to the HR management in the system of civil service;
- development of tools to assess professional qualification level of officials during the selection to civil service positions;
- bringing the civil service of Ukraine in accordance with EU standards;
- increasing the prestige of civil service in Ukraine;
- improvement and simplification of the system of delivery of administrative services to citizens, including via electronic form;
- further improvement of Ukrainian legislation on civil service, in particular by the development of the secondary legislation.

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THE CONCEPTUAL BASIS OF THE INTEGRATED DEVELOPMENT  
OF AGRICULTURAL POTENTIAL OF THE REGION

**Annotation**

*The article substantiates the conceptual basis of integrated development of the rural areas. The potential of the region concerning the status and trends of development, the distribution of the productive forces of agriculture has been analyzed.*

**Key words:** *conceptual basis, integrated development, potential of the region, productive forces, agriculture, rural areas.*

**Анотація**

*Обґрунтовано концептуальні засади комплексного розвитку сільських територій. Проведено аналіз потенціалу району щодо стану та тенденцій розвитку, розміщення продуктивних сил сільського господарства.*

**Ключові слова:** *концептуальні засади, комплексний розвиток, потенціал регіону, продуктивні сили, сільське господарство, сільські території.*

**Аннотация**

*Обоснованы концептуальные основы комплексного развития сельских территорий. Проведен анализ потенциала района относительно состояния и тенденций развития, размещения производительных сил сельского хозяйства.*

**Ключевые слова:** *концептуальные принципы, комплексное развитие, потенциал региона, производительные силы, сельское хозяйство, сельские территории.*

**Introduction**

Strategic guidelines for rural areas development should be considered as the determining factor that in its essence and mechanisms is aimed at achieving certain results in the future. At the same time it also ensures the functioning of all social, economic, organizational and other subfactors required, each of which performs the specific target function. The overall performance of their functioning is achieved, in case each of them and each function performed by them represent the potential incorporated, which is formed, taking the interests of a particular strategy into account. Thus, all factors should work in concert, complementing each other and forming the synergy of strategic development on this basis. Such understanding of synergy gives grounds to consider the strategic directions from the point of their multifunctional structure that in its manifestation includes a consistent set of steps and reaches certain or expected results. To increase the effective action and interaction of the strategy factors, each of them separately and all together should be well-organized.

**Analysis of recent research**

In recent years Ukrainian scientists have established scientific approaches to solving problems of social and economic development of the state and substantiating the policy of regional development of rural areas. A significant contribution to the development of the concept of spatial organization of the society, its kinds and modifications have been made by national researchers B. Burkynskiy, Y. Boyko, P. Haydyskiy, Z. Gerasymchuk, M. Dolishniy, F. Zastavniy, V. Kravtsiv, M. Lendyel, V. Messel-Veselyak, N. Pavliha, V. Pavlov, V. Pyla, K. Prokopyshak, O. Topchiyev, O. Cherevko, O. Shabliy, H. Shvebs and others. The need to incorporate sectoral approach to rural development in this concept is noted in the works of M. Malik, V. Yurchyshyn and P. Sabluk.

**Statement of research objectives**

- to substantiate the conceptual basis of integrated development of rural areas;
- to analyze the potential of the region concerning the status and trends of development, the distribution of the productive forces of agriculture.

## **Results**

The scheme of strategy development is considered conceptual, as it is basically acceptable for any field of activity. As for the agriculture, it is confirmed by the fact that the agricultural enterprises, private farms, service structures have the greatest effect on farming, the activity of which is based on a clear vision of the near, observation (medium) and strategic future. Their success is caused by the fact that the clear definition of strategy is, above all else, a solid scientific and methodological basis of production, its social development, etc.

This orthodoxy of the strategic development enables to formulate the following conclusion: these principles may also be acceptable for the organization of the development of the rural areas that is for the implementation of strategic principles. Such conclusion does not change the fact that the category of rural development and its corresponding social and economic phenomenon are relatively new to our reality, so that they are not researched so profoundly by the scientists and are applied in practice very slowly.

The problem in question justifies the need for organizing each rural area and all of them together, using the strategic principles. They are known conceptually, but require appropriate scientific and applied revision on the situation, particularly in agriculture and each rural area. The underestimation of the problem will have a negative impact on the use of these strategic principles in the development of rural areas. However, the focus on such development should be the determining factor that contributes to the process of taking agriculture and villages to higher social economic and environmental level of development.

The strategy of development should cover all the components of rural areas. Recently the rural territory has been understood in science and practice as a multipurpose and multifunctional system, which has natural, social, economic, industrial and commercial, as well as other features and characteristics. Although similar to some extent, the rural areas differ greatly and require an individual approach to their development, primarily strategic one. Different views on rural areas have one thing in common: their social fundamental principle is the rural population, as well as the population living outside the rural area and being directly involved in its social and economic development [1, 2].

One of the strategic priorities of the development of the rural area is the interests of its society. Other strategic directions for each territory should be organized and operated to limit the degradation of existing agricultural capital, which in recent years has become dangerous and requires the creation of conditions for its maintenance and strengthening. At the same time it will prevent degradation and disappearance of the social centers of rural areas, namely villages and other rural settlements [5, p. 106]. Therefore, the determining factor in the strategy for rural development should be the ensurance of such social, economic and industrial development of each of the territories, with not only effective development involved, but also the preservation of historically formed settling network.

In practice, this should include not only traditional conservation management, but also inherent cultural and household possessions and values, etc.; building social and working environment, which would ensure the gradual transition from the current reluctance to live and work in rural areas to increasing the attractiveness of rural life and protecting the natural environment.

Diversification should become one of the important components of the strategic development of rural areas. The reduction of traditional rural industries with a sharp decline in employment in the countryside, almost mass unemployment, dying out of the rural population and other reasons cause the need for such diversity in the social and industrial areas in the country, with the development of rural settlements being supported. Without this the processes of dying out and depopulation of villages, aging of rural population, degradation of the environment, as well as rural historically conditioned identity will be accelerated [3].

With a consistent focus on sustainable development of each rural area it is important to apply in practice the conclusion of the Concept of Economic Stabilization and Growth in Ukraine, created in 1997, which states that the rate of sustainable economic growth is the greatest problem in Ukraine concerning its future. The distribution of this report now allows using it in establishing the strategy for the development of rural areas. It is necessary to specify the conventional understanding of sustainable development, taking into account the features of these areas, understanding that their sustainable development will occur when they stop degradation processes,

the signs of stabilization will be evident, and the social basis will be strengthened.

The rural areas may be strategically developed only on the basis of consistency. In practice, this depends on two circumstances: if all its elements will be considered not just by the components but by the relevant specialized subsystems, in case of effective relationship existing between them during their functioning. Complementing and reinforcing each other, they can most effectively reveal the overall individual and cumulative potential put in each of them in particular and in all of them together [4, p. 66].

The foregoing gives grounds to draw a conclusion about the necessity of taking into account the characteristics of rural areas while considering the strategies for their development. At the initial stage of the strategic development of rural areas it is necessary to carry out the scientific and applied research and prepare relevant government programs and laws. Creating conditions for sustainable development of rural areas is one of the most important strategic objectives of public policy that ensures the efficient use of the full potential of the economy of the country.

The structural and dynamic analysis shows that a number of phenomena and processes of social and economic development is evaluated from a negative point of view and there are certain trends or threats to the sustainable development of rural areas. The public administration should foresee them and resist by means of state planning, forecasting, monitoring and analyzing the situation. The need for objective assessment of strengths, weaknesses, threats and ways to overcome them requires the development of regional programs of development and schemes of planning the rural areas. In contrast to the target programs, the executives should be coordinated within such programs to achieve the strategic goal of rural development in the region.

The regional level is representative for modeling of the development of rural areas in the concept of regional policy. The objective assessment of the state and dynamic processes in Ukraine, food security and supply of the population in large cities can be obtained only at the level of rural administrative regions (SAR).

The methodology of developing medium-and long-term programs is based on the strategic vision of the future territory which is formalized in logical models of the brand including the mission of the

area. This approach is an attempt to move away from the methodology of planning based on the achieved level. The model of the region outlines the optimistic variant of development, and, therefore, is not associated with the assessment of the situation in the region in retrospective review or with the analysis of trends. The preference is given to political patterns and priorities of the development of the society.

However, it does not mean that the program-making is completely separated from the analysis of the state and the dynamics of the processes. Instead, the method of strengthening the role of analytical work is suggested. The scientific novelty of the research includes systemic analysis: the advantages of the territory; problem areas for individual characteristics; circumstances and chances to solve key issues; modeling possible dangerous trends and challenges.

SWOT-analysis methodology is based on expert assessments of factors and conditions for regional development. It provides components, found in the documents of such kind in the West. Strengths are factors of endogenous (internal) character. The potential of land and labour resources may lead to the increase of competitiveness of the region. Weaknesses are the factors (activities, resources, circumstances) that are used ineffectively and are the reasons of obstacles in the process of development. Opportunities are expert evaluation of design decisions and development opportunities of the region that can be used for alternative (non-traditional) ways of achieving the strategic goal or intermediate results of the development. In particular, the issue is about the use of scientific, natural, economic and labour potential. Threats are the phenomena, the factors and processes that can become the cause of man-made or anthropogenic disasters. The most important element of the SAR is food security and supply of food products, availability of basic food industry markets. The social and ethnic threats are the threats to the land market and the processes of hidden unemployment in the rural areas related to it, including the low employment of farmers in farming households and outside the house.

If the strengths and weaknesses, as well as opportunities are the realities that exist and can be quantitatively measured in the region, if the threat of man-made disasters is dangerous with its unpredictable character and may occur under certain circumstances in the future, the problems of food security, including food safety, in our

opinion, should be analyzed in advance in models of agro-industrial complex (AIC) district, region and Ukraine. The threats of unemployment of «the employed» farmers is a big social problem, the solution of which is a significant impediment to increasing productivity in agriculture.

The assessment of advantages and limitations is a key link of the methodology of planning rural areas. In this context it is important to distinguish between the concepts of a feature, a performance, a factor in the hierarchy of analytical or synthetic generalization. The methods determine the factors, while the performance and features are offered for the developers of the regional strategy of development to determine. The expert evaluation of strengths, weaknesses, opportunities and threats deals with the following main factors of development and distribution of productive forces in Ukraine:

- natural resources including natural and climatic resources of the region (the number of days with a positive temperature condition, precipitation, moisture, etc.);
- economic potential of the region taking into account the existing and possible sources of financing, innovation, forming own working capital, etc. [6, p. 155];
- scientific and technical potential of the region, which determines the efficiency of the use of productive forces, in particular, the possibility of maintaining a high level of use of genetic material (yielding capacity, productivity);
- the state of the environment, particularly as a result of intense activity in the sectors of economy;
- labour capacity and resources;
- recreational potential;
- the level of natural and technical security.

For rural areas the issue deals with environmentally friendly production, food safety, contamination by radionuclides, pesticides, which are present or may be present in the food;

- spatial and economic potential (regional economy). For rural areas it is necessary to keep in mind the possibility of filling the budget with income of rental origin, from wages and profits, including the income of peasants – in households, from employees – in the agricultural enterprises, rents of landlords, etc;

- human potential, particularly, as a result of growth in living standards and welfare (income, consumption of food, employment, national wealth);

- development of village infrastructure and production;

- other special factors, including the possibility of recreational facilities, tourism, hunting, fishing, etc.

Natural resources potential is characterized by the state and forecasts concerning land, water, forest, mineral, health and recreational resources and state of the environment.

The evaluation of land resources is based on studying the level and efficiency of use of land resources, land resources allocation between the parties and land users, according to the category of land subject to the level of development of inhabited areas, industrial facilities, transportation and communications, the share of land ecological network; money evaluation of the land, possibilities and conditions of functional redistribution of land. The data on quality status and the level of potential productivity of land and the efficiency of land use is provided.

The economic potential is measured by the amounts, structure, level of use, degree of wearing of the main fixed assets, the branching of manufacturing base, the share of scientific branches that are investment-capable and enterprises capable of implementing innovative models of economic growth, by the level of qualification of human resources, capacity, technical condition and density of engineering and transport infrastructure.

The scientific and technical potential is evaluated in terms of availability of research and research-experimental, introducing, information, design organizations, universities, their correspondence to specialization of the regional economy, the quantitative and qualitative characteristics of scientific manpower, the availability of scientific developments of the world-class levels, as well as the number of patents received.

The state of the environment is characterized by the levels of water and air pollution, soil, the volume of all wastes and their generic structure, acoustic discomfort, electric and magnetic fields, radiation, power, structure and perspectives of increasing the elements of ecological networks (reserves, national natural parks, biosphere reserves, nature reserves, ecological corridors, etc.).

The evaluation of working capacity includes determining the current forecast quantity and age of its workforce, training, employment and

labour market status (the number and level of unemployment, etc.).

The evaluation of spatial and economic potential (the supporting framework of the area) is performed by identifying the main lines and components of social and economic development and attracting investments: existing or planned international transport corridors and other infrastructure and communication lines, major rivers, coasts lines, borderland and the main cities placed on their intersection, as well as of the areas of their stimulating effect.

### Conclusions

Thus, the strengths of the areas are national (regional) wealth, which includes features of three kinds: natural, human and capital ones. The natural wealth is the land, its minerals, soils and climatic resources, human capital is the knowledge and skills, traditions and skills, education and culture, etc. Capital is the buildings and constructions, machinery and equipment, perennial plantings and land reclamation, livestock and poultry, etc. All these elements of the productive forces determine the competitive ability of regions.

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The weaknesses are the low efficiency of using available resources for social and economic development. Each region should seek a chance of using the opportunity to change things for the better. The threat to the development and effectiveness is the increase of unemployment among farmers, the reduction of demand for food and layoffs, which will inevitably lead to worsening of food problem. As it is seen from the analysis, the benefits and opportunities, as well as threats tend to belong to different hierarchical levels. Therefore, it is necessary to undertake a complex evaluation of the territory on the level of development of rural administrative districts which should be based on local characteristics and ratings.

The analysis of potential of the region should give a clear picture of the status and trends of development of productive forces of agricultural production in AIC, existing and potential investments, innovations that can significantly affect the competitiveness of regional products at the domestic and foreign markets, taking into account social economic and political factors.



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**INVESTMENT-ORIENTED MODEL FOR THE DEVELOPMENT  
 OF TERRITORIAL SYSTEMS**  
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**Annotation**

*Objects and subjects of a state's regional administration are defined. Regional administration as a kind of managerial activity of planning and regulation of social and economic processes in the region is investigated. The formation of a system of management of regional development is explored.*

**Keywords:** government, investment-oriented model, regional management, socio-economic process of formation.

**Анотація**

*Визначено об'єкти та суб'єкти регіонального управління. Досліджено регіональне управління як вид управлінської діяльності по плануванню та регулюванню соціально-економічних процесів на території регіонів. Проаналізовано формування системи управління регіональним розвитком.*

**Ключові слова:** державне управління, інвестиційно-орієнтована модель, регіональне управління, соціально-економічний процес.

**Аннотация**

*Определены объекты и субъекты регионального управления. Исследовано региональное управление как вид управленческой деятельности по планированию и регулированию социально-экономических процессов на территории регионов. Проанализировано формирование системы управления региональным развитием.*

**Ключевые слова:** государственное управление инвестиционно-ориентированная модель, региональное управление, социально-экономический процесс.

**Introduction**

The development and engagement of investment-oriented model of regional development helps to overcome existing imbalances, creates conditions for economic interest of enterprises and territories in increasement of their investment, provides the optimal structure of commodity production (services) for the most efficient use of total investment potential of the region, creates a favorable investment climate, forms the criterion approaches towards the impact of investment on sustainable development of the region and background components of the system changes in state governance as a set of priorities for the functioning of the regional economic system in the market.

**Analysis of recent research**

To the new theoretical and applied problems of investment great contribution made such famous domestic scholars, as: O. I. Amosha, Y. M. Bazal, P. Y. Belenky, I. A. Blank, P. P. Borschevsky, M. P. Butko, O. V. Gavrilyuk, V. M. Heyets, V. I. Golikova, B. M. Danylyshyn, M. I. Dolishnij, S. I. Dorohuntsov, B. A. Karpinsky,

V. I. Kutsenko, A. S. Lysetskyi, A. A. Peresada, M. A. Hvesyk, L. G. Chernjuk, V. I. Chizhova, M. G. Chumachenko and foreign scientists: V. S. Balabanov, B. Burns, B. I. Birman, J. M. Kens, V. V. Kovalev, K. McConnell, G. Markowitz, P. Massa, M. Miller, F. Modigliani, B. Sharp and others.

**Statement of research objectives**

- to identify objects and subjects of regional management;
- to explore the regional administration as a form of management for planning and regulation of social and economic processes in the regions.

**Results**

Equality and unambiguous relationship must exist among members of the development: nature-man-economics. For the economy of the region this means a comprehensive implementation of measures of economic, organizational, technological, scientific, social management and of other character, which will provide an effective functioning of all parts of the economy in accordance with environmental demands, the gradual integration of economies to a higher level.

The balanced spatial sustainable development is the state of relations within social production, when the optimal balance between economic growth, stabilizing and improving the quality of the environment, growing material and spiritual needs of people living in a particular area is achieved.

In our view scenario for sustainable development in Ukraine will be carried out through the balanced development of all spheres of economy and regional management on the basis of prudent accumulation and use of primarily investment resources in order to solve complex economic, social and environmental problems. Balanced development is an optimal combination of regulatory tools to influence the state of the economy, deliberate creation and implementation of the principles of regional policy, to achieve a constant balance between available resources and needs in the territorial context. Availability of resources limited in time, space, quality and quantity, particularly investment ones, may deter general economic growth and leave the problem that can worsen the whole economic situation in the region unresolved.

The existence of these problems defines a role of sustainable development of productive forces in the agro economic sector and the need for implementation of a package of measures for both close and long-term perspective, taking into account the processes occurring in the global and domestic economy, the development of instruments and mechanisms of regional development.

The need to develop a mechanism for managing investment processes of regional development is reinforced by the process of construction of a socially-oriented economic model in Ukraine, which is influenced by the feature and character of transformation processes which cause structural changes in the economy.

Regional management activity is determined by the need to improve the quality of life through comprehensive development of the economic system, the harmonization of relations with the environment.

Regional space in Ukraine requires legal regulation, as here local, regional, interregional, sectoral and national interests are crossed. This requires a flexible harmonization of regional management.

In the transitional period, when liberalization processes arise, but the directive style is completely dismantled, in the regional management processes

of legal, economic, organizational, social and environmental character need to be harmonized.

Economic supply is enabling regional authorities to fully involve investment resources for the use of natural resources, human, industrial and infrastructural potentials [3].

Institutional aspects of regional governance are manifested through changes in the structure of regional and state agencies. Practice shows that the current organizational transformations don't enhance the effectiveness of regional government.

Legal development of regional governance is possible only with improving the legal framework for all existing types of administration.

The main objective of the management of the agro economic complex of the region is to ensure smooth functioning of all parts and stages of the economic process, all participants of production, all resource components through the interaction of objects and subjects of regional management.

Regional management system includes seven blocks, namely [4, p. 53]:

- self-regulatory objects, which are affected only by the state of market conditions;
- objects that are regulated independently, but require support from the local authorities (small business);
- objects that affect the regional development, but are controlled by corporate structures (branches of joint stock companies);
- objects, activities of which are fully managed by the national government agencies (SOEs);
- objects on which regional government has an indirect influence (common enterprises with foreign capital);
- objects which are founded on regional resources and are functioning according to lease.

Experience of economic management in a liberalized environment determined its scheme, which consists of four parts: transnational, national, regional and local, each of which has its purpose, tasks and functions.

The system of regional development of agro economy is based on the following postulates [2]

1. compliance of regional economic performance to the efficiency in functioning of the agro economic complex;
2. the existence of the links between sectors of the regional system and its infrastructure;
3. an impact of the liquidity of economic entities on the final results of the activity of the territories;

4. management of vertical and horizontal relationships based on long-term standards and controls;

5. providing regional resources for the perspective and current programs of economic and social development;

6. balance of local budgets by setting differential standards of subsidies taking into account the state of the economy and the level of social development;

7. connecting the regional system of centralized administrative decisions and local initiatives in the regional reproductive processes.

Effectiveness of a system of regional management is determined by the following conditions:

The presence of an objective system of analysis of the regional development's processes is in one place on a clearly defined methodological basis of available information.

In the system of analysis should be put those priorities which the regional authorities have a real impact and for the realization of which they have the appropriate resources. The dominant feature in the approach of the analysis of regional development and performance of management is the compliance of the standards of lifestyle of the population and its individual segments and groups to the national or local standards, the presence of regional fiscal and other economic incentives for accelerated growth, the formation of opportunities to build human capacity of the region and its transformation into human capital, infrastructural maintenance of inter-regional relations, availability of appropriate natural resource and environmental capacity [5].

New approaches towards the management of regional development require the existence of statistical information and the system of social research, the introduction of modern information technology.

Transmission into the model of open economy caused the appearance of conflicts between national, sectoral, regional and local interests. Modern realities require the creation of such a management system that would allow using the economic potential of the regions at its maximum. It requires:

- giving the regions more autonomy in shaping the regional segments of the national economy;
- formation of new structures of economic systems;
- redefinition of the relations in the format regional authorities-business – society;

- changes in the functions of subjects of regional governance in support of market activity and the increase of an effective demand;

- engagement of legal motivational mechanism for solving social and environmental problems of the region on the basis of solidarity financing.

The current system of regional development should be directed to:

- solving social problems in order to improve the quality and standard of living of the population;

- forming organizational and economic conditions for the realization of an investment and innovation capacity by all entities of the region;

- making structural changes in the economic sector with a focus on market needs and the organization of production of those products or services that are in demand and can enhance the financial autonomy;

- organizing market research and assessment of market conjuncture as the basis for the development and implementation of current strategic development;

- implementing the system of regional monitoring while using the modern information base for system analysis and control of economic, social and environmental situation in the region.

It should be noted that the current system of regional governance in Ukraine is very similar to the one during the period of directive economy, as the initiated changes didn't carry the complex character, and the regional asymmetry is practically deepening.

The legal framework governing the management activities remains imperfect. It is also not easy to eliminate differences between tasks, powers and responsibilities of local authorities.

The experience of European countries, including the past of the post-socialist space, indicates that the strategy of territorial development needs primarily the creation of the legal framework for the implementation of an effective policy of the center, and the subject of management has to become a territorial organization of regional economic systems based on active innovative and investment activity [1, p. 96].

In regards to this fact not least would be a creation of an effective system of governance which is ought to ensure the sustainable development of the territorial systems through the implementation of investment-oriented model and strengthening innovation activity.

This control center can be represented by a single central executive authority under the Law

of Ukraine «About the basics of regional policy». At the regional level consistency of interests of administrative units in the complex system of regional development is achieved. In the present conditions the governing body at this level is the Regional State Administration. Regional Council is a representative body does not have clearly defined responsibilities in the field of socio-economic development and for managing these it doesn't processes an executive committee. Effective regional governance is not achieved as a result of the presence of delegated powers both in local state administrations and in local bodies of self-governance.

However, the further the administrative reform will move the more the role and importance of self-government at local level will increase.

The system of management should ensure the implementation of state, inter-regional, regional, local community events and have self-sufficiency of local budgets, and the management functions are to be carried out by the regional council and its executive committee. Local governance is the ability of the local community of the city, town, village, to operate the vital functions of management on its territory.

For the management of the processes of investment development of the region there is a necessity to have operating bodies. It is however not foreseen to have such specialized structural units in the structure of local authorities. Their functions are usually performed by the main departments of the economics. At the district level there are even no such experts in public administration which might be available. Thus in the city, district and regional councils permanent commission of councils take care of the investment development problems.

In our view, this system of governance is flawed and not effective, and therefore one of the reasons for the asymmetry of regional development.

We believe that the task of preparing proposals, developing programs, individual projects, business plans and coordinating the investment activity could be laid at regional, district (inter-district) and urban agencies for regional development agencies established by municipal, district and regional councils as a pure utility factories or involving businesses innovation and investment types (consulting, engineering companies, innovation centers, investment funds, etc.).

We are more inclined to mixed schemes of co-funding, because here it is possible to equip the agency with highly skilled specialists and to lay a mechanism of motivations of their work, financial independence and responsibility of legal persons.

Given the fact that these are local councils who are the co-founders of agencies, it will be logic to consider primarily the legal side of things, and also the future transfer of powers with their owners of their territory.

### Conclusions

Thus, newly created structures under the guidance of the offices of the economy of regional state administrations and with the assistance of potential regional universities could in the short term monitor the investment intentions of all existing businesses, assess the possibility of investment into the natural resources of the region, provide specific assistance in the justification of policy innovations, develop business proposals and business plans.

Regional development agencies could forcefully carry out the information support of the investment potential of the region to other west-forums on national and international levels, work with investors, especially for projects that are replicated in nature, or make it possible to realize the interests of forming clusters.

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**DEVELOPMENT OF EFFECTIVE INSTITUTES OF INTERACTION BETWEEN  
THE STATE TERRITORIAL COMMUNITIES AND BUSINESS**

**Annotation**

*Priorities in the development of civil society organizations that provide partnerships between government and business in the region are determined. The analysis of institutional preconditions for harmonizing partnerships between government bodies and business entities in the region is provided.*

**Keywords:** *administrative barriers, harmonization, public administration, institutional requirements, partnerships, region.*

**Анотація**

*Визначено пріоритетні напрями розвитку організацій громадянського суспільства, що забезпечують партнерські відносини влади й бізнесу в регіоні. Проведено аналіз інституціональних передумов гармонізації партнерських відносин органів влади з бізнесом в регіоні.*

**Ключові слова:** *адміністративний бар'єр, гармонізація, державне управління, інституціональна передумова, партнерські відносини, регіон.*

**Аннотация**

*Определены приоритетные направления развития организаций гражданского общества, обеспечивающих партнерские отношения власти и бизнеса в регионе. Проведен анализ институциональных предпосылок гармонизации партнерских отношений органов власти с бизнесом в регионе.*

**Ключевые слова:** *административный барьер, гармонизация, государственное управление, институциональная предпосылка, партнерские отношения, регион.*

**Introduction**

The most important motivation in the behavior of people is their interests, especially economic. To some extent this applies to the territorial community of people. Their appearance is due to the fact that the development of productive forces is going towards the socialization of production, characterized by the relationship and interdependence of economic actors in the process of social production. This tendency manifests itself under the influence of two areas of social development: the division of labor and the integration of social production.

The first is characterized by the high differentiation of production process and its division into branches. The second constitutes the formation of sectoral and territorial organization of production, which is the form of realization of sectoral and regional party entity which ensures implementation of relevant interests: a) departmental and b) territorial local interests.

**Analysis of recent research**

Questions of regulatory policy in regional economic development were investigated by Ukrainian scientists: A. Amosha, E. Boyko,

Z. Varnaliy, A. Galchinsky, V. Heyets, B. Danylyshyn, Y. Dyachenko, V. Kravchenko, I. Lukinov, O. Rudchenko, I. Chugunov, A. Chukhno, M. Chumachenko and foreign scientists: James D. Hvortni, Richard L. Straup, M. Lendel, J. Hanesen, D. Yull, E. Blekli, P. Fok, R. Green, D. Hammer.

**Statement of research objectives**

– to define the priorities in the development of civil society organizations that provide partnership relations between government and business in the region;

– to analyze the institutional preconditions for the harmonization of partnership relations between government bodies and business entities in the region.

**Statement of research objectives**

Interests of business entities are related to the production and marketing of products; these relations are of a particular industry and bring revenue. Individuals and groups of enterprises serve as carriers of industry's departmental interests. Territorial local interests are characterized by dynamic changes in the socio-economic status. Local interests include

the complex development of the area, providing opportunities of employment, environment etc. People living in this area serve as carriers of their own interests [2, p. 109].

Thus, the task of promoting civil society has a complex character and must be implemented within the legal and institutional framework. The main purpose for the development of institutions of a civil society is strengthening those bodies of civil society which are representing the interests of different social and economic groups. The priorities in the development of civil society bodies that provide partnership relations between government and business are:

a) the modernization of legislation governing the activities of nonprofit organizations, including: giving nonprofit organizations the right to receive donations without notification of their legal form; elimination of discrepancies which exist in the Civil Code of Ukraine, Law «On the non-profit organizations» and «On Charity and Charitable Organizations» concerning the definition of legal forms, the structure and the order of management of non-profit organizations; reducing administrative barriers in the field of activities of nonprofit organizations; providing educational, informative and advice support to nonprofit organizations;

b) ensuring equal access of both private and public nonprofit organizations into the market of social services;

c) ensuring transparency of activities of nonprofit organizations, public authorities and local governments, including the promotion of development of independent boards of trustees in order to prevent conflicts of interest;

d) development of mechanisms of independent public examination and socio-public consultation in the early stages of preparation and decision making;

e) development of mechanisms of public monitoring, including: the promotion of public monitoring of the result of implementation of reforms, development of the mechanisms of social control;

f) establishment of the mechanisms that contribute to straightening of the social responsibility of business, including distribution of reports from the side of the companies reporting about resolving of various social matters.

The diversity of relations in local communities is being reflected in numerous social institutions designed to meet specific community needs in organizational structures that are built on various

grounds. There are institutions of political, economic, legal, cultural, confessional, nature etc. With the system point of view a region is the environment in which these institutions operate. The development of effective institutions of interaction between state, local communities and businesses is one of the important conditions of effective economic policies, increasing innovation activity, development of economic and social infrastructure [3].

The system of territorial administration is being implemented by special structures (institutions) which, as any other control system, have their meters, rules for the development of regulations as well as executive bodies. In actual practice two objectives are carried on it: firstly, the redistribution of internal energy between institutions, which is necessary for their effective development, and, secondly, – management of energy which is being produced by these institutions and sent to the community for its improvement. The current civil society and its institutions are based on public databases in their activity, modern intensive information technologies, which in turn increase the importance of social control over the activities of state and society, their social institutions [4].

In the context of the institutional theory the state development of regions is considered as a dynamic system of interacting entities – population, businesses, organizations of different forms of ownership and regional and local authorities, among which in the institutional environment financial, social, communication and information ties are being implemented. It is their mutual dependence and optimal balance which creates conditions for the harmonization of partnership relations between regional state authorities and business entities, reduces transaction costs of their interaction.

Restructuring and the empowerment of local communities, creating institutional conditions for social cohesion is critical for the formation of accountability of institutions at local, regional and national levels. In order to prevent the consolidation of discriminatory practices in the treatment of local or private institutions, public policy should provide incentives that induce these institutions. We have already pointed out is that the key element of the institutional environment in local communities is a public trust held to them in connection with innovative transformation. Thereby the ability of a state and economic

institutions to minimize the transaction costs and to increase the total income of a corporation goes up. Institutional environment also creates conditions for the formation of partnership relations between government bodies and business entities.

In real modern life institutions take the form of legal norms, traditions, informal rules, cultural stereotypes. There are so called system creating institutions that determine the type of economic order and the institutions that make up a particular system. Thus, one can talk further about the system of creating institutions in the first order and the system of its own in the second order. Fundamental institutional changes are usually slow and the higher the institutional uncertainty is the higher the costs of such changes are [5]. Thus, institutions in local communities grow in localized environments with which they are directly related to, and in the process of development are transforming themselves into community, which is the environment for all its institutions.

The formation of the institutional environment in local communities should take into account the trajectory of the previous development, which is defined as the relationship between society, economy and a human. Institutional environment creates the conditions for selecting the most effective elements of the institutional structure of the alternative forms of economic coordination. The study confirms the fact that the institutional environment always helps to choose the best options for the development of regional socio-economic systems, and, conversely, it can strengthen those institutions that are contrary to the interests of the community. We attribute this primarily to the institute of corruption, which substitutes the partnership relations between government bodies and business entities, and creates conditions not for the development of the community but for the enrichment of particular individuals within this community particularly in connection with public authorities and some members of the business.

Summarizing the analysis of institutional preconditions for the harmonization of partnership relations between business entities and government bodies the following problems which are facing the territorial community should be emphasized:

1. There is a need to re-build a system of cooperation between all branches of the government, based on professional experience of most managers of regional and local authorities and experts, analysts, who are effectively working in the territorial administration.

2. It should be learnt how to denounce the issues of local life, local government, residents not only to the government but also to business entities and the general public.

3. It is important to create a permanent system of providing quality services – informational, methodological, and legal – by the managers and specialists of the territorial government.

4. Personnel work associated with the selection, training and promotion of employees, including their promotion into public authorities should be a priority.

Despite the fact that people generally are members of a few grassroots of social organizations at territorial levels (labor team, neighbors, relatives), only a few identify themselves with an abstract «community» and demonstrate the willingness to act for the benefit of the community. Moreover, the sharp socio-economic stratification of Ukrainian society, which took place in recent years, has destroyed many social ties that united people within communities. Where such strong communities still exists, they do not necessarily cover the inhabitants of one region, city or village.

The weakening of social and economic integrity of local communities is also evident in the reduction of internal consolidation and coordination of business processes in enterprises of different ownership forms. Such features of the management of the regions as marketing, logistics, organization of production, personnel processes, etc., are not enough coordinated, have no strategic plan and generate unnecessary costs.

The main factors that ensure advantages in competition of the areas, according to some authors are:

- clear, institutionally supported strategy that is based on careful analysis (SWOT – analysis);
- development of conditions or opportunities for business enterprises in the region;
- infrastructure, including education, health, etc.;
- «flagship» (priority) projects, especially of regional, national and international importance;
- modernization of the economic system with the establishment of the «areas and development centers»;
- development of innovation and entrepreneurship;
- training of people during their lifetime, getting the economic and social benefits from the interaction with economic institutions;

– improvement of social support and protection;

– improvement of the environment, especially if one wants to keep or attract additional investment;

– marketing and the creation of network structures within the region for the stability and development of a potential;

– participation in international network structures.

In this context competitive are the areas which provide cohesion, partnership and institutional flexibility of the regional community. In the process of competition and increasing globalization, this time regions are competing for the capital, investments and enterprises, target groups for the labor market and population's structure, for institutions (organizations) that are important for political, cultural and social life.

Along with the traditional, such as a significant source of investment into the social sphere, in our view, could also be considered the charity activity, as well as the independent fund-raising development funds, including international. According to the results of the study of causes of business interest in corporate philanthropy, the following reasons can be noted:

– the business community representatives understand the need for the social activity of companies; many of them are willing to invest extra money in this;

– the main purpose of charity managers is finding a better company's image;

– charitable activities in Ukraine are generally of a haphazard nature: the decision on the allocation of funds is usually made up on the basis of personal preferences of the first leaders of the company whereas charity does not always agree with the strategy of the company;

– because of non-confidence in nonprofit organizations brokers generally practice a direct one-time events support, which doesn't allow creating an effective market infrastructure of social projects;

– charitable activities in Ukraine are actively growing, but its development is possible only in case of corporations realizing their benefits from charitable activities and the development of the institution of independent charitable organizations.

Changing institutional environment of Ukraine in the division of splitting the budget authority requires rapid decisions on the development of social partnership at the level

of regions of Ukraine, an effective system of contractual regulation of social and labor relations and employment.

A serious problem that needs to be resolved in a short run is increasing the efficiency of employment services, which have become an important tool of redistribution of labor.

This is especially important in times of crisis. In this regard, the main directions of improving the quality of services in promoting employment are:

- improving public awareness of the labor market and employment opportunities in different sectors;

- implementation of preventive measures in order to promote employment of citizens, implementation of effective conversion of unemployed people;

- improvement of vocational training and training of people who are looking for work;

- expanding the range and development of service standards of the state employment service;

- interaction with NGOs in promoting employment.

One of the most pressing problems in the formation of the state of development of regions is a high level of administrative barriers for companies that conduct business. These barriers can be characterized as a set of decisions of state regulations of business activity in the market, compliance with which is essential for conducting this activity. And they impose charges for passing bureaucratic procedures that are required for these rules, which usually don't come into the budget.

The most clear is the following grouping of administrative barriers:

1. In obtaining access to resources and their ownership rights (registration, registration of changes in the status of the company, its articles of association, the right to receive rent, access to credit, leasing facilities, etc.).

2. In obtaining the right to conduct business (licensing, product registration, certification of products and services, etc.).

3. In the current economic activities (sanctions for violations of the rules, coordination of decisions of regulatory bodies, receiving different benefits).

One of the most serious obstacles is the significant economic cost of a society. A. A. Auzan separates the economic losses from the existence of administrative barriers for carrying out business activities into two parts:

- transaction costs associated with the need to overcome barriers, many of which are being



transmitted into the loss of population by raising retail prices (direct loss);

– reduction of the resource efficiency and the cost of non-delivery (availability of administrative barriers significantly complicates the entrance into the market, especially for small and medium-sized businesses, leading to a reduction in competition and, consequently, the overall efficiency of the economy – consequential loss) [1, p. 123-124].

Any attempts to cancel certain entry barriers are faced with the resistance of interest groups within the state apparatus and commercial structures that are doing business with the help of the «barriers». In addition, in the introduction of new barriers are interested not only had those who receive rent directly from the barrier, but also those who implement the current control.

Thus, the tendency to expand barrier-regulation is associated not only with the inefficiency of the existing barriers, but also with a direct economic interest of certain groups. Clearly, companies and organizations operating in this area are interested in expanding the barriers.

### Conclusions

So the «barrier» system of regulation is being self-supported, despite to its inefficiency and significant loss of economy under the condition of its presence. In order to access other more effective schemes the government must dramatically revise the regulatory framework and public pressure, which causes barriers to rent-oriented behavior of certain groups of administrative and business personnel.

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ELIMINATION OF OBSTACLES IN IMPLEMENTATION OF THE  
STATE INVESTMENT POLICY AT THE REGIONAL LEVEL

**Annotation**

*Formation of investment sources to build the capacity in the regions is analyzed. The level of investment in infrastructure at the regional level is discussed.*

**Keywords:** investment policy, infrastructure, region.

**Анотація**

*Досліджено формування джерел інвестицій щодо нарощування їх потенціалу в регіоні. Визначено рівень розвитку інвестиційної інфраструктури на регіональному рівні.*

**Ключові слова:** інвестиційна політика, інфраструктура, регіон.

**Аннотация**

*Исследовано формирование источников инвестиций по наращиванию их потенциала в регионе. Определен уровень развития инвестиционной инфраструктуры на региональном уровне.*

**Ключевые слова:** инвестиционная политика, инфраструктура, регион.

**Introduction**

The main objective of state regulation of investment activity at the regions of Ukraine at the present stage is scientifically grounded investment policy, aimed at creating a favorable investment climate.

At the regional level investments are necessary primarily to ensure normal operation and development of enterprises' activities in the future. They are necessary to: ensure the expansion of production; prevent the moral and physical depreciation of fixed assets and increase the technical level of production; increase the quality of products; implement measures to protect the environment; achieve other goals of enterprises.

**Analysis of recent research**

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

**Statement of research objectives**

- to examine the formation of investment sources to build their capacity in the region;
- to determine the level of development of investment infrastructure at the regional level.

**Results**

The main objective of state regulation of investment activity at the regions of Ukraine at the present stage is scientifically grounded investment policy, aimed at creating a favorable investment climate.

At the regional level investments are necessary primarily to ensure normal operation and development of enterprises' activities in the future. They are necessary to:

- ensure the expansion of production;
- prevent the moral and physical depreciation of fixed assets and increase the technical level of production;
- increase the quality of products;
- implement measures to protect the environment;
- achieve other goals of enterprises.

State is one of the most influential components of the investment market, which is considered in the context of the content and focus of state investment policy. In this case it acts simultaneously as a source of policy, its key actor, and as an object of this policy, acting as an investor (and the role of state investment

and legal regulation remain undervalued and unsatisfactory); as a direct regulator of behavior of other market players; and as a legislator, which creates a general legal framework of such market's functioning [5, p. 45].

Therefore, the state as the subject of development and implementation of state policy in the regional economy should consider attracting investment resources for:

- implementation of its own legislative functions;
- achieving its own regulatory function related to operation of economic processes, the market itself;
- realization of investment projects in the state sector of economy;
- implementation of state investments in nongovernmental sector of economy.

This interaction of state and the investment market makes it necessary to determine the ratio of named forms of implementation of the state investment policy. One of its most important principles is to ensure the harmony of interests of investors, given two conditions: providing investment pluralism as unavoidable priority in the conditions of investment resources' shortage and providing active, expansive role of state in investment processes, with the need to achieve public interest in the process of the investment market's operation [1, p. 12].

Regional investment policy plays an important role in the processes of increasing the efficiency of inter-regional economic ties. The process of investment should be seen as one of the main factors of economic growth at the national and regional levels.

The implementation of regional investment policy in Ukraine since independence is associated with many negative tendencies that impede the processes of influx of domestic and foreign capital. These are insufficient investment attractiveness of the domestic economy to foreign investors, which leads to certain restrictions on the provision of investment loans (due to lack of guarantees, imperfect regulatory legislation, and as a result of other factors that raise the risk); low availability of new advanced technologies and lack of practice of modern forms of investment activity in macro- and microeconomic levels.

Formation of investment sources to build their capacity in the region is made at the expense of internal and external financial resources. Local budget funds, own funds of enterprises, funds

received from privatization of property, personal savings of citizens and leasing should be included as the internal sources of financial support of the region's investment resources. Centralized state funds and foreign investments are referred to external sources.

Possibilities of creating special operating conditions, which stimulate the investment process at the regional level, are limited. That is why the regional component of national policies of creating a favorable investment climate should focus primarily on removing barriers to the implementation of state investment policy.

At the same time, given the lower level of investment attractiveness of Ukrainian economy in comparison with other countries, it is fundamentally important to ensure absolutely equal conditions to make investments for domestic entities [2, p. 133].

Defining aspects of implementation of the policy of investment resources' attraction in the regional economy, we propose to consider the notion of investment attractiveness of the region, which can be evaluated according to the following generic parameters:

1. The level of general economic development of the region.
2. The level of investment infrastructure's development in the region.
3. Demographic characteristics of the region.
4. The level of development of market relations and commercial infrastructure in the region.
5. The level of criminal, economic and other risks.

Each of the listed generalized parameters is based on a set of analytical parameters obtained from the regional statistics and other sources. Stated list of indicators to a large extent can be used to characterize the most developed segment of the investment market – market of capital investments.

The level of general economic development of the region characterizes the potential need in investment volumes, the possibility of their formation from own sources, and the total capacity of the regional market. The following indicators can be used in the region for this assessment:

- share of the region in the GDP and the national income;
- the volume of industrial production in the region per capita;
- the level of self-sufficiency of the region in basic food products (production's volume of the types of agricultural products per capita);

- average level of workers' wages;
- the volume and dynamics of capital investments in the region per capita;
- the share of unprofitable enterprises from the total number of operating companies, firms and others.

The level of investment infrastructure's development at the regional level can characterize the pace of investment projects. The following indicators are used for this purpose:

- number of contract construction companies and firms of all ownership forms;
- the volume of local production of basic types of construction materials;
- production of energy resources (in terms of electric power) per capita;
- length of railway lines per 100 km<sup>2</sup> area;
- length of highways with hard surface.

Demographic characteristics of the region characterize the potential volume of demand for consumer goods and services and also opportunities to attract skilled labor force into production. The following indicators are the subject of analysis in the region:

- the share of population in the total number of inhabitants of Ukraine;
- the ratio of urban and rural residents in the region;
- share of population employed in social production enterprises of all forms of ownership;
- level of qualification of workers employed in social production etc.

The role of population in the investment policy is largely associated with the duality that it plays in social and economic processes. This duality is due to the fact that, first of all, people are consumers of social goods and services produced by organizations of social sphere. Improvement of qualitative and quantitative indicators of quality of life and quality of life in general are the most important indicators of formation and implementation of state investment programs. Evaluation of the population's size allows judging how well the social sphere works. Condition of the main indicators that characterize composition of the population and its basic processes of life is the most important indicator of the efficiency of formation and implementation of state investment programs. That means that through some demographic, social and cultural characteristics of life society draws conclusions about the effectiveness or ineffectiveness of investment policy, which is held by the state at national and regional levels [3, p. 22].

In addition, the population is an active subject of social processes. Real effectiveness of public investment programs can be achieved only if these investment programs are actively supported by the population that participates, particularly in the investment processes by means of cash.

When we talk about public support for certain measures of state investment programs, we anticipate several mechanisms for such support. One of the most common mechanisms is the democratic choice within the various political parties and companies, when voters support a particular political platform associated with certain approaches to the formation and implementation of state investment programs.

The level of development of market relations and commercial infrastructure in the region characterizes the attitude of local authorities to the implementation of market reforms and the creation of an appropriate business climate for attraction of investment resources in the regional economy. The following indicators may be used to assess this level:

- share of privatized enterprises in the total number of municipal enterprises;
- share of companies and firms in private ownership in the total number of industrial enterprises of the region;
- the number of joint companies and firms with foreign partners;
- the number of banking institutions in the region, investment departments of banks and investment banks;
- the number of commodity exchanges in the region etc.

The level of criminal, economic and other risks characterizes degree of investment security (and eventually of production security) in the region. For this purpose it is necessary to analyze the following indicators:

- the level of economic crimes (by major types and in general) per 100 thousand inhabitants;
- the share of enterprises with hazardous emissions in the total number of industrial enterprises;
- the average background radiation in the cities of the region;
- share of unfinished construction projects in the total number of construction projects started in recent years, and etc.

Informational and analytical work should be a necessary function of information system in addition to monitoring as observation. Here, above all, must be carried out the following:

- analysis of projects' accordance to regional priorities, standards of safety and others;
- evaluation of investment volumes' dynamics and factors of the investment climate that provide control of factors stimulating and not stimulating investment processes in the region;
- evaluation of the effectiveness of investment performance and investment process in general.

Creation of an information system should become a prerequisite for more complete use of the region's own investment and socio-economic potential, its preservation and economic development [4, p. 36].

For the development of implementation of the policies to attract investment resources in the regional economy important is an aspect related to the geopolitical interests of different states or international groupings, which is effectively implemented by them through various forms of export of capital (the program of technical assistance, import of capital in the form of loan and functioning capital). This aspect is of a crucial importance for our country, given its scale, economic and social ties that have developed historically in different regions with neighboring countries. That is why the geography of capital imports may be a significant factor in the geographical orientation in the process of foreign trade's integration of Ukraine in general.

Accordingly, let us define the basic principles of strategic plan's development for creating a favorable investment climate in the region as follows. First of all, let us determine that the purpose of development and implementation of the strategic plan is the creation of an investment climate, competitive with similar regions of neighboring countries and Ukraine on the basic parameters.

Second of all, when developing the strategic plan, except for the general principles of planning, it is advisable to ensure compliance with such basic principles as:

- long-term orientation of planned tasks and measures in conjunction with a specific action plan to reduce investment risks and restore trust of investors to potential partners and public authorities;
- compliance with applicable legislation and coordination with program activities of the Government of Ukraine and the organs of state administration in oblast;
- the maximum possible balance of investors' interests and socio-economic interests

of regional development based on improving the validity, information and legal provision of investment projects;

- rationally permissible removal of barriers of organizational and technical character at the local level for the initial phase of activity.

An important aspect is to ensure consistent achievement of strategic objectives and fulfillment of planned tasks. For that let us distinguish several stages of this plan:

- 1) previous (one year);
- 2) basic (3 years);
- 3) stage of development (5 years).

The strategic objective of the first stage is to restore trust of investors to the partners and organs of state administration for the implementation of state investment policy; to more actively offer economic regional complex as the object of investment activity in foreign capital markets and, as a result, acceleration of growth of foreign investment.

In the second phase it is advisable to complete the formation of the system of investments' attraction that would ensure volumes of investments calculated for one resident in specifically defined quantities.

The strategic goal of the third stage is the creation of an investment climate, which basic parameters of competitiveness would ensure the competitiveness of the region as an object of investment activity at the level of similar regions of Ukraine and neighboring countries.

Strategic and operational goals of the first stage should include analysis of the situation in the capital market, specific trends and processes, refinement of analytical evaluations of the regional competitiveness as an object of investment activity and development of activities to improve it.

Then taking into consideration stated above, there is a need to provide an inventory of investment projects and programs undertaken in the region, to identify and solve problems and obstacles to activities of foreign investors.

Important is to coordinate preparation of the most important economic complex investment projects and programs, development and implementation of complex of international marketing of investment projects in foreign capital markets, and also implementation of concentration's measures and the increase of the efficiency of use of international assistance programs' financial resources, foreign funds and special financial institutions in the areas and

territories, which are in priority for the region. In addition, the development and implementation of subprogramme of image formation of the region as the object of investment activity with a relatively favorable investment climate, and also promotion of civilized and honest relationships with investors in the Ukrainian business environment and population are extremely important in competitive struggle for capitals.

As already noted earlier, the major direction of activity of administrative structures, inter-regional public bodies, unions and business associations is attraction of investors, the financial resources to the regions of Ukraine for major inter-regional projects.

### Conclusions

Therefore, accumulated experience in the development and implementation of sectoral economic development projects shows the need for the regions to coordinate their economic and regional investment plans, legislative base and to consolidate existing resources. The special role

these factors receive during joint implementation of capital-intensive projects that have inter-regional or national importance, creation of conditions that ensure the flow of investments into the economy.

Currently it is difficult to finance inter-regional programs in sufficient quantity for the following reasons: insufficient level of revenue part of budgets of all levels aimed at program development and implementation of investment projects; high degree of investment risks; absent balance of the economic interests of the regions of Ukraine; underdeveloped domestic banking system and absent secondary market for financial instruments; disproportion between the real value of corporate assets and their privatization estimation; lack of efficiency of use of various assets which are under the jurisdiction of the state authorities of territories and local government; unbalanced current legislation and regional normative acts that regulate the investment activity.

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## ENSURING THE CONDUCT OF DEMOGRAPHIC POLICY IN ORDER TO CHANGE MIGRATORY PROCESSES IN FAVOR OF A VILLAGE

### **Annotation**

*Resource base to meet the needs of the agricultural sector as a factor of increasing the production function of rural areas is determined. Functionality of rural areas and its main features are grounded.*

**Keywords:** state policy, demographic function, rural areas, strategic vector, management activities.

### **Анотація**

*Визначено ресурсну базу для задоволення потреб аграрного сектору як чинника посилення виробничої функції сільських територій. Обґрунтовано функціональність сільської території та її основні характеристики.*

**Ключові слова:** державна політика, демографічна функція, сільські території, стратегічний вектор, управлінська діяльність.

### **Аннотация**

*Определено ресурсную базу для удовлетворения потребностей аграрного сектора как фактора усиления производственной функции сельских территорий. Обоснована функциональность сельской территории и ее основные характеристики.*

**Ключевые слова:** государственная политика, демографическая функция, сельские территории, стратегический вектор, управленческая деятельность.

### **Introduction**

The urgency of scientific and applied research of the problem of socio-economic development of rural areas is caused by systemic deficiencies relating to economic, social, demographic, environmental and other aspects of rural communities' life of a country and its regions. The need to solve this problem actualizes the fact that the rural areas lay the foundations of national food security; provide the economic conditions of sustainable development of economic complex; form the cultural and spiritual foundations of the Ukrainians' identification; determine the long-term and current prospects of Ukraine's participation in the global division of labor.

### **Analysis of recent research**

Scientific support of social and economic development of rural areas form the elaborations of V. A. Borisova, O. M. Garkusha, Y. E. Hubeni, I. T. Kischak, D. F. Krysanov, G. I. Kupalova, A. S. Malinovskiy, L. I. Myhaylova, M. K. Orlatyi, T. O. Ostashko, O. I. Pavlov, I. V. Prokopa, V. M. Skupoy, V. I. Topiha, M. M. Fedorov, E. I. Khodakivskiy, O. B. Shebanina, L. M. Shevchenko, L. O. Shepotko, M. G. Shulskoioy, V. V. Shcherbatyuk and other researchers.

### **Statement of research objectives**

- to define the resource base to meet the needs of the agricultural sector as a factor of increasing the production function of rural areas;
- to justify the functionality of rural areas and its main characteristics.

### **Results**

Availability of land and human resources, historical, ethnographic and natural conditions of formation and development of rural areas lead to their multifunctionality. The main of them include economic, social, demographic, industrial, organizational, management, natural reproductive, recreation and health improvement, cultural and spiritual functions.

The economic function of rural areas is determined by the fact that rural areas create material wealth, which is designed to meet the important needs and necessities of consumers [7, p. 16-24; 9, p. 75-78]. In a market economy this process occurs in a competitive environment, economic independence of business entities, free choice of partners by business entities for effective management, pricing under the influence of supply and demand in the conditions of an appropriate state regulation. After all agricultural products form the basis of food security on state

and regional, local and personal levels as well as lay the foundation for economic independence of the country.

Material and financial basis of rural areas are movable and immovable property, revenues of local budgets, off-budget trust (including currency) and other funds, land, natural resources, which are in the communal property of territorial communities of villages (towns), and objects of their common property that are managed by district and regional councils [2].

With purpose of effective implementation of rural areas' economic functions domestic law provides for agricultural producers the right of free choice of property's forms and areas of labor and economic activity; full ownership on the results of their work; investment in a prime creation of material and technical base of production of mechanization's means, chemicals, manufacturing, and construction industries for agro industrial complex in order to improve its socio-economic status and provide scientific background for labor collectives; equivalent commodity exchange between industry and agriculture on the basis of parity pricing for their products; regulation of relations between the agricultural producers and the state through a system of budget financing, lending, taxation, insurance and the wide use of complex benefits [1].

The social function of rural areas is connected with lives and relationships of people who live there [8, p. 188-196; 10, p. 530-540]. The core of rural area is the rural population, the base of which is formed by the peasants. In the system of social relations this category of population is combined by the fact of living in village. They are mainly engaged in agricultural manufacture and in areas that provide livelihoods of rural communities.

Society of Ukraine recognizes the need for social protection of rural population. In the preamble to the Law of Ukraine «On the priority of social development of rural areas and agricultural complex in the national economy» the priority of social development of the village is clearly indicated. Objective nature of this approach stems from the exceptional importance of agricultural products in human life and society, from the needs to revive the peasantry as the owner of land, bearer of morality and national culture [1].

For the creation of the necessary resource base for rural social infrastructure the legislation of Ukraine provides complete investment and reliable scientific support of economic development of the entire agricultural sector. According to regulatory

and legal provisions, the economic filling of state centralized capital investments, which are aimed at strengthening the material-technical base of the social sphere of village and of domestic agricultural complex, should not be less than one percent of the value of total gross domestic product. These funds are allocated separately in the budget of the country for their clear use. During the construction of the social sphere's objects of the village by the state centralized capital investments the value added tax is not paid. Priority in the development of the social sphere in the village is provided by the relevant structural changes of economic complex's investment with the reorientation to the needs of the rural population. According to the Law mentioned earlier, in case of the failure to supply the material and technical resources or construction and installation works and incurred in this case losses in agriculture, business entities that are in charge of this fully compensate the losses.

The legislation establishes a strategic vector of increasing amounts of capital investments and material and technical resources for development of rural areas in terms of strengthening the social infrastructure. For this purpose the construction of objects of education, health, culture and sports, water supply and sewage systems and structures, gas and electricity supplies, roads, objects of service sphere, territorial adjustment are expected in rural areas. To that, in villages, where there is lack of labor resources, the construction of housing at the expense of state and local budgets is planned. If the construction of these facilities is carried out by own funds of economic entities, the costs incurred by them shall be reimbursed from the State Budget of Ukraine and local budgets [1].

Demographic function of rural areas lies in the fact that reproduction of the rural population as well as of rural settlements of different types happens in rural areas [6, p. 98-104].

According to the legislation of Ukraine [1], the state provides the implementation of the demographic policy on changing migration processes for the benefit of the village by creating social and economic conditions for the natural growth of the rural population primarily through increasing the birth rates, the full development of the family by establishing a system of privileges; creating equal opportunities for all citizens who live and work permanently in rural areas to meet their social, cultural, educational and household needs.

Under the Law of Ukraine «On the priority of social development of rural areas and



agricultural complex in the national economy» for the improvement of demographic situation the village is preferred compared to a city (per capita) in the construction of housing objects of education, culture and sports, health, welfare, trade, gasification, water and electricity services, telephone and communications, public utilities, the services of radio and television; the village is provided with equal with the city conditions of supply with industrial and food products and the level of medical, cultural, sports, communal, transport and trade services on scientifically based standards.

Persons who migrate to rural areas with a shortage of labor resources and the local population under the age of 40 engaged in agriculture, processing and service sectors of agricultural complex or social sphere of village, are provided with housing and commercial buildings from the state budget. Housing, built in rural areas from the budgetary funds, in 10 years is passed in private ownership to these citizens on condition of their regular work in these areas. Rural residents, who work in agriculture and social sectors of the village, are singled out half the state market limits on motor transport and 90 percent on building materials. They are guaranteed with a top sale of agricultural machinery, equipment and other goods.

The economic measures to improve the demographic situation in the village include the fact that maintenance costs of all social, cultural and sports institutions in rural areas, including homes for the disabled and veterans of labor, youth sports schools, as well as of physical culture and sports activities are financed from the budget. Liquidation, reorganization and restructuring of health care, education, social welfare (homes for elderly and disabled) in rural areas are prohibited [1].

Production of crop and livestock products arises as a major task in rural areas. Their production function is carried out through an aggregation in rural area of human, land, technical, technological, financial, organizational and managerial resources necessary for expanded reproduction of material goods, which costs are covered by market prices [11, c. 4-9].

According to the legislation of Ukraine [1] the priority character of increasing the production function of rural areas is provided through: creation of the necessary resource base to meet the comprehensive needs of agriculture and agro industrial complex in general; training and professional development for specialists and staff

of mass professions for all farms and areas of agricultural production; formation of construction and installation works' programs and ensuring their material and technical resources and equipment for all levels of management are carried out in the order in which the needs of agriculture and other industries that make capital investments in production development of rural areas, are met fully and in priority.

Construction of reclamation, hydraulic, electrical power plants and networks, irrigation of lands, implementation of erosion measures, chemical reclamation, bookmark of perennial plants, construction and technical re-equipment of enterprises of processing industry, promotion of the development of farms, collective and other businesses, formation of production infrastructure in rural areas are carried out according to the state programs.

Organizational and management functions of rural areas are guaranteed by the Law of Ukraine «On local self-government in Ukraine» [2], where the primary subject of local government, the main carrier of its functions and powers is recognized to be the territorial community of the village (settlement). The law provides the real ability of the local community independently or under the responsibility of authorities and local government officials to solve local issues. The system of local government in rural areas form: local community, village (settlement) council, village (settlement) head, executive bodies of village (settlement) council, district and regional councils that represent the common interests of the local communities; the self-organization bodies created by part of residents who are temporarily or permanently residing in the territory within the village (settlement).

Local government in rural areas is based on the principles: power of the people; the rule of law; transparency; collegiality; combination of local and state interests; election; the legal, organizational, material and financial autonomy within the legal powers; accountability and responsibility to local communities of their bodies and officials; government support and guarantees of local self-government, judicial protection of rights of local government. Local referendum is held to address local community's issues of local importance. Any transformations of rural settlements (unification, separation, rename, transfer to another category, etc.) may be performed by the decision of the regional councils' sessions only by the will of the inhabitants of these settlements [2].

The executive bodies of village (settlements) councils are their executive committees, departments, and other management councils created by executive bodies. In rural councils representing local communities, which comprise up to 500 people, by the decision of the local community or village council executive council may not be created. In this case, the functions of the executive authority of the council (except for the disposal of land and natural resources) are performed by the village head alone [2].

According to the legislation [1], the local and regional government and local state administration are entrusted with the functions of manager of the targeted state centralized capital investments in the social sphere of the village. They bear the same responsibility with other members of the investment process for targeted and effective use of them.

Natural reproductive function of rural areas is caused by natural reproduction processes of their constituents. So, as a basic and indispensable means of production in agriculture land reproduces its properties of fertility. Water resources - underground water sources, superficial water sources (lakes, rivers, reservoirs, ponds) function with the appropriate reproduction cycles. Social and demographic reproduction of the rural population is based on natural processes.

Agricultural production is closely linked with the natural reproductive process. Thus, distinct annual cycles of reproduction have crops - corn, technical, vegetables, potatoes, melons, fodder, fruits, berries, grapes and more. Depending on the industry (cattle, pigs, sheep, farming, fish farming, poultry farming, beekeeping), the reproductive processes occur in cattle.

The natural environment of rural areas - landscape, water, flora and fauna are characterized by the corresponding natural reproductive processes. At the same time the ecological system, formed by the natural environment, the rural population transformed into agricultural systems, using them to reproduce and ensure the life of society. Natural reproductive function of rural areas is based on the fact that it supplies necessary natural resources for the production and consumption located in the public domain, in shared use by local community and in private ownership of its citizens. The natural environment of rural areas - land, water, and air is used in agricultural production where economic and natural reproductive processes are closely linked. At the same time economic results of activities are largely determined by the conditions of operation

of plant and animal life. In addition to purely production function environment of rural areas is used for demographic reproduction of population, recreation of people and their health improving.

Recreation and health improving function of rural areas is one of the basic ones. Its foundation is, on the one hand, the manufactured products that solve both food and recreation function and, on the other hand - recreational activities of rural communities, which can be used for this purpose, anthropogenic and historical resources, natural landscapes, flora and fauna, water resources, pastures, grasslands, forests, rural settlements. To some extent, recreation and health improving function performs rural labor that is associated with physical activity near land, close contact with the natural environment, plants and farm animals.

Scientist M. M. Kostrytsya points out on the recreational opportunities in rural areas using the ethnic and historical tourism cluster «Drevlyanska zemlya», exploring the theoretical, methodological and practical problems of rural tourism [4]. After all each rural area is endowed with unique historical, natural and human resources, strengths and weaknesses of this may be involved in economic development in specific areas.

In the context of recreation the environmental policy in agriculture is studied by the domestic scientist N. V. Zinovchuk. She indicates continuing growth of human impact on the natural environment [3, p. 17]. Especially significant is the technogenic load outside of rural areas. Because the accumulation of toxic substances, industrial waste, radioactive materials, electromagnetic radiation, home human activity in cities takes place more rapidly than in rural areas, the latter serves as a health improvement and recreation area.

The cultural function of rural areas arises from the combination of material and spiritual values, which was formed by the domestic peasantry during its existence. Therefore, cultural function, on the one hand, is based on socio-economic level of agricultural production, and, on the other hand, is based on the achievements that are used for the satisfaction of spiritual needs of farmers, rural communities and of the whole society and humanity. Current problematic character of the implementation of rural areas' cultural features is due to socio-economic decline of the village and cultural crisis.

For instance, studying the cultural aspects of domestic village sociologist V. H. Abramovich shows currently a sharp reduction of the network of

clubs, cultural centers, libraries, film distribution; insufficient quality of those cultural centers that remain in the village, and the poor the level of their funding.

He notes that south-west Ukrainian village, so rich in talents, shows significant reduction of participants of amateur art activities, consistently insufficient participation in sports clubs, unpopularity of fine arts and technical performances. A small part of the rural population regularly reads artistic, political, and professional literature. Many workers are not only unfamiliar with the works of a number of prominent artists of Ukrainian culture, but do not feel the desire to get to know them. Folk song, folk customs and traditions, folklore, crafts of ancestors, folk instruments give way to the aggression of not the best pieces of popular culture. Villagers from the creators of culture turn into its customers. Villager distanced himself/herself from concerns about the sphere of his/her residence because during past decades almost nothing has been done in the countryside collectively, together,

for the community: no ways, bridges or wells, pastures, pastures, and ponds [5, p. 120].

However, updating the cultural features of rural areas becomes apparent after the return of the role of the Ukrainian language; conducting the cultural forums of nationalities that inhabit the country; use of dance clubs and sports and recreation facilities, formation of family leisure clubs and more.

### Conclusions

Thus, the rural area is the spatial integrity of land with adequate resources (land, water, forest, and air) and with rural network of settlements, inhabitants of which permanently reside within the villages, carry out agricultural production and deal with the necessary for the existence of the village economic and management activities. At the same time socio-economic, demographic, recreation and health, industrial, organizational, managerial, natural reproduction, cultural and spiritual functions of rural territory have their own specific systemic implications of each specific rural area.

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

**Annotation**

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

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

**Анотація**

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

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

**Аннотация**

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

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

**Introduction**

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

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

**Analysis of recent research**

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

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

**Statement of research objectives**

- to determine the effective implementation of investment projects aimed at socio-economic development of the region;
- to justify the mechanism of state's stimulation of economic entities to carry out economic activities on the defined area.

**Results**

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

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

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

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

- participation of citizens (done by ensuring the right of citizens to vote in decision making - either directly or through legitimate institutions that represent their interests, freedom of association and speech, delegation of certain powers from authority institutions to civil society, readiness of the parties of publicly-management relations for a constructive dialogue and cooperation);
- partnership (public authorities, business, civil society organizations unite efforts to solve urgent problems of social development);
- transparency (completeness of information about the activities of public authorities, its accessibility for all those interested in it);
- sensitivity (the ability of public institutions to be responsive to the needs of citizens);
- focus on consent (compliance with the balance of interests to achieve broad consensus on the issues that correspond the most with the interests of citizens and their groups, and ways in which this should be achieved);

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

- accountability (public authorities are accountable to citizens, institutional bearers of law);
- responsibility (responsibility of bodies of administration to the politicians who determine policy, and to citizens, consumers of services);
- strategic vision (authorities, business, civil society organizations and their leaders think about the policies from long-term prospects and clearly imagine ways of their implementation [3, p. 48].

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### Conclusions

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

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

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

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

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**Section 2.**

**CHALLENGES OF PUBLIC ADMINISTRATION  
OF SOCIAL AND ECONOMIC SPHERE**

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THE OVERALL STRATEGIC OBJECTIVE OF SOCIAL AND ECONOMIC  
DEVELOPMENT OF THE INDUSTRY IN UKRAINE

**Annotation**

*The mechanism of state regulation of the structural development of the industry was developed. The main objective of regional industrial policy as the rational management of social and economic, as well as environmental potential of the regions was defined.*

**Key words:** state regulation, mechanism, industry, structural development, transformational stage.

**Анотація**

*Розроблено механізм державного регулювання структурного розвитку промисловості. Визначено головну мету регіональної промислової політики як раціонального використання соціально-економічного й екологічного потенціалу регіонів.*

**Ключові слова:** державне регулювання, механізм, промисловість, структурний розвиток, трансформаційний етап.

**Аннотация**

*Разработан механизм государственного регулирования структурного развития промышленности. Определены главные цели региональной промышленной политики как рационального использования социально-экономического и экологического потенциала регионов.*

**Ключевые слова:** государственное регулирование, механизм, промышленность, структурное развитие, трансформационный этап.

**Introduction**

The formation of mechanism of industrial policy in modern conditions is connected, first of all, with taking into account the peculiarities of the transformational stage of the economy. There are two main criteria.

The first one is to ensure the preservation and development of market mechanisms, conditions for its normal operation. In countries with long market traditions such conditions include regular demonopolization of the economy, its effective anti-inflationary prevention, support of public finances in the proper amount and deficit-free state, the timely warning, and when necessary – solving the problem of decrease in production and some other issues. The situation is different in the countries that are engaged in the restoration of market relations. In this case the great tasks should be set and it is difficult to find analogues for them in world economic history. Besides the functions, that have already been formulated, the state has to take responsibility for the formation of multi-economy, dismantling of old parts of the former economic mechanism, the inclusion of economic controls, etc.

All government actions that break the connections inside the market mechanism, destroy it are excluded from the system. For example, total directive policy planning, decreed distribution of industrial resources and consumer goods (in funds and coupons), the overall administrative price control and other similar forms of government interventions that have recently been widespread in our economy are not acceptable. However, the market system does not preclude planning at the enterprise level, regions and even the economy in the whole; although in the latter case, it is usually «delicate», limited in duration, scope and other parameters, and thus, presented in the form of national target programs.

The second criterion is the solution of economic and social problems, with the presence of which the market mechanism reveals either its inability or lack of effectiveness. Without the state the market economy can not be made environmentally safe and ensure the compliance with social and economic rights, to level the structural and regional imbalances, etc. The action of the state to improve the efficiency of market mechanisms and mitigate their imperfections is an

important component of modern industrial policy.

As the analysis of the economic reforms shows, up to nowadays the regions have failed to combine the sectoral and regional interests, to form rational economic organization of the vital activity of the population even on a relatively small area.

Nowadays, the authorities at the local level, as well as the whole country, are in crisis, and the authorities can not perform their functions properly, use existing large resource opportunities. To ensure the sustainability of production and social sphere it is necessary to take a set of measures at national and local levels.

#### **Analysis of recent research**

The topicality of the issue of the structural development of the industry as a priority of public policy is pointed out in many theoretical studies and researches of both national scientists, in particular, such as O. Alimov, O. Amosha, I. Andel, B. Andrushkiw, Y. Bazhal, S. Bila, L. Bezzubko, M. Bilyk, V. Bodrov, R. Boyko, M. Butko, Z. Varnaliy, O. Veklych, M. Haman, A. Halchinskiy, V. Hornyk, V. Heyets, O. Hoychuk, B. Hubsyky, B. Danylyshyn, Ya. Zhalilo, M. Koretskiy, B. Muntian, B. Paskhaver, Yu. Pakhomov, Yu. Paschenko, T. Pepa, S. Saliga, O. Skydan, A. Sukhodolya, A. Fedoryscheva, B. Shlemko, L. Yaremko et al. and foreign ones, such as A. Altukhov, K. Barrett, I. Bohdanov, L. Vodachek, O. Vodachkova, S. Glazyev, A. Gorodetskiy, H. Stolyarov, H. Furs and others.

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

– to develop a mechanism of state regulation of the structural development of industry;

– to identify the primary objective of regional industrial policy as the rational management of social and economic, as well as environmental potential.

#### **Results**

Nowadays enterprises themselves can not ensure sustainable development, find stable sales markets, and solve the problem of personnel reform without the help of the state. Available industrial resources are used only partially. Many companies are uncompetitive. The privatization led to the dispersion of property of enterprises among private institutions, most of them do not work. This led to the destruction of industrial and engineering complexes and slump in production.

There are no systemic understanding of production and social processes in the regions in the transition to a market related to

providing multidisciplinary economic relations, reproduction of labour force, setting definite goals, establishing the organizational and economic mechanisms of development. Local budget does not provide for the needs of conservation and development of municipal property, social and industrial infrastructure, support for most sectors of economy, especially industry. There is a considerable intellectual potential, which is not used but is extremely necessary to dispose of existing material and financial resources properly.

The main peculiarity of the target programming is that, unlike the directives that came in the centrally planned system from above, the mechanism of providing state industrial policy should not include compulsory tasks set for business entities.

The procedure of developing such mechanism pursues the task of forming a national consensus on the priorities of social and economic development and is built on the work of institutions of social partnership. Complementing the action of market competition mechanisms, the state reduces uncertainty and volatility of market conditions, helping companies focus on the prospects of production development and reallocate capital timely, directing it on the development of new technologies and sales markets. The measures that are being developed should not interfere with freedom of choice of independent businesses, but should perform functions of signals, showing the perspectives of changing economic conditions and industrial policy of state [3; 4].

The target programs are the tool of integrated action to address specific problems that can not be solved by «the self-regulation of the market» [2]. According to this, the selection of problems for their program development is determined by the following factors: the importance (priority) of the problem; the need to coordinate inter-branch links of technologically related sectors and industries to solve this problem; the inability to solve the problem in complex within the reasonable time by using the current market mechanism and the necessity of state support for its solving.

The great importance in the program performance method of solving economic problems is given to keeping diversity of factors that are not limited by this field, and have a fairly diverse nature of its origin and different time. In this respect the long-term prognosis is of great importance, which would have given the prospects of scientific and technological development and innovation in

the world and in Ukraine, the estimated change in generations of technology and technological structure, proved those technological niches that the country can take, justified the alternative of perspective innovation strategy, the ways and the consequences of its implementation. Such forecasts and programs are needed at national, regional and interregional levels. The measure of any sectoral program should be extended to other areas or activities or a complex of interrelated and coordinated programs with an appropriate goal should be formed [1, p. 126-132].

The main peculiarities of the program approach to solving problems of social and economic development of the industry include:

- target programs aimed at solving both national and local problems of separate regions, cities (development of infrastructure network, improving social and economic standards of living, etc.) and focused on the outcome;

- programs are considered as a complete object of management regardless of departmental affiliation of its elements and are vested with the necessary financial, material, personnel and other resources;

- all programs are interrelated and have a definite place in the overall set of economic activities of government.

The linking of the programs is reflected in the creation and implementation of a planning system. This planning system was, in particular, established by regional public authorities and local governments. It made it possible to connect all the time, functional and sectoral and regional levels in a single planning and budget process.

The following principles formed the basis of this system: continuity and the link of the levels of planning, the possibility of verifying the plans and unity of planning and reporting activities. The latter also consist of many programs of various levels. The division into subprograms is based on the need for rational organization of their development. Subprogram, which includes goals and measures that are used to implement one or more tasks, is relatively independent of the program.

The primary goal of any program on increasing the efficiency is matching supply and demand for this type of product.

The formation of subprograms is performed by selecting intermediate goals within the ultimate goal of the program. Only the development of a complex list of measures that take into account the

interests of a range of businesses and industries within the program target management can ensure the stable growth of industrial production.

The practice of forming the target programs focuses on priority areas, key challenges of current stage of development, which allows combining the solution of interdisciplinary problems and the problems that require a coordinated solution in one block. That is why the development and implementation of target programs is the form of the mechanism of industrial policy, because this process is caused by many factors that are varied and are generated by different spheres of reality (politics, economy, social sphere, etc.)

The study of experience in developing and implementing target programs of industrial production in Ukraine gives grounds to draw some conclusions:

- in our time attempts to use program management techniques are not entirely successful, although in the recent past we widely used program-target method for solving complex problems. It is possible to explain this situation because complex programs as an instrument of state regulation require certain organizational management structure, the established economic mechanism and, the most important fact is high qualification of people engaged in the development, management and implementation of programs, as well as control over their implementation, the use of new methods of market regulation that have not been used before, taking into account the conditions in Ukraine;

- the existing mechanism of the program approach is based on traditional methods of action used in the world market, but it has no structural properties, its direction to complex influence on all stages and elements of the motivational process and in this regard is fragmented. The mechanism that is used is based on the identified negative trends in the work of industrial enterprises that are evident in terms of economic reporting. However, there are many reasons that hamper economic growth and contradict the concept of state orientation. These causes lie outside the direct perception, they are hidden, and they can be revealed by means of «link» of their action to the structure of the motivation of the industrial enterprises.

In particular, social and economic development of Kyiv region is largely determined by the problems that exist in public administration:

- a) in the Kiev region a system of budgeting operates, in which administration of the territories has no legal grounds for confirming the protection

of their revenue base. For years the actual profit base has been significantly diverged from planned performance in budgeting.

A significant budget deficit is formed under sequestration of expenditures from the level of minimum standards and artificially increased profit base. Consequently, this leads to a lack of motivation for the administration to increase revenue base of the region.

The current system does not encourage regions to increase the revenue base, carrying out the rational fiscal policy in the region, since the procedure of adoption of the budget needs for the next fiscal year depends on the actual spending on budget classification in the current year;

b) the system of control is not realized in terms of regulated and clear division of powers between different branches and levels of government. The system of information exchange in the management structure requires improvement. In particular, there is a problem in local government, namely, the functions of control between the administration and local governments are not specified;

c) the correction of training professionals in the region is necessary. Only 8 % improve their qualification per year with the norm of 25 %;

d) the mechanism of state order for the supply of goods and services for budgetary purposes is not effectively used in all the regions;

e) the Program of state guarantees for the provision of free medical care is adopted annually in the Kiev region. However, adoption of the program does not solve the problem of imbalance of government guarantees and their financial support, as it is not provided with the available state funds. The lack of covered expenses forces patients to pay for medicines and medical services. The increase of payment generates the hidden commercialization of state and municipal medical institutions. The available resources of health care system are used with low efficiency. The main reasons are:

- unregulated multichannel system of public funding at the expense of budgets at all levels;
- maintaining the principle of financing health care institutions from the budget per resource indicators (beds, personnel), regardless of the actual work of medical institutions;
- lack of incentives in health care organizations to restructure health care and rational use of available resources;

f) the development and operation of the network of social protection establishments in

terms of social services tends to standard types of social services, although their effectiveness in some cases is lower than in non-standard types of social assistance. In fact, the mechanism of self-financing is not worked out from the technological point of view (especially for non-standard service agencies). The practice of social groups support, capable of creating their own systems of collective social support and protection, is not developed. Overall, the social sphere does not have conditions for rational forms of fund-raising for people;

g) the transformation started within the housing and municipal services system is fragmented. The functions of the customer and contractor are not completely separated. The current system of pricing in this sphere does not stimulate housing and municipal services to reduce costs. The mechanism of differentiating the payment for utilities based on the social norms of consumption is not developed.

11 indicators are established for cities, regions. The values of indices are determined by the regional administration and cities according to the results of auditing financial and economic activities of businesses, cities and regions and are recorded in public procurement. The experience of applying the mechanism has demonstrated the feasibility of development of the system of indicators for assessment of economic entities of the region. Nowadays there is no procedure for establishing the values of indicators for the region for the planned year;

h) a complete registry of municipal property is not formed, which makes it impossible to estimate the share of the municipal property used inefficiently, to ensure involvement in property turnout (in some cases, rights to property are not registered), inadequate land legislation, which regulates the property sales that in its turn causes inconsistencies in the legal use of land, as well as buildings and structures located on them. The public municipal property is used inefficiently:

- the database of state, municipal property is not formed ;
- the mechanism of informing potential leaseholders and buyers of the property is inefficient;
- the order of putting the property on lease hinders the development of medium and small businesses;
- the privatization in the spheres of trade, personal services, catering, construction is not completed;

- in some cases certain elements of the object of management are assigned to different owners, which reduces the efficiency of management;
- the availability of public enterprises that are not used prevents their development.

Thus, the transition of industry to the market economy requires focused regional policy. The rational division of labour within the region and the complex social and economic development of administrative entities facilitate this process to a great extent.

The regional industrial policy is determined by the system of goals and objectives of public authorities to manage the social and economic development within regions as well as the mechanisms of their implementation. As a result, each of them has formed a territorial economic complex, the features of which should be considered in the formulation and implementation of general industrial policy [5].

The state regulation of regional development is managed at different levels of state regulation. The transition to market economy relations changes the forms and methods of interaction of territorial and regional governments, as well as with economic agents of the market system. The clear division of functions of state and local government, their rights and spheres of control while ensuring the most favorable conditions and opportunities for self-government of regions is required. It is caused primarily by the decentralization of management processes, the transfer of some trends of reform at the regional level, especially in small business, social sphere, environmental protection and the use of natural resources, as well as by the increase of responsibilities of the regional administration for the implementation of economic reform. Each region has a right to use its resources, the scientific, technical and social and economic potential to accelerate the development of the region. The differentiated regional policy should be carried out which should take the local conditions into account. However, it is necessary to ensure economic integrity and the unity of the economic system. It is necessary to consider unequal initial conditions of entering the market in different regions, the limited opportunities of self-sufficiency and self-financing.

The state should help support economic, social and political stability in each region; ensure the effective interaction of the regions, the combination of specific approaches to solving problems in some regions and the unity

of the general principles of functioning of the market on the whole. The main parameters of the regional development are set by the center in the form of laws and regulations. The centre should develop a unified scientific and technical policy, which would become the factor in stabilizing the economy in the regions and forming intellectual and human resources.

The unified concept of development and distribution of productive forces with its related pattern of regional division of labour is formed at the regional level, the priority of certain regions is determined as well.

The main directions of social and economic development defined the main objective of the regional industrial policy that is the rational use of social and economic and environmental potentials of regions, the objective benefits of the territorial division of labour to create favourable living conditions in all regions. To achieve it is necessary to:

- to involve the most of the potential of each region;
- to reduce the unjustified gap in the levels of social and economic development of the regions.

In the short-term perspective the most important areas of regional industrial policy are the following:

- the formation of regional systems of social and industrial infrastructure;
- the formation of regional labour markets and the markets of manufactured goods.

Regional industrial policy should be directed to the creation of the resource and financial capacity sufficient to achieve the main objectives of social and economic development in every region: ensuring complex development of regional infrastructure systems, reducing the gap in the level and quality of life.

### **Conclusions**

Therefore, taking the results of the analysis of existing mechanisms of industrial policy in Ukraine into account, it is possible to draw the following conclusions:

- the state has a diverse and very powerful set of actions directed on the activity of industrial enterprises in a market economy, which can be divided into two main groups according to the classification into methods of direct and indirect regulation;
- further analysis shows that many existing methods of state regulation that promote more

active implementation of industrial policy are not used in Ukraine due to imperfect legislation, lack of effective public structures, state property management, information support of industrial policy, etc., as well as due to insufficient study of mechanism of control for enforcement of the adopted laws and regulations;

– relatively low efficiency of the implementation of programs of industrial policy during the transition period, in our opinion, is caused not because by the wrong choice of goals and directions, but by the lack of adequate link to a particular period of mechanism implementation;

– the existing models of industrial policy implementation should be supplemented by the time aspect, taking into account the stages of its implementation, which requires the development

of sound and scientific industrial strategy of production development for the long-term perspective. This will create an opportunity to concentrate efforts and resources of the state in most spheres of state regulation that are of primary importance, will ensure its consistency, continuity, succession and correlation of implementation measures;

– taking into account the overall strategic goal of social and economic development of the industry of Ukraine for the future, we believe that the primary objective of industrial policy is the formation of investment demand, primarily for domestic industry production;

– the transition of industry to a market economy requires the introductions of the goal-seeking regional policy.

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STRATEGY FOR THE PROTECTION OF PUBLIC INTERESTS  
IN ORDER TO ENSURE FOOD SECURITY OF UKRAINE

**Annotation**

*The nature, elements and importance of food subcomplex in ensuring food security of a state are defined. The strategy for the protection of public interest in regards to the food security of Ukraine is groudred.*

**Keywords:** state interest, food safety, food subcomplex, strategy, territorial structure.

**Анотація**

*Визначено сутність, складові та значення продовольчого підкомплексу у забезпеченні продовольчої безпеки країни. Обґрунтовано стратегію захисту державних інтересів для забезпечення продовольчої безпеки України.*

**Ключові слова:** державний інтерес, продовольча безпека, продовольчий підкомплекс, стратегія, територіальна структура.

**Аннотация**

*Определена сущность, составляющие и значение продовольственного подкомплекса в обеспечении продовольственной безопасности страны. Обосновано стратегию защиты государственных интересов для обеспечения продовольственной безопасности Украины.*

**Ключевые слова:** государственный интерес, продовольственная безопасность, продовольственный подкомплекс, стратегия, территориальная структура.

**Introduction**

Food sub complex is a complicated system of closely related to each other sectors that are involved in the production and sale of food. However, one should specify that the pace and level of effectiveness of its development in recent years is insufficient. This, of course, inhibits the solution of the current economic and social problems. Analysis of the food sub complex shows that in our country, unfortunately, there are significant deficiencies in virtually all of its verticals (and this applies to raw materials and processing, and trading their constituents), insufficient volume of sales of finished products and relatively low levels of return operation. In addition, the production of most food products is not sufficiently resistant and unable to provide adequate levels of consumption per one person of population.

**Analysis of resent research**

The speciality of the development of the food sub complex are in sight of many domestic scholars, among whom may be called V. Andreychuk, P. Haydutskoho, I. Demchick, O. Oleinik, P. Sabluk O. Shebanina and others. But so far neither components nor strategy in this sector are clearly defined.

The problem of ensuring food security is the focus of a large number of scientists, including L. Abalkin, E. Borisenko, O. Varchenko, V. Geyts, O. Hoychuk, S. Demyanenko, A. Kochetkov, R. Markov, P. Sabluk, I. Sviderska, O. Shebanina. However, some related issues are still not fully explored.

**Statement of research objectives**

- to determine the nature, elements and importance of the food sub complex in ensuring food security;
- to justify the strategy for the protection of public interest for the food security of Ukraine.

**Results**

Food sub complex, in our opinion, should be approached by several ways: first – as the organizational structure of the interacting elements (producers, buyers, infrastructure and the state – in the face of federal and regional governments), and secondly – as a regulated economic system because from the stability of food production, handling of economic and organizational processes an achievement of the main goal – the provision of domestic food production in sufficient quantity, range and quality depends on.



The food sub complex is one of the most important areas of our country. It is the main source of satisfaction of most basic daily human needs as it provides the population of Ukraine with the third of the total social product.

The main elements of the food sub complex are the agricultural enterprises of different ownership and management types, enterprises of manufacturing and food processing and market infrastructure. Therefore, the food sub complex is a union of several groups of business entities: 1) customers, which are represented by the food industry enterprises, procurement organizations engaged in the operation of the purchase, storage and supply of food to the federal and regional funds, wholesale trade firms, retail firms 2) production units of various forms of ownership and management, farmers and their associations, individual peasant farms, and 3) market infrastructure, including enterprise network of trade (exchange, wholesale markets, auctions, fairs), financial institutions (banks, insurance companies, investment funds), organizations of service and support purposes (marketing, consulting, legal, supply).

To the food sub complex, according to A. Shebanin [9, p. 12], must be accounted its following structures: spherical (by groups of sectors), functional, sectoral and territorial. Speaking of the spherical structure of a food sub complex it should be specified that there is no single point of view on it in the economic literature yet.

Various authors, while considering the food subcomplex, offer far different opinions towards its structure. For example, T. Pepa [6, p. 189] distinguishes the following four areas in this sector: 1) industries producing capital goods for agricultural and manufacturing sectors, as well as for the food industry, 2) agriculture, 3) processing and food industry, and 4) infrastructural formations which are serving the second and third components of the sub complex. But, in our opinion, the mentioned approach does not allow us to clearly define the limits of food sub complex.

Some researchers define the food sub complex as a set of four sub components:

1) agriculture (other than the manufacture of non-food raw materials) and other activities for the production of food resources (fisheries, mineral water, use of food resources of the forest, salt industry);

2) processing industry;

3) production infrastructure—a set of industries that provide the conditions of the production

process (cargo transport, wholesale trade, electricity, gas and water supply, refrigeration, storage and packaged industry, technical and reclamation services, marketing services, rent, lease);

4) food trade.

In our opinion, the limits of the food sub complex should be restricted to industries and manufactures which are directly combined with the production of food products and bringing them to the consumer and providing the necessary resources.

In regards to the functional and branch function of the structure of food sub complex it should be specified that it reflects the relationship between groups of firms that perform different functions. It includes a number of links that consistently operate in the process of expanded reproduction. Being united vertically, they form the food (grocery) vertical, the totality of which forms the functional branch of the structure [9, p. 15-16].

Food sub complex from the functional and industrial point of view consists of a large number of product verticals, which include agricultural, processing and trading units which are engaged in cultivation of this type of raw material, processing and sale of finished products. These verticals are: grain-, potatoes-, sugar-, wine-, vegetables-, dairy-, meat-, oil and fat- and others branches of agricultural industry.

Speaking about the territorial structure of the sub complex, it should be indicated that it is based on the territorial division of labor. In the economic literature national economic, regional, district and local (within one or more towns) territorial contours are distinguished. It is based on economic regionalization and administrative divisions of the country.

In fact, food subsector is being represented by a set of branches which are associated with the production, storage, transportation, refining, processing, wholesaling and retail, as well as relevant services. The subjects of this sub sector are entities and enterprise of all legal forms which activity is connected with the production of goods (services), its storage, processing and marketing, logistics and providing service.

In particular, the food industry is represented by a set of industries that produce and bring the identical intended food products to the consumers. Thanks to its development appropriate changes in both production and consumption of food are

provided. That is food industry that is engaged in processing of primary agricultural products.

We believe that the attention deserves the proposed by E.V. Sklyar [8, p. 7] classification of cereals by the criterion of allocation of raw materials, which are divided into the following four groups: first – the branches that produce food products with a limited life (bread and bakery products, dairy products, etc..) second – the branches that are situated in almost every regional or district center (meat, milk, flour), the third – the branches that transform raw materials (vegetables and fruits), the fourth – the branches which are developing in some particular areas (salt, fish, tea).

Food sub complex has its own specific features, namely a significant impact of soil and climatic conditions; noticeable fluctuation of the levels of crop yields and the total volumes of production and consumption of agricultural products; inelastic demand for food (in the first place – bread and cereal products, potatoes and some others), relatively small terms of shelf life of most food products.

This exact complex differs from other complexes in agriculture by the specific set of products that serve as the basis for different product verticals. In addition, in this sub complex very needed to the population food products are being produced. And without those a normal life is practically impossible.

In relations that are developing between actors in the food sub sector, there are the following main types of economic relations between them: 1) producers of different types of ownership (including private farms) which on the basis of direct ties implement agricultural commodity of food industry and the food itself via wholesale and retail trade or through its own sales network and direct to local markets, 2) creation from the side of the producers of corresponding elements of market infrastructure (wholesale and small wholesale markets, supply and marketing, service and other co-operatives), by which not only the produced products are being sold and the supply of the agricultural and industrial entities of the sub complex with all necessary means of production is accomplished, but also giving them a variety of industrial, scientific and technical services along with the storage possibilities, and 3) companies and farmers associations are selling large batches of food (primarily – grains, sunflower seeds) with the help of regional or interregional specialized stock markets, 4) the relations of commodity

producers and the state in the matters of sale of food products are built through contractual system on the open competitive basis.

Food sub complex of the country should ensure its food security, which is the most important task of each state. Ensuring food security is a guarantee of independence, an important condition for the stability of society.

Inherent task of any country is in satisfying the needs of its population in food products with the help of scientifically based physiological regulation. Thus, it is essential to increase the production of high quality food products and to improve their balance.

Ensuring food security can be achieved through sustainable and effective development of agricultural production. The base for it should serve the introduction of advanced technologies. Urgent task of the food sub complex is in developing a strategy for food security.

Unfortunately, in the economic literature there is not even a single, universally accepted definition of the essence of food security. For example, E. Borisenko [1] defines food security as the supply of the population with their own agricultural and food products using a strategy of agricultural protectionism. A. N. Varchenko [2] underlines that the food safety is an officially adopted in international practice concept which is being used to describe the condition of the food market of the country or group of countries and also the world market overall.

It should be pointed out that in the economic literature there are other opinions on food security. They can be grouped into the following approaches:

1) consideration of food security as the level of supply of the country with the food products of domestic manufacture;

2) satisfaction of the needs of the population with all food products (both domestic and imported);

3) implementation of two criteria: the presence in the food market of the country of such a number of food products which is sufficient to maintain a healthy way of living; the availability of these products for completely for all social groups of the population [186, p. 7].

In our opinion, the most accepted definitions of the above stated food security is the one which was proposed by A. Shebanin, O. Kochetkov and R. Markov for the characterization of the state of food security offer to apply these two criteria: the

equilibrium of the market quantity of food should not exceed the minimum need for food for the whole population; the cost of the required ration at market prices should be lower than the incomes of all segments of the population [4].

The state of food security in each country is characterized by the following components: the presence of food in the required range any time throughout the country; income levels of different population groups in all regions of the country, which allow them to buy food products even under the minimum rate of consumption; the prevention of production, sales and consumption of low-quality products that are harmful for human health.

By taking over the world food markets, leading countries at the same time care for maintaining their own high-level self-sufficiency: the United States and France – over 100 %, Germany – 93 %, Italy – 78 %, and even Japan, which is poorly fertile with soils – 40 %, Russia – 67 % [3].

Under the conditions of globalization external factors make a great contribution on the state of food security, which is being managed internationally. The results of a study showed that the economic situation in agriculture of Ukraine is deteriorated as a result of its accession to the WTO. According to the requirements of the organization, state support of agriculture and the level of customs and tariff protection in Ukraine are much lower than in European countries, which puts into question the fairness of the existing world agricultural order [7].

Ensuring food security of any country is primarily connected to the proper development of agriculture, without which it is practically impossible to achieve a reduction in imports of food products and to eliminate the crisis in agriculture. According to the project «Integrated program for the support of the development of the Ukrainian village until 2015» agricultural potential is the basis of growth of national income and ensuring food security of a state. The agricultural sector provides food security and food sovereignty of the country, forming 17-18 % of its gross domestic product [5].

An important role in solving the food problem has the food industry, which is the final stage of food production and ensuring the effective functioning of the food under sub complex of the agriculture.

Speaking of food safety, one must specify that the food consumed by the population of the country and its every region must be environmentally safe.

An essential element in reaching that result is providing an appropriate level of responsibility of managers, professionals and each employee.

The main factors which are affecting food security are: the lack of investment funds spent on rural development, and as a result – insufficient introduction of new technologies and techniques in the fields of food sub complex; weak protection of domestic market from the expansion from the side of other countries and the emergence of dependence of separate groups of food products on imports; discriminatory pricing, tax and credit policy (the lack of incentives and subsidies for agricultural producers, food aid to vulnerable populations).

The current state of economy of Ukraine determines the particular relevance of the state in ensuring food security. Moreover, the purposeful activity for our country in this field is necessary. This is due to the fact that Ukraine had experienced difficult times and entered an era when its mechanism of financial and economic regulation of trade flows when the new stratum of society – the owners was formed. The problem of food security for Ukraine is fundamental.

In order to achieve success in ensuring food security the state should implement appropriate support for producers of agricultural and food products, and develop governmental programs for the regulation of food sub complex, financial and monetary policy, taxation and insurance policies. As the world practice shows, only the state may conduct an independent policy in the development of the market food products and be able to provide its populations with food products.

Food security can only be ensured by the country which is able to handle this issue without external supply of food products. In order to ensure the food independence every state should increase its economic potential and increase the efficiency of agriculture.

### **Conclusions**

In order to ensure food security, Ukraine needs a strategy for the protection of state interests such as social stability, meeting the nutritional requirements, independence of imports, the development of domestic production of food products, the creation of reserves to stabilize the food supply. The state must meet the needs of the population for food, which is achieved by providing a certain level of domestic production or full self-sufficiency.

According to the experience of developed countries, Ukraine should develop a system of targeted food aid. In particular, low-income

families with many children and the disabled can be provided with vouchers to purchase food, free lunches and school breakfasts, meals in kindergartens. In addition, regional authorities should work to stimulate demand by providing information about prices and quality of local production. The state should regulate the advertisement market, thereby helping local agricultural companies in the organization of the broadcasting of their services and products being produced.

The mechanism of ensuring food security is a set of organizational forms and economic methods, interconnected at the international, national and regional levels in a single mechanism that is regulated by legal norms, which allows the

state to stabilize the level of food security.

Since each individual region of the country has its own characteristics, the mechanism of ensuring food security in it is, of course, different. Moreover, the strategy of ensuring food security of each particular region should take into account its entire specific features and focus on socio-economic situation and economic opportunities. During the development of this strategy the right analysis of indicators which are reflecting the region's food security and the requirements for its food self-sufficiency are ought to be fixed by law. From the way how the food security in each separate region is being conducted the food security of a whole state depends on it.

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PROVIDING COMPREHENSIVE MONITORING  
 IN AGRICULTURAL POLICY

**Annotation**

*The article reviews the main problems of innovation and investment development of agrarian sector of Ukraine, the questions of state support of innovation and investment development of the agricultural sector, the possible measures to increase the efficiency for this activity.*

**Keywords:** agricultural sector; government regulation, innovation and investment development, strategy.

**Анотація**

*У статті розглянуто основні проблеми інноваційно-інвестиційного розвитку аграрного сектору економіки України, проаналізовано питання державної підтримки інноваційно-інвестиційного розвитку аграрного сектору, запропоновано можливі заходи щодо підвищення ефективності даної діяльності.*

**Ключові слова:** аграрний сектор, державне регулювання, інноваційно-інвестиційний розвиток, стратегія.

**Аннотация**

*В статье рассмотрены основные проблемы инновационно-инвестиционного развития аграрного сектора экономики Украины, проанализировано вопрос государственной поддержки инновационно-инвестиционного развития аграрного сектора, предложено возможные мероприятия по повышению эффективности данной деятельности.*

**Ключевые слова:** аграрный сектор, государственное регулирование, инновационно-инвестиционное развитие, стратегия.

**Introduction**

Since becoming a member of the WTO, the agricultural sector of Ukraine is functioning in qualitatively new economic conditions. Together with opening the trade borders, the state more acutely felt the effects of the global financial crisis and the instability of market prices, which is characteristic for it. The agricultural sector focuses – especially in the terms of the financial crisis on one of the main budget-forming and investment components of the state economy. Today, agriculture is increasingly feeling the pressure of negative effects, mainly related to the global financial crisis. In this situation governments of the developed countries have resorted to the use of additional protective measures in order to protect their food markets and to support their export.

When joining the WTO, Ukraine could not apply protective measures under the condition of urgency, as its market was directly dependent on the world market and protectionist policies of developed countries. This resulted in substantial volatility of the market and lower commodity prices. The internal factors such as: sharp marked limitation of purchasing power, reducing exports, stopped lending process to the enterprises, monetary and exchange rate factor,

the growth of the energy prices, approaches to curb prices in order to protect domestic consumers in the food industry are also seen. Concern is caused also because the decay of social infrastructure in rural areas is not suspended. Thus, since in rural areas there is the lowest rate of birth and life expectancy, meager salaries and pensions and the highest death rate hundreds of villages degrade and die out. By this entire industries are destroyed and the total losses become the norm of most farms.

**Analysis of recent research**

To the study of agriculture as part of the economic system of Ukraine and the issue evaluation, formation and structure of productive capacity works of local economists are devoted: S. I. Demyanenko, I. I. Lukinov O. M. Mogilny, O. M. Onishchenko, B. Y. Paskhaver, P. T. Sabluk, V. O. Tochylin, V. M. Trehobchuk, O. M. Shpuchak, A. E. Yuzefovich, V. V. Yurchyshyn. A significant contribution to the development of macroeconomic research, the relationship between individual components of the economy have made the following domestic and foreign scholars as V. Bondarenko, Y. Gaidar, A. Galchinsky, V. Heyets, J. M. Keynes, V. Leontiev.

### **Statement of research objectives**

The purpose of the article is to consider the basic problems of innovation and investment development of agrarian sector of Ukraine, to analyze the issue of state support in innovation and investment development of the agricultural sector and to suggest possible measures to improve this activity.

### **Results**

Economic processes, which are happening in socio-economic life of Ukraine, are putting forward new requirements for their regulation. The market mechanism, on which until recently excessive hope has been put, without effective regulation in the form of state influence on the socio-economic processes in a transitional economy appeared to be ineffective. Thus, the practice of macroeconomic development once again confirmed that the effective functioning of socially oriented market mechanism is impossible without the active of socio-economic policy of a state. The negative things in the agrarian sector of Ukraine became the natural consequence of errors in strategy and tactics of agrarian reform, which was started in 1991. The haste, often wrong choice of priorities in agrarian reforms led to a serious degree of disproportions in agriculture, deep decline in production, financial instability, and decreased quality of life of rural population.

It should be noted that the policy, which is being implemented now for commodity of agriculture, is not ensured with comprehensive monitoring of the factors of agricultural sector and the relevant legal framework. As a result, the lion's share of decisions made in management, are of declarative and fragmentary nature, aimed at overcoming temporary, acute problems of individual agricultural sector. Most of these measures are inadequate to the economic situation in general, as they are based on the «linearity» of the relationship between economic entities of the market and government bodies in the form of short-term direct support of the budget (subsidies, compensation, preferential loans, debt relief, administrative control for the channels of the distribution of products) [1].

Of course, without government regulation and budget support the existence and the development of agriculture is impossible. Agriculture under the conditions of a market economy, because of its certain characteristics, cannot fully participate in intersectional competition. Because of non-equivalence of trade barter of village with other sectors of the economy, seasonality of production, weak investment attractiveness and low purchasing power of population and other negative factors

agriculture remains extremely risky sector of the economy.

In this situation comprehensive regulation is needed, which includes antitrust regulation of tariffs of natural monopolies, state intervention in the food market, the development of leasing of agricultural machinery and equipment. The use of state mechanisms regulating the agricultural sector in Ukraine is denied by many opponents, but the mechanisms of state regulation of agricultural sector exist in almost all countries and are constantly improving, while reacting to global economic factors.

In theory, now we are at the final stage of agrarian reform, understanding new trends in agriculture production and the search for the future strategy. «The economic condition of agricultural sector intensifies the search for ways out of the economic crisis and the development of business. The main purpose of agriculture economy is the formation of the competitive industrial production aimed at resolving of political, social, economic problems and the issue food security» [3].

In order to achieve this goal it is necessary to fulfill the following: to set a complex of measures aimed at improving performance and strengthening coordination of executive power in order to transform industrial components on the basis of public policy, to determine the system of the target programs and the projects of the development of the separate sectors of the economy and working towards the improvement of the reproductive proportions; to strengthen the stimulative functions of a state in order to promote the business activity of separate entrepreneurs for the sake of revival and development of the industrial production through reaching the optimal proportions of ownership, to implement tax reform and implicate the perfect corporate management models, to create a normative legal framework for the effective functioning and development of an industry, to ensure effective management and the use of property rights, antitrust regulation and competition, and others. These are also important measures in order to strengthen the economic environment.

Thus, the functioning of the agricultural sector during the economic crisis leads to the need for research of a number of problems which are associated with an increase in agricultural manufacturing during the change in external and internal economic conditions.

A characteristic feature of the modern innovation of the agricultural sector in the world is that it is being accomplished as part of the STR. The technological revolution covers not only industry, transportation,

construction, but agriculture and other sectors of the agro sector, where so far the amount of heavy manual labor and the dependence on natural forces of nature are very large. Modern scientific and technological revolution in agricultural sector provides a real innovation, defines the transition to the new innovative technological mode of production. It is being expressed as follows: 1. In acceleration of the implementation of science in agriculture, which in this area is increasingly becoming a direct productive force. 2. In the quality of innovative changes in all elements of its logistical and biological foundation in the technology and agro production. 3. In the formation of highly-developed agricultural sector.

Agricultural production under the condition of STR was developed later than industry. There were the powerful factors for it: historically cultural and technical backwardness of agriculture from industry, the village from the city took place. The level of specialization and concentration of production is lower than in industry, which makes it difficult to increase accumulation and effective use of technology and science, a later development of biology, genetics, chemistry and other sciences which the STR in agriculture depend on.

However, it is important to note that the later involvement of the agricultural sector into the STR restrains it from having a consistent flow of all phases of technical progress and, where possible and appropriate, makes the transition into modern technological mode of production more ease.

Using the achievements of scientific and technological revolution in agriculture is largely carried out during the state of innovation and investment policy. Thus, we are talking about public investment for stimulating agribusiness, increasing innovation activity, the formation of market innovation and their promotion to the domestic and foreign markets. The economic efficiency of enterprises, providing high speed of their development, increasing competitiveness on both domestic and international markets determines the level of investment activity [5]. Investment is the basis of reproduction of production potential of the agricultural sector of economy.

The possibilities of the recovery of the productive capacity of the agricultural sector which was actually destroyed in the last decade of last century and its further development through expanded reproduction will depend on the current investment and structural policy. Through all sources of investment in recent years there has been a steady increase of investment activities and budget allocations to the needs of the

agricultural sector and only in the crisis period in 2009 this margin was decreasing.

In order to ensure the sustainability of agriculture and its competitiveness in domestic and foreign markets, and hence the increase of the investment attractiveness, in September 2007 the Cabinet of Ministers of Ukraine approved the State Program of the development of Ukrainian village until 2015. Through the implementation of measures which are aimed at the formation of investment and innovative model of development of agriculture, by 2015 the revenue of investment in the form of about 20 billion hryvnas to the industry is foreseen.

The governmental policy of privatization became one of the major reasons for the increase of investment activity.

During the years of reform investments in agricultural branch of economy grew at 7.2 times. During the past decade there was the growth of investments into the economy of Ukraine as a whole and its agricultural sector particularly. But such investment policy does not take into account physical depreciation of fixed assets, which in recent years came close to critical levels and is in most regions over 50 %. In the GDP the share of agricultural area is about 8.2 %. Over 30 % of industries are economically connected with the agricultural sector.

Farmers, regardless of the ownership type, have to adapt to new conditions of the investment process, while not having enough experience. They should learn how to enter into the economic relations with the new entities that provide investment resources, and which are significantly different from the usual state structures: are explicitly acting on the base of market principles, imposing stringent requirements for investments' providing and the conditions of their return.

Analyzing the state of investment activity in Ukraine the following main problems that hinder the creation of a positive investment climate can be formulated: inadequate tax systems, low effective demand of agricultural subjects of economic activity, significant amounts of indebtedness of agricultural enterprises of both public and private financial institutions, underdevelopment of the credit facility in the agricultural sector; lack of reliable guarantees for the protection of foreign capital, the lack of banks specializing in lending to agribusiness, low public confidence in the banking system.

For the salvation of the above named problems a favorable climate for both domestic and foreign investors, including the use of effective levers of economic policy, improving the legal framework,

especially the system of taxation and privatization, improving the mechanism of creation and functioning of a special (free) economic zones, strengthening the banking system, the development of securities market and the system of state protection and state guarantees for investment should be created.

In the economy of Ukraine the problem lies not only in increasing investment in agriculture, but also in providing innovative activity. Innovative activity is a purposeful activity of the establishment, implementation in the production and promotion of new efficient, scientific, technological, organizational and managerial achievements of STC with a purpose to make profit. An innovation must be made such a way to not only cause a need for a new product, but also to provide financial opportunity for making further innovation after its implementation. However, the final assessment of the effectiveness of innovation makes a market in the face of the consumer.

In order to assess the economic and social results of innovative activity in the agricultural sector, one can use the following system parameters: convergence of investments in research and development and in their own agricultural production, the share of innovative high technology products in the total final product of the agricultural sector [8].

Strengthening the innovation activity in Ukraine should take center place in the implementation of a state policy in the agricultural sector. However, the innovative business in the country is still poorly developed. An innovative business in agriculture refers to the venture (risk) capital. Therefore, its development requires a large domestic and foreign investment. This risk should be compensated not only through revenues of the companies –innovators, but also through guarantees, preferential tax treatment, affordable credit and insurance.

In order to reduce risk and improve innovation the formation of the economic mechanism of embedding science in the structure of agricultural production is needed. The selection of the most effective forms and methods of innovation activity in the agricultural sector requires, above all, science-based management, which involves the formulation of goals and selection strategies, preparation of innovative projects, project management and risk management, management of personnel, the creation and development of a new technology, the evaluation effectiveness of innovation. The central place has the selecting of goals and innovative strategies. Determining the most appropriate areas of economic and scientific-technical policy which are based on a long-term run of the agricultural sector during

the transition to the market, taking into account the aggregate external and internal factors, resource constraints at the macro-, meso- and macro levels depend on the above two factors [7].

An innovative strategy that promotes innovation activity may be different: offensive, if the purpose is the leading market position; defensive, when it is advantageous to keep following the «leader» with the aim of borrowing his innovation of making some changes; simulative when using the achievements of competitors and avoiding errors; dependent when the purpose is self-preservation and sub-contract work for companies innovators is performed. These kinds of innovative strategies can be used both separately and in combined form at different levels of the agricultural sector. These kinds of innovative strategies can be used both separately and in combined form at different levels of the agricultural sector.

A special role in the promotion of innovation in the agricultural sector holds the state, which in the process of formulation of economic, scientific, technical and social policy sets out the priorities of basic innovations at various levels, creates a market mechanism for its implementation. All the achievements of the STR and its agro technical, technological, organizational, economic and other innovative areas should be more actively used. The analysis of the innovation development of the agrarian sector of Ukraine allows us to select a number of problems hampering the competitiveness area.

Firstly, there is no reasonable and effective innovation policy of the state. The disclaimer of Ukraine at the beginning of its state independence from the priority scientific and technological development, the lack of public priorities, an exclusion from the main productive forces – science, advanced education and innovation is a major problem for the accelerated development of national economy [2].

Secondly, there is no system of the state governance of the innovation process from the side of the state. The distribution of the areas of this field between different agencies leads to a lack of common goals and objectives, uncoordinated actions, scattered human and financial resources. Such governance has never been aimed at solving national problems, as it was always carrying the sectoral character.

Thirdly, the legal framework for the regulation of innovation activity is fragmented, not unified, contradictory, and therefore imperfect. Ukraine has adopted over 100 laws, legal acts of the government and various departmental documents that are not



coordinated and do not form a single legal framework of innovation activity.

The fourth problem is the lack of the financial mechanism of innovation activity. The main sources of financing the costs of innovation are the companies' own funds. Meanwhile, in developed countries in the «nutriment» of innovation activity extensive and very dynamic network of private equity and venture capital funds play a decisive role. Under the condition of the absence of clear rules and guarantees the private capital is not yet moving towards the innovation sphere.

Today, the future path of development of agrarian sector of Ukraine looks like a dilemma: either it will be possible to create a competitive industry, which together with a number of priority areas will find its proper place in world markets, or it will lead to a loss of this perspective and Ukraine will not be able entry into developed countries. Therefore, the transition to an effective state policy of innovation in the agricultural sector is among the top priorities of the public governance.

The strategy for implementation of this policy should be implemented based on the system and consistent basis. All participants in the innovation process should be interested in combining their interests and efforts in developing and applying new knowledge and technologies in order to enter the domestic and foreign markets with competitive products. In the implementation of this goal an interaction of all subjects and creating the economy based on knowledge the role of government is significant. The priority areas of investment in agriculture primarily include: technical re-equipment and reconstruction of existing enterprises, invest-

ments in environmental protection, strengthening scientific and technological developments and their implementation in practice of enterprises [6]. It is also essential to appropriately use the available own resource potential that can greatly accelerate the economic development of Ukraine.

### Conclusions

Today several measures in order to minimize the crisis in the agricultural sector and to provide its output to innovative new perspectives should be taken. Among them are: rollovers, which were taken by the agricultural units in the commercial banks and providing new loans; increased cost of funding of programs and financial support of the industry through the mechanism of reduction of budget credits, livestock and crop subsidies, reduction of the purchase of vehicles, restoring funding budget programs with partial compensation of costs of agricultural machinery of domestic production, reproduction and improvement of soil fertility, reduction of cost of insurance premiums; selection by the stabilization fund of additional funds to support farmers.

A special attention should be paid to the creation of equal conditions for all types of agricultural enterprises and to reform their directions of their support, namely: switch from the production subsidies into independent from the amount and type direct payments, to create the equal access into the market and existence to all types of agricultural enterprises in order to allow every small business to have a prospect of a large trade, and therefore provide a competitive, differentiated state support for individual farmers and separately for rural development.

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CONCEPTUAL APPROACHES TO THE ORGANIZATION  
OF THE INVESTMENT ACTIVITY OF AGRICULTURAL ENTERPRISES

**Annotation**

The evaluation of assessment of the effectiveness of investment projects of agricultural enterprises is defined. The consequences of any risky decisions in evaluating the efficiency of investment projects are analyzed.

**Keywords:** farmers, agriculture, efficiency, investment, rate assessment, formation.

**Анотація**

Визначено показники оцінювання ефективності інвестиційних проектів аграрних підприємств. Проаналізовано наслідки будь-якого ризикованого рішення при оцінюванні ефективності інвестиційних проектів.

**Ключові слова:** аграрні підприємства, господарська діяльність, ефективність, інвестиції, показник оцінювання.

**Аннотация**

Определены показатели оценки эффективности инвестиционных проектов аграрных предприятий. Проанализированы последствия любого рискованного решения при оценке эффективности инвестиционных проектов.

**Ключевые слова:** аграрные предприятия, хозяйственная деятельность, эффективность, инвестиции, показатель оценки.

**Introduction**

In the course of agrarian reform, market-oriented system of financing replaced the planned distribution system. The development of market relations promoted the formation of new channels of engagement and use of financial resources. In addition, there have been some institutional changes, new regulations and legislation taking place. However, along with positive negative moments also exist. Thus, during the years of reform there has been a sharp reduction in investment in agriculture from all sources of financing, as well as the reduction of budget allocations in total financing. In addition, the economic situation of the majority of agricultural enterprises does not allow them to invest because of the low profitability of their activity.

**Analysis of resent research**

Problems of state regulation of material, financial, informational provision for the investment of agricultural production have been addressed by J. Bilousko, A. Galchinsky, O. Datsiy, M. Demyanenko, V. Zinovchuk, T. Zinchuk, M. Zubets, M. Malik, A. Malinowski, L. Maslovskaya, G. Pidlisetsky, P. Sabluk, O. Skydan, V. Topiha, O. Ulyanchenko,

O. Shebanin, and V. Yurchyshyn. To the problem of efficiency of investments in the agricultural area are devoted works of national scientists such as: V. Andreychuk, S. Hutkevych, P. Kaninskiy, M. Kiselya, M. Kodenskoyi, M. Kropyvko, E. Lanchenk, Y. Lupenko, K. Prib, O. Shestopal and other.

**Statement of research objectives**

– to identify the indicators for assessing the effectiveness of investment projects of agricultural enterprises;

– to analyze the consequences of any risky decisions in evaluating the effectiveness of investment projects.

**Results**

Ukraine holds one of the last places among European countries. In addition, the chronic shortage of working capital does not allow agricultural enterprises to spend quality time on sowing and harvesting. These and other reasons make it difficult for domestic producers to exit the crisis and access an effective level of management, to enable the successful competition with foreign suppliers of agricultural products in the Ukrainian food market. Under these conditions, it is vital for agricultural enterprises to develop the conceptual approaches of the investment activity

and to find the necessary funding of investment resources and their effective investment. In scientific literature, typically three main groups of sources of financing are distinguished: 1) the own funds of enterprises – profit, depreciation, amounts paid by the insurance in the form of compensation for damage other types of assets, etc., 2) public funds – the budget, extra budgetary funds, property, public property, etc. 3) borrowed funds – loans from the commercial banks and other financial institutions, etc. [1, p. 84].

It should be noted that some authors, such as E. Krylov and I. Zhuravkova allocate foreign investments into a separate group of sources of financing in the form of financial or other participation in the authorized capital of joint ventures and direct investment of international organizations and financial institutions, states, businesses and organizations of different forms of property and individuals [4, p. 172]. Sources of financing must also be distinguished by the means of the property relations – personal, involved and borrowed. We offer to distinguish the sources of funding according to the type of property: public funding sources, financial resources of business entities of commercial and noncommercial types; funds of foreign investors. In terms of owners these funds originate from the state, regional and enterprise level.

In terms of business investment subject it is essential to use in practice various sources of investment. In connection with this an important issue is to establish the optimal ratio between the different sources. We believe that both now and in the short term, the share of own funds in the structure of sources of financing will be too high – 55-60 %.

Thus, at the present state cannot find the necessary financial resources to invest into even into the priorities of the economic reform which slows down the process of structural transformation, does not contribute to the competitiveness of domestic agricultural production, and makes it impossible to solve acute social and economic problems in rural areas.

International and domestic experience indicates that an important investment requirement is the development of the project. It should be noted that the establishment of an investment project of the new enterprise, reorganization with or without preserving the profile of products sold by the passage is being

accomplished in three phases: pre-investment, investment and production.

Pre-phase consists of three stages: determination of (research) of favorable conditions, pre-feasibility analysis (analysis of alternatives and choosing the direction of the project, formulation of project) feasibility of the project (detailed evaluation of the project). The next phase – investment – is the introduction of production capacities in the business of material and immaterial production.

In the production phase the release of goods and services occurs; real investment returns in the form of consumption of goods and services, increase of investment potential; replenishment of investment resources of income. Obviously, any investment project can be practically implemented if the effectiveness of its application is proven and fully justified. Moreover, the economy's urgent need for investments, their apparent failure makes the issue of rational, efficient use of investment more important.

It should be noted that with Ukraine's transition into the market relations the methodological framework that was elaborated and widely used during the period of planned economy cannot be generally used to study the efficiency of investment. Under these conditions the evaluation of efficiency of investment has scientific and practical interest because dependent on how objectively, comprehensively it is being accomplished the payback period of capital invested, the rate of the company, as well as many other economic and social problems depend on. Objectivity and comprehensiveness of assessment of investment projects, in turn, are largely determined by the use of modern methods of economic evaluation. We believe that in evaluating the efficiency of investment projects it is necessary to distinguish between these three groups of indicators: 1) commercial or financial performance, taking into account the financial implications of the project for its direct participants, 2) fiscal performance, reflecting the impact of the implementation of the project for the state, regional and local budgets, and 3) economic efficiency that characterizes the costs and results of the project and takes into account the interests of its members and the interests of the country, industry and enterprise.

Despite the simplicity of calculations, to de facto quantitatively evaluate the efficiency of

funds invested in economic projects is difficult. A characteristic feature of the investment is that the cost of investment resources prior obtaining of results, separated from it with a considerable period of time. Economic theory states that goodwill of people of today is estimated higher than the one which will exist in the future. In the literature, this feature of economic behavior of the subjects of the market economy is called the «interim benefits» [2, p. 312].

One way that is important and used in practice in evaluating the effectiveness of investments is a discount. It is based on the fact that any amount to be received in the future has a smaller objective of usefulness, because if you put it into circulation and make the income out of it, then after a year or two it will not only be preserved but also increased [3, p. 89].

Currently, most common in Western countries and the United States are the following indicators evaluating the effectiveness of investments, based on discounting: the method of net present value, internal rate of return method, profitability index, discounted payback period of investment.

The effectiveness of investments depends on many factors, including the risks and uncertainties. The fact is that any investment decisions are de facto under risk and uncertainty. The consequences of such decisions are usually not known when the decision is made and the results can be better or worse than expected. In agriculture the problem of taking into account the risk factors and uncertainties is even more acute than in the agriculture, due to the fact that due to the specifics of the reproductive process it is a more risky sector of the economy. Variability of prices and yields are the main sources of risk in agriculture. Changes in technology, legal, social and human factors also are sources of risk.

Usually, under the investment risk one should understand the probability of incurring losses or missing profit from investments which are a subject of the measurement. However, the premium for a risk taken is an additional income, which the investor hopes to gain when he invests into risky projects compared with projects associated with zero risk. In the literature usually the following main sources of investment risk are distinguished: macroeconomic instability (high rates of inflation, exchange rate etc.), instability and unpredictability of economic legislation – political instability at the regional and local levels, unpredictable climatic conditions of the

enterprise, fluctuations in market conditions, prices, demand for products, etc. [5, p. 156]. All the above factors may somehow affect the purchasing power of money, and therefore the investment in investment projects. However, one should not avoid risky situations and not give up making risky investment decisions, but rather study and analyze the risk factors and seek to manage them instead.

Meanwhile, various businesses approach risky situations and solutions in different ways. In this regard, Professor of Sociology from the University of Illinois J. Robinson divides entrepreneurs into groups on the basis of their attitudes to risk [6]. He identifies the following groups: «those who avoid risks», «brave», «adventurers», «calculators».

A group of «those who avoid risk» are the most careful entrepreneurs that take into account the risks. In their decisions they focus on the worst combination of circumstances. Therefore, if the representatives of this group miss favorable circumstances they lose the opportunity to receive additional income. «Brave», on the contrary, «take» a lot of optional risk. Brave plungers are that close to all eyes and go to great risk, hoping for high returns. Brave men usually fail because they refuse to take measures to mitigate adverse effects. «Adventurers» «are entrepreneurs who like risks. Often they are looking for a chance to take risks, but most are able to keep control of risk within reasonable limits. «Calculators» recognize that they must «take» some risks because it is impossible to move forward. Before you decide and start some action, they collect information and analyze the possible consequences. «Calculators» are trying to be realistic, to recognize risks and to reduce them to an acceptable level. Most American farmers are «calculators» at least in most of their decisions.

### **Conclusions**

Thus, in evaluating the efficiency of investment projects one must first analyze and evaluate all the possible consequences of any risky decisions. In the economic literature it is proposed to use different methods to analyze the risk of the project. The most common of which include: the method of break-even analysis techniques and dynamics, the method of adjusting discount rate, the method of determining the required rate of return, the method of accurate equivalents, the method of a sensitivity analysis of performance criteria, the method of scenarios, the

method of determining probabilities of outcomes, the method of a «decision tree», methods that use elements of applied game theory. The choice of a method for risk assessment and appropriate

investment criteria is being determined on a case-by-case basis taking into account the economic situation of agricultural enterprises.

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CONCEPT OF STATE INDUSTRIAL POLICY  
AS POLITICAL ECONOMY AND MANAGEMENT CATEGORY

**Annotation**

*The process of formation of state industrial policy is defined. The approach to solving objectives of industrial policy and deepening of integration processes is grounded.*

**Keywords:** *mechanism of ranking, industrial policy, integration process, management category.*

**Анотація**

*Визначено процес формування державної промислової політики. Обґрунтовано підхід до розв'язання завдань промислової політики та поглиблення процесів інтеграції.*

**Ключові слова:** *механізм ранжування, промислова політика, процес інтеграції, управлінська категорія, формування.*

**Аннотация**

*Определено процесс формирования государственной промышленной политики. Обоснован подход к решению задач промышленной политики и углубление процессов интеграции.*

**Ключевые слова:** *механизм ранжирования, промышленная политика, процесс интеграции, управленческая категория.*

**Introduction**

Question about the essence of industrial policy causes heated debates that reflect controversial views of scholars and practitioners on the role of a state in an economic system. On the one hand, there are excessive expectations put on the effectiveness of public administration and, on the other hand – the denial of any need for government intervention in the economic process. Proponents of the first point of view tend to claim the leading role of the state in the economy, and supporters of the second point of view believe that the decisive role is played by the market. This thesis is advocated primarily by the supporters of monetarist theory. However, inefficiency of contrasting the extreme positions – «dyryzhizm» and liberalism – and their application in pure form in practice has received negative responses in the contemporary economic publications.

More balanced seems to be the position of those scholars who recognize the need for a combination of the regulatory impact and the market components within state industrial policy, implemented through state and market institutions of self-organization of economic activity.

**Analysis of recent research**

Theoretical, methodological and practical issues of industrial policy are actively investigated by both foreign and local scientists. In particular, these are works by local authors

such as O. I. Amosha, O. M. Alimov, V. Bodrov, A. Galchinsky, V. Heyets, Y. Goncharov, B. Gubsky, S. Dzyubyk, B. Kvasnyuk, I. Lukinov, O. Mordvinov, Y. Nikolenko, V. Novitsky, V. Sidenko, V. Semynozhenko, A. Filipenko, A. Fuks, A. Chukhno, M. Chumachenko and others. Similar processes are analyzed by Russian scientists S. Avdasheva, V. Kirichenko, D. Lvov, A. Nekipelov, I. Shurchkov, Y. Petrov, O. Yastrebova and others.

In our view, the level of research about the problems of formation and implementation of the industrial policy in modern national economic science is inadequate to practical importance of this problem.

**Statement of research objectives**

- to define the process of formation of the state industrial policy;
- to justify the approach to solving objectives of industrial policy and deepening the integration processes.

**Results**

The problem of carrying out a certain industrial policy in any country is certainly a part of a wider problem – the overall economic policy of the state. The question of economic policy is quite deeply analyzed in economic science, because it's conducting influences lives and welfare of all citizens; it is beyond the national framework and it covers the relationship with the

economies of other countries. A special branch of economic theory – normative theory of economic policy – examines the question of how politicians should act. Another part of economic theory – a positive theory of economic policy – looks at how government agencies operate in practice. Theorists in this branch analyze the development and implementation of economic policy in certain countries, conduct comparative analysis, and summarize the conclusions.

At the same time there is no clear definition of the concept of state industrial policy as political economy and management category. In general we can identify three main methodological positions concerning definition of this category. Within the first approach industrial policy, as policy in general, is seen as a mechanism for ranking certain values in society. Industrial policy in this sense is defined as the consequences and results of specific government decisions. That is industrial policy in this sense can be defined as a certain mechanism of government decision-making [2, p. 130].

Another approach reflects the interpretation of the category of industrial policy in the broad sense. In this definition policy is interpreted as a general structure of implementation of certain authoritarian rules. The third approach idealizes the fact that political actions are consciously oriented and motivated. In this context, policy is seen as specific actions aimed at achieving a certain goal.

Also synthetic definitions of policy exist such as, for example, «policy is a direction of action offered by a person, group or government within an environment, which includes obstacles and opportunities that a particular policy should use or overcome in trying to achieve a goal or complete a task or intention. For the concept of policy availability of goals, objectives or intent is essential» [9, p. 64].

Thus, it is generally accepted that the state should carry out industrial policy and define its goals and methods. State may declare the strategic priorities of industrial policy, based on selected socio-economic goals of society according to certain criteria (preserving economic independence, rapid receipt of currency funds, implementation of existing technological, natural or labor resource advantages, control of external market segment, etc.), groups of subjects of economic system, whose development is important for the existence or qualitative transformation of the national economy, as it is understood at this

point of development. In branches, recognized as priority branches, creation of an attractive investment, credit, tax and other climate is expected. Market institutions enable coordination of negotiating objectives of different levels and provide links in the economic system [3, p. 36].

The experience of reform in recent years suggests that market reforms, not supported by active industrial policy, can lead not only to the loss of the country's technological positions in the global market, which is especially important nowadays, but also to the development of such trends as a significant decline in production and a number of negative social consequences. As noted in the «Strategy of Economic and Social Development of Ukraine» (2004-2015 years) «eventually economic dynamics has not acquired the modern post-industrial focus that had to become the core of the transformation process. Ukraine actually started to move in the opposite direction – dismantlement of relevant development potential, introduction of standards of countries that now specialize on maintenance of the needs of post-industrial world» [8, p. 41]. This confirms the need for priority of industrial policy in economic reforms, since the purpose of the structural reform of Ukraine's economy is approaching the inefficient structure of industrial production to a certain optimum, which is characteristic to postindustrial society in the conditions of socially oriented market economic model.

The process of development of state industrial policy of Ukraine has passed several stages. In the first stage (1991-1994) reformation of the economic system and its liberalization did not allow to realize the problems that arose in production sphere. The predominance of the ideology of decentralization, denying the necessity of state regulation of production, had the effect of limiting the state's impact on the real sector without creating a system of market management of certain industries and enterprises.

In fact, catastrophic decline in industrial production was seen as a fee for reform, as inevitable loss in the transition to the new economic system; it was tried to compensate it with constant changes in the structure of industries' management. The threat of further deepening and accelerating of production decline brought to life measures of general support of enterprises through mutual indebtedness and concessional loans, which contributed to the development of inflation. In the second stage (1994-1997 years)

in macroeconomic aspect financial stabilization measures were conducted, which were considered as necessary and sufficient condition for economic growth, improvement of investment climate, and increase of investment activity of subjects. State regulation of the real sector was reduced mainly to the rapid response to emerging problems.

Various development programs of individual sectors were composed; the concept of industrial policy was even adopted [4] and the concept of regional policy was developed [5], where much attention was focused on industrial development in the territorial aspect. However, these documents did not become the impetus for systemic effects on production.

The third stage of the state industrial policy begins in 1997.

Today there is an awareness of public authorities in necessity and importance of the regeneration of material production as the basis of the economic system; the question of overcoming disparities between financial and real sectors of the economic system, that have developed in previous years, is raised; economic experiments, aimed at increasing the efficiency of functioning of enterprises and their management, are conducted.

Thus, it is clear that state power in Ukraine recognizes the need in industrial policy. Official documents are periodically adopted and other measures are declared within the industrial policy. However, there are no tangible results from industrial policy implementation so far. Obviously there are a number of restrictions that complicate the implementation of industrial policy: legal, institutional and social. Let us formulate in details limitations of economic plan and also let us analyze the ways of their elimination.

One of them is connected with the approaches to industrial policy, with the understanding of its essence. Practice and documents show that the government relates the industrial policy to the definition of goals and directions of structural reconstruction of industry; to the increase the efficiency of industries and enterprises; to formation of such a legal and regulatory framework of management that would ensure the increase of competitiveness of products [6, p. 27]. Thus, the scope of industrial policy is treated narrowly. Modern approach to the definition of the essence of the latter should be based on consideration of existing tendencies and processes in global and national economic practice. As mentioned above, limiting the impact of industrial policy only to

industry does not meet the current global economic realities of the transition from the dominance of traditional industries to the increase of the role and importance of new areas and sectors – services, communications, informatics, transport, and infrastructure.

The next restriction applies to the definition of industrial policy's priorities. The priorities, which are put forward, relate mainly to those sectors that have the conditions for competition in the global market. To this accounting, in particular, fall in mechanical engineering – production of aircraft and space technology, energy and agricultural machinery, automobiles; in metallurgy – production of thin automobile sheet, special pipes, cables, valves; in the chemical industry – production of fertilizers, household chemicals, automobile tires; in wood industry – production of plywood, cardboard, special paper, furniture; and in light industry – processing of flax, raw hides, sewing and knitting production [6, p. 28].

An important function of state industrial policy should be the selection of priorities in the development of industry, development of the system of protective measures, creation of a regime that contributes the most to important and promising enterprises. Especially significant role state industrial policy should play in the development and implementation of highly effective modern scientific and technical and, especially, scientific and technological policy, in development and implementation of large scale nationwide programs. The innovation strategy and tactics at the macro- and microeconomic levels is the key to this. Finally, a special aspect of the state industrial policy is ensuring national economic security: creating a sustainable, stable and guaranteed system of resources and energy saving, maintaining the optimal level of military-industrial production and on this basis – defense of the country as defined in the Law of Ukraine «On foundations of national security of Ukraine» [4].

State industrial policy is an important component of state economic policy, which directs the activities of the state on acceleration of economic progress of the country, on stimulation of industrial enterprises' work of all forms of ownership towards achieving tasks set by the national economy. State industrial policy is designed to promote effective solution of urgent problems of the society [3, p. 60].

Industrial policy is also a set of targeted economic, political and organizational measures



at different levels of national economic system, aimed to compensate for shortcomings of the market mechanism for some cases of distribution of resources (infrastructure, environmental impacts, intersectoral reallocation of resources, etc.); improvement of industry structure, location of production, management and promotion of investment and production activities, formation of industrial groups, encouragement of small and medium enterprises; maintenance of optimal conditions of competition in industries (production quotas, competition policy, promotion of competition) [1, p. 76].

As to the essence of industrial policy, in this regard unanimity is absent. There are complaints about the difficulties of unambiguous interpretation, due mainly to different understanding of its aims and objects of influence, as well as specificity of instruments applicable within its framework at various stages. It is recognized that industrial policy stands as a component of economic policy, «any economic policy is always at the same time the industrial policy» [2, p. 130], and is connected with such its direction, which aims at creating conditions for production activity. Differences in approaches of scientists appear in the definition of area of industrial policy and its relationship with other elements of state economic policy. For example, industrial policy is defined as a state policy that affects certain areas of economic activity in the country. It is noted that this policy applies tax rules and state funds; promotes mergers to achieve economy in the scale of production; intervention in financial markets in order to direct resources to the sectors that are supported.

Some economists practically equate structural and industrial policy [7, p. 127]; others argue that the latter focuses mainly on promoting and encouraging technological progress that is directly or indirectly supports innovation [1, p. 131]. Sometimes the definition of «industrial policy» stresses means it applies, and the scope of their use. There are also allegations that industrial policy is the distribution of resources between branches of industry or in organization of industry, that is, determining the structure of enterprises (such as the predominance of large or small businesses); and also that industrial policy determines the activities of the state, aimed at meeting the needs of the population and industry, the increase of production volumes and the increase of competitiveness of industry as a whole and its separate branches. We believe that such approaches unreasonably narrow the scope of industrial policy.

In particular, let us focus on the problem of identification of structural and industrial policy as such that, on the one hand, is quite common, and, on the other hand, touches the most important component of economic reform: changing the structure of the economy. It is well known that the structural changes are one of the major components of reform. Structural changes are characterized by a change in the share of different sectors, regions, enterprises of different scale in the domestic product, capital circulation, the total number of employed in social production. They are expressed in that the number, range, and quality of manufactured goods and services changes: certain benefits are produced less or their production is terminated at all, while production of other increases. At the same time there is a change of main production technologies and typical for a market economy economic ties emerge. The structural transformations can be defined as the establishment of new relationships between different sectors of social production.

State industrial policy is part of state policy of reforms. It aims at achieving a new level of industrial development and on that basis: significant economic strengthening of the state's potential, meeting the needs of the population, development of the internal market and increase of exports, growth of production volumes and increase of competitiveness of production [6, p. 29].

In our view, the process of government regulation of industrial policy is based on two interrelated sides: methodological and functionally targeted. The methodological approach lies in the fact that for the state regulation of industrial policy the program-target approach should be used, as in the regulation of state economic policy in general. Thus, it is necessary to use the organizational and functional tools for its implementation in the form of a particular system of planning and development of the industry in Ukraine. The target component in state regulation of industrial policy reflects the result of regulation: creation of harmonious real sector of the economy, which optimally combines different in their purpose structures providing the realization of economic objectives the country.

If we consider the process of formation of national industrial policy in general, it includes three major subgroups (subsystems):

- analysis of the objectives of the national economy on the feasibility of their realization and resource support in the real sector of economy;

- definition of strategy and its mechanisms, which is needed to be provided for the implementation of defined objectives of industrial policy;

- development of measures of systematically balanced industrial policy, which is necessary for the implementation of this strategy as well as for definition of basic guidelines for effective management of resources in real conditions.

The objectives of industrial policy can be seen from the perspective of different actors. Thus, the state sets targets, declaring the so-called industrial policy priorities. The industries and companies get to this list selected or by specific criteria (for example, the criterion of «innovation», «turnover rate of capital» or «production of high-tech products», etc.), groups of subjects of economic system, whose development is urgently required, vitally important from the standpoint of existence or qualitative transformation of the economic system in the country. As for enterprises, the direct

producers, then their goals can be defined as a set of expected results and consequences from the use of certain measures. It may be, for example, updating capacities of the enterprise, introducing new technology, accessing markets, etc. Market institutions in this case act as subjects, creating conditions for the coordination, harmonization of objectives at various levels and providing links in the economic system.

### Conclusions

Therefore, the basic principles of industrial policy are the protection of national interests in decision making; social and ecological orientation of the industry's reform; implementation of an innovative type of development; combination of state regulation of industry with market self-regulation mechanisms; program-targeted approach to solving problems of industrial policy; deepening the integration processes in the global economy, especially in the area of European integration.

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**Section 3.**

**PECULIARITIES AND TENDENCIES  
OF MANAGEMENT OF STATE'S  
SOCIAL AND HUMANITARIAN SPHERE**

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**RELATIONS BETWEEN SOCIAL AND ENVIRONMENTAL COMPONENTS  
IN THE SYSTEM OF ECOLOGICAL AND ECONOMIC SECURITY OF A STATE**

**Annotation**

*The specifics of the development of the ecological, technological and social systems are made certain. The scientific process of the development of the systems of various natures is formed on the basis of synergistic approach of the state.*

**Keywords:** bifurcation, mechanism of regulation, environment, natural system, synergistic approach.

**Анотація**

*Визначено специфіку розвитку екологічної, технологічної і соціальної систем. Сформовано науковий процес розвитку систем різноманітної природи на основі синергетичного підходу в державі.*

**Ключові слова:** біфуркація, механізм регуляції, навколишнє середовище, природна система, синергетичний підхід.

**Аннотация**

*Определена специфика развития экологической, технологической и социальной систем. Сформирован научный процесс развития систем различной природы на основе синергетического подхода в государстве.*

**Ключевые слова:** бифуркация, механизм регуляции, окружающая среда, естественная система, синергетический подход.

**Introduction**

We know that historically natural disturbances of various spatial and temporal scales play a role in the evolution of nature, causing and activating the mechanisms of regulation of natural systems. With the development of industry and the density of population these mechanisms have undergone significant changes and become of a life-threatening nature. This is primarily due to the growth and expansion of the amplitude of anthropogenic perturbations in the environment. V. I. Vernadsky noted that in the history of the earth's crust critical periods in which geological activity is enhanced in its pace can be found. During these periods the most important and most significant change in the structure of living matter, which is a clear expression of the deep geological significance of the plastic reflection of living matter, takes place.

**Analysis of resent research**

Problems of environmental policy, philosophical and social aspects, the relations of the problems of sustainable development, globalization and economic transformation are investigated in the works of O. Belarus, O. Vrublevska, M. Zgurovsky, Maciejko, O. Osaulenko, A. Romanovich, I. Synyakevych, A. Ursula, T. Tunytsi, E. Khlobystov.

**Statement of research objective**

- to determine the specifics of environmental, technological and social systems;
- to form the scientific development of the systems of various nature on the basis of synergetic approach of the state.

**Results**

Numerous studies, which had been performed over the past decade, have shown that the frequency of catastrophic phenomena in nature and their magnitude increases continuously, causing an increased risk of loss of life and increase of economic losses, violation of social infrastructure. Thus, there were about 650 natural disasters that killed more than 25 thousand people and caused economic losses of over \$ 35 billion in the world in 2009. In 2010, the loss of lives due to natural disasters amounted to almost 11 thousand people. And economic loss reached 55 billion dollars [9].

In 2003, natural disasters killed more than 50 thousand people. Economic losses totaled of more than \$ 60 billion. In the United States in 2004 a record for the number of tornadoes – 652 was set, while the previous record of the year 1992 was 399 tornadoes. Beginning of 2004 was characterized by the increasement of extreme situations, and the year ended with a global catastrophe on December

26, bringing in Indian Ocean with the loss of hundreds of thousands dead. Only in Sri Lanka the damage was estimated at 3.5 billion dollars. The tragedy repeated on March 28, 2005, when the earthquake measuring 7.6 points was located only 200 km. southeast from the epicenter of the catastrophe which took place on December 26 and resulted the deaths of hundreds of people and the massive destruction in Indonesia and Malaysia. Only in 2004 there were 19 earthquakes with a capacity greater than 5 points [5, p. 28].

A progressive development provides stability for a long period of the functioning of the system. In its dynamics the crisis with the controversial traffic system takes three important functions:

- a substantial reduction (or qualitative transformation) of obsolete elements of the ruling system, which has already lost its potential;
- strengthening of the unstable elements of the new system of the future cycle;
- testing the strength and transferring into inheritance of those components of the system (usually both elements of upper system and super system) that accumulate, gather in and move into the future (sometimes partly being modified) [4, p. 106].

Most often the changes in the earth's biota are associated with the direct influence of space factors. Of course one cannot reduce all causes of catastrophic changes in the biota of the Earth only to the space factors. There is no reason of denying the value of the natural disasters, which are related to space factors in the history of Earth. But they all have local significance and seeing the basic for the foundation of the organic world in them would be at least careless. All global and regional catastrophic events known to the geographical history can be well explained by terrestrial processes.

Recent problems of the civilization development can be considered as a synergistic effect of interaction of natural and social systems. Therefore, it is clear that understanding the concept of sustainable development is impossible without research of the concept of the «development» from the standpoint of synergetic.

Now the formation of a new scientific understanding of the processes of the systems of various natures on the basis of synergetic approach is taking place. Synergetic provides two stages of the development. The first stage is characterized by stationarity. During this phase there are no fundamental qualitative changes in the state of a system; evolutionary processes are rigidly

determined, future states are predicted if the general trend of the development is found. But finding the system in a steady state requires a certain internal and external conditions that allow the system to maintain stable internal equilibrium with its instability with the environment. For biological systems this state is called homeostasis. In the case of inorganic systems, internal equilibrium is supported by the continuous production of energy within the system, or with the help of a constant flow of needed energy from the outside. However, under the influence of external influences, or as a result of internal contradictions, stationary state sooner or later ends, and in the development a new phase comes, characterized by the violation of internal balance and the loss of stability. The way out of this crisis is possible only with the output in one of the possible qualitatively new stable states. The system settings, under which the crisis appears, are called the critical point of development – bifurcation point. A further crisis development phase is completed the transition to the new system in one of two ways: either the destructive path that destroys the ordered system, or a constructive way – the transition to a stable state with a higher level of organization than the previous steady state [3, p. 109].

At the point of bifurcation several areas of potential extensions of the development after the crisis appear. Their number is determined by the characteristics and conditions of its interaction with the environment. «Choice» is defined in the action of a system of one of the fluctuations that occur during this period. For complex systems it is crucial to have openness, character interaction with the environment, where energy (substance, information) enters by providing a way out of crisis. From classical thermodynamics it is known that in the absence of such interaction (isolated system) any conversion processes of some types of energy into other end up with the irreversible conversion of energy into the heat that dissipates uniformly within the system. Such energy loss creates an increasing chaos that is numerically characterized by an increase in entropy. Thus, in isolated systems there is an inevitable historical process of entropy production up to the maximum value in a state of thermodynamic equilibrium, which is the simplest state of this system.

In an open system that got into a crisis situation the flow of energy into the system takes place, if there is an external source of energy. If the value does not add the excess to the energy losses within the system, the exit from the crisis will be

of a destructive nature, accompanied by a partial or complete destruction of an ordered system. Destructive way out of the crisis mechanisms is implemented in order to achieve equilibrium of states. The transition is not an equilibrium system at some intermediate equilibrium state which is accompanied by an increase of entropy, which means the reduction of organization. The destructive exit from the crisis is often observed as an unambiguous transition.

The specialty of the synergetic approach is in the recognition of its constructive way out of the crisis. The existence of such a path means that the matter is characterized not only by a destructive trend of development, but also by a creative trend, without which it is impossible to explain the emergence of a new one. If the mechanism of destructive trends inherent in the pursuit of systems in order to achieve equilibrium, the self appear as a physical basis for the mechanism of creation takes place. The main condition for the manifestation of self-organization is the additional energy coming from the outside in order to completely cover the energy dissipation that occurs in the system. This is a necessary, but insufficient, condition for a constructive solution of the crisis. Exiting the crisis stage is constructive if the system becomes qualitatively new state with a higher level of organization other than to the phase of bifurcation. Such a transition can occur in the form of giant collective fluctuations, during which the elements of the system that showed only the ability to chaotic far action suddenly find the ability for a close action, unifying elements into a single coherent group [7, p. 246].

The evolution of branching paths in the critical points of the development, random or uncertain nature «of choice» after the crisis of the evolutionary path prevent an accurate prediction of the future based on the trends observed in the previous stationary phase.

From the standpoint of synergetic approach the fundamental question arises on which relationship is there between the concepts of «organization», «development» and the basic for the synergy concept of «self-organization». In fact, self-organization is the establishment of the order by the means of the coordinated interaction of the system components during the absence of external influences. As for the value of self-organization the development is necessary to define a broader concept since it includes both the organization of the environment and the organization of themselves in a form of progressive and regressive processes.

The system will be ready for self-organization and progressive development if it satisfies at least the following requirements:

- the system must be open;
- the system processes are to be cooperative (the system components should be consistent with each other);
- the system must be dynamic and be far from equilibrium.

The main condition among the above stated conditions is a condition of openness whereas in open system other requirements are met almost automatically [6, p. 159].

The central problem of sustainable development is ensuring the sustainability of the social system. Society is a special subsystem of the biosphere. There are substantial differences in the processes of inorganic and organic matter, the subsystem which is a society. The evolution of inanimate matter is fully described by the laws of physics and chemistry. To describe the dynamics of the living matter it is necessary to use the laws of physics and chemistry which are universal. But this is not enough to describe the processes of the living matter, where we have to introduce the concept of information or informational interactions that determine the rules of evolution. Under the condition of complexity of the system the role of the «living substance» in information processes of nature in its development is steadily increasing. At this level of organization of the matter its own system of laws that define the new structure of selection is formed. But the general logic of the development remains unchanged.

Social systems are inseparable from the nature, as they are the highest part of their evolution and, simultaneously, after a long process of development become more and more autonomy, causing more and more influence on the biosphere – the total pattern of interaction between nature and society which is associated with the formation of the noosphere as the higher level of the biosphere.

As the cause for various problems, conflicts, crises in the social system serve inconsistent rates of its individual parts. This lack of coordination or irregularity of parts leads to a clash of individuals, states, critical periods of conflict and war. An important factor of critical situations is the lack of co-operation between nature and the society, because development of relations between these two throughout the history of a mankind has never been agreed. Now, after five million years of the existence of Homo sapiens, in its environment there still no understanding of the necessarily to examine

the functioning of social and natural systems as a single socio-natural process.

The evolution of social systems is to accelerate the pace of change of world civilizations: neolithic, early pre-class, ancient, medieval, pre industrial, industrial. The last quarter of the twentieth century was characterized by a world-historical transition into a post-industrial civilization.

There are no doubts that for social and natural systems on Earth specific problematic situations have the impact on the development of anthropogenic global environmental crisis. Life, as it was claimed by V. Vernadsky, is geologically eternal, as it always adapts to new environmental conditions, but human survival in the new environment will be quite problematic.

From the standpoint of synergetic modern civilization is at the point of bifurcation. As the history shows, this situation is fairly typical for society and biosphere as a whole. Previous planetary bifurcation point dates back 10-12 thousand years ago in the Neolithic. It is called the Neolithic revolution. The reason for the disaster (as in the Paleolithic bifurcation) became the discrepancy of the norms of morality to the new technical possibilities that were opened up to the individual. A human used its intellectual abilities the most effectively and with that quickly destroyed all large ungulates and mammoths - the foundation of its own diet. As a result, a human was in the severe resource crunch. According to anthropologists, the world's population at that time decreased in many times. Neolithic man found a way out of crisis by the means of discovering farming and adjusting to cating. Only afterwards a human was completely separated from living rest of the world, beginning to create new biogeochemical cycles, new forms of inanimate matter, new species of animals. From this revolution the history of a society is taking place. The current crisis appeared because of the same reason as the Neolithic crisis – the lack of morals of the society and the increasing technical possibilities of the civilization, which are developing rapidly and inevitably lead to the destruction of the environment co-evolution of a man and nature [8, p. 103].

For the living matter often bifurcation points were related to climate change, which, in turn, conditioned space as well as purely planetary factors. The most significant impact on the human environment was in the early stages of the formation of Homo sapiens species. There is a hypothesis that 14-15 million years ago Earth's climate created more favorable conditions for ancestors of human

life than those who were in the next 10 million years, especially in the equatorial zone which resulted in reducing the areas of human settlement and the decrease of the rate of evolution of this species [1, p. 66].

In the XX century the environmental problems developed into a general environmental crisis of global scale precisely because in this period a person was an active party to the interaction in the system «man – nature» and its activities drastically upset the ecological balance. In general terms, till the XX century the active side of this interaction was usually the nature – climate change, natural disasters had more impact on people's lives, their livelihoods than at a later date. Since the man had «violated» the law of natural evolution, came out of its jurisdiction and found a path of development, different from the way of other living organisms, social and natural history begun, the history of relations between two relatively autonomous principalities: society and nature.

At the same time it should be noted that the crisis is characterized not only for the functioning of the biosphere as a whole or in relationships between social and ecological subsystems EPS, but also for the internal mechanism of functioning of society. The social upheavals of human civilization rather convincingly demonstrate this pattern. By some estimations, over the past more than 5500 years, humanity has gone through the 14,513 wars, which killed 3,640 million people, destroyed property worth over 115.13 dollars kvintylliona. That would be enough for several thousand years for the population of Earth. The cost of wars always «goes up». A world thermonuclear war could destroy all the mankind in a few minutes. Power of nuclear charges in 1980 amounted to 8 thousand MT. trinitrotoluol (2 tons per inhabitant of the Earth). In the late 1980's the cost of the money spent on arms and ammunition in the world already reached 1 trillion dollars. This exceeds the appropriation of money of all countries on health, education and housing [5, p. 28].

In the context of the concept of sustainable development an important aspect is the recognition of the direction of primarily natural systems that would allow to differently tractate the natural-human systems. A pretty convincing argument of the historically oriented development is the process of biological development of each organism. Any earthly body is highly organized towards the open no equilibrium systems. Starting from inception to the degradation of the body it is a biological way

of historical development, which is potentially determined by the program contained in the genome. However, the body arises and develops in a certain external environment with which it interacts actively. In this way biological development is complemented by training, education, numerous external and often negative influences that shape the real path.

Under the influence of biological development programs and by external factors the system at certain stages of its development gets into a real crisis of states, from which it comes into a full compliance with the above described jump transition to a qualitatively new states. But here comes a new factor that plays a central role in the biological-oriented development. This factor is incorporated into the genome program, in other words, the presence in the body the information about its future state. The program access of a biological system from the crisis is one possible manifestation of self-organization. The crisis, which occurs under the influence of external factors, can create uncertainty of the future path, because there is a number of possible ways out of it. Similar crisis states can «beat» the system from the program provided with a direction towards biological path of development. [2, p. 88].

The signs of directed historical development are observed in many highly organized systems which comprise the scaled hierarchy of structures in the mega world. We can speak with enough confidence about the development of the biosphere of the Earth, the solar system. Now there is enough evidence that the universe as a highly open system

is showing signs of directional development [2, p. 89].

Proving the existence of directed development of complex systems is a very complex problem. It is believed that self-organization under favorable conditions randomly performs a single act of transition into a state with a higher level of organization. But the whole development process consists of a series of interrelated stages of individual complications. It is questionable to explain the ability of the consistent existence of such phases by accident. We can assume that the necessary consistency of successive stages of self-existence is possible provided that the information about the future state of a system exists. And this information must be contained in the system.

### Conclusions

Thus, the need to explain the directed development of complex systems creates some difficulties. Self-organization under the right conditions randomly performs a single act of transition into a state with a higher level of organization than in the initial position. But the directed development process consists of a series of interconnected single acts of complications. It is difficult to explain the consistently of existence of such single acts by accident. On the example of the program development of terrestrial organisms there is recognition that the necessary coordination of successive acts of self-organization is possible provided that the information about the future states, which undergo the development, exists. And this information should be contained within the system.

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**DIRECTIONS OF STATE SOCIAL POLICY  
OF UKRAINE IN MODERN CONDITIONS**

**Annotation**

*Basic directions of a state social policy of Ukraine in modern terms are determined. The problem of forming of a new model of social policy of the state is explored as an optimum correlation between «distributing» responsibility for the fate of every individual between him/herself and the state.*

**Keywords:** *mechanism, positive improvement, regulation of employment, social policy, social service.*

**Анотація**

*Визначено основні напрямки державної соціальної політики України в сучасних умовах. Досліджено проблему формування нової моделі соціальної політики держави як оптимальне співвідношення між «розподілом» відповідальності за долю кожного індивідуума між державою й ним самим.*

**Ключові слова:** *механізм, позитивне вдосконалювання, регулювання зайнятості, соціальна політика, соціальна послуга.*

**Аннотация**

*Определены основные направления государственной социальной политики Украины в современных условиях. Исследована проблема формирования новой модели социальной политики государства как оптимальное соотношение между «распределением» ответственности за судьбу каждого индивидуума между государством и им самим.*

**Ключевые слова:** *механизм, положительное совершенствование, регулирование занятости, социальная политика, социальная услуга.*

**Introduction**

At the present time there have been serious changes both in the content of social policy and also ways to expand the objects of its influence. Its influence is not limited to certain categories of population (working, disabled). As a direct object the living conditions of almost all demographic and social categories begin to serve. Social policy went beyond the correction of negative consequences of economic development. It focuses on prevention and positive development in the economic system. A significant place takes not only the redistribution of income, but also the implementation of new ways of providing social services to the public, regulation of employment, wages, etc. In other words, through the social policy a state seeks to influence the behavior of households as the sellers of labor, consumers, agents of savings, etc.

**Analysis of resent research**

In recent years the attention of leading scientists of Ukraine to the question of social protection has greatly increased. To this research are devoted the works of local scholars as D. P. Bogynya, N. B. Bolotina,

I. K. Bondar, I. F. Hnybidenko, O. A. Hrishnova, S. M. Zlupko, S. V. Mochernyy, M. I. Carlin, V. I. Kutsenko, B. D. Lagutin, E. M. Libanova, O. K. Prokopyshak, P. T. Sabluk, U. Y. Sadoy, L. K. Semiv, V. A. Skurativsky, L. T. Shevchuk, P. I. Shevchuk, S. I. Juriy, K. I. Yakub and many others who didn't just elucidated the problem, but introduced the directions of how to resolve those problems by implementing some economic and social mechanisms of improving the social welfare.

**Statement of research objectives**

– to determine the main directions of a state social policy of Ukraine in modern terms;

– to investigate the formation of a new model of social policy as the optimal ratio between the «distribution» of responsibility for the fate of each individual between himself/herself and the state.

**Results**

An analysis of conceptual approaches towards the formation of a social policy in Ukraine shows that currently the real model is increasingly «migrating» towards the state subsidiary. In this

situation it is necessary to develop new conceptual priority of social policy in regards to both global trends and the features of the transitive stage in the development of a national economy.

In our opinion, the key issue of forming a new model of social policy is to find the optimal balance between «distribution» of responsibility for the fate of each individual between himself/herself and the state. In the transformation societies a model that foresees «a gradual decline in the paternalistic position of the state and increasing the responsibility of the population and economic entities for their decisions» is generally accepted. In Ukraine a totally unreasonable idea that the market is the perfect regulatory mechanism not only for the state economy, but also to some extent to the social sphere eventually prevailed.

Therefore, we see three mandatory components of social policy in the transition period as the justified ones:

- maintenance and enhancement of the role of institutions of social protection. By this we mean not the traditional understanding of social protection as a tool for distribution of various benefits and compensations, but more deep awareness of its objectives and thus the increase of the role of this social institution;

- concerted efforts in improvement of labor relations and labor market

- creation of social institutions that will participate in the formation of social policy, the implementation of its provisions and the control over its execution,

One of the most sensitive areas of social policy is the organization of the social security system. Very often the functioning of the system is fully identified with social policy.

Unfortunately the current system is extremely inefficient, and the model of social support which is being currently worked on is heated by a debate. However, while trying to work out the most adequate form of social support a number of factors are still not being considered.

First, the weakness of the socio-economic and political organizations that provides social self-protection of the population. Hence we get the dominance of the centralized bureaucratic and / or «charitable» forms of social protection. Only after nearly half a decade since the beginning of the reform an effort is being made with an aim to connect them into a single system that provides real guarantees for disabled, as well as the guarantees of the minimum wage.

Second, most of these forms, with nomenclature origin, in most cases tend to the corporate model of organization, which creates a tendency to form closed and bureaucratically organized forms of social protection. Equity of use, the general rules of functioning, democratic functioning of the system of social security are just an abstract slogan in this case, an unattainable goal, and not the actual mechanism. The system of social protection in this case «works» only for certain categories of workers, individual groups of workers, certain categories of citizens, for those who are close to a particular system.

Such a model of social protection inevitably gives rise to the gap between formal and substantial objectives. If a formal goal appears to support socially vulnerable people, to the number of real, meaningful tasks, accomplishing which a social protection systems is orientated on and which include, for example, a conservation of a power of a particular social layer, prevention of the escalation of tensions in society and the establishment of minimum social protection that guarantees stable economic development.

While analyzing the prospects of the new model of social protection one should, first of all, refuse to consider social welfare as an abstract and charitable activity designed to ensure the implementation of certain moral imperatives. In the economy moral imperatives can play an important role, but never decisive, with the exception of global social problems. Economic approach focuses primarily on considerations of efficiency, the most efficient use of resources (with the human being to become the most important resource in the turn of the XXI century) with the aim to ensure the free development of personality.

In other words, in our opinion, the social security system should be built based on the challenges of the real socio - economic efficiency, rather than narrow considerations of efficiency of the market system. At the same time social protection every time appears to be an industrial relations system objectively deterministic on one hand, and correspondative to the requirements of the current state of world economy and the human community as a whole on the other.

A modern economy needs such a system of social protection that would allow using labor and innovation potential of every person, regardless of socioeconomic status and the socio-economic group belonging. That is exactly how the guarantee for the effective use of human potential and what is

called «confidence in the future» can be achieved. If this guarantee is not provided, it becomes impossible or substantially difficult to use skilled labor that must have the ability for requalification, innovation, creativity. In other words, an efficient social security system is an economic imperative of the economy in the XXI century.

In the Soviet era, despite the inefficient use of vast material and human resources, a «momentum» of social security was created. He assured everyone with a guarantee of employment, obtaining education, normal (exceeding the standards in the developing countries) terms of medical care, recreation and a guarantee of the possibility of some retraining. We should not exaggerate these possibilities, but we can say that the level achieved in the late 1970s – early 1980s can also be regained in the terms of transformation of the economy but only under the circumstance that the management mechanisms of the economic relations will be more, not less effective than the ones that existed in a «socialist» past.

Under an effective social security should be understood a system of economic relations, which is providing each member of society with guarantees for a certain standard of living, required to the minimum for the development and use of his/her abilities (labor, business, personal) and also guarantees secured by the state to him/her in case of the loss (absence) of certain abilities (oldness, sickness, disability, childhood, etc.).

During this approach of defining the essence of social protection such components are guarantees:

1) a work for capable population (protection of employment);

2) a normal standard of living based on income gained from employment or guidance (including consumption of basic utilitarian goods, especially food products);

3) providing aids to disabled and other socially – fragile groups of population

4) the necessary minimum of providing housing, services in the sphere of culture and health, recreation and opportunities to get education required for the formation of the skilled labor.

The main problem, however, is not the transfer of the component of social protection, but the answer to the question on how the tasks of social protection can be decided. Currently social security is primarily a function of state bodies.

We believe that the effective implementation of the functions of social protection is possible only if the following conditions apply:

1. Changing approaches towards the management of social processes. Their basis must be reliable information being dynamically monitored on the topic of the needs of people in social care, services and available resources (financial, logistical, instrumental, institutional, and organizational). Such information at state and local levels should be kept in constantly developing automated data banks that contain comprehensive information about the age, sex, professional, social, domestic, financial and other information about people and about the structure and condition of the social sphere. These options should correspond to the criteria of social protection in accordance with legal documents that will determine the distribution of social problems, identify the most needful categories of the population and determine the need for specific types and forms of assistance to specific groups, set priorities in solving social problems, establish accounting and control resources in order to develop strategic scenarios of a social complex, promptly correct the decisions which are taken; create targeted programs and social order that meet the needs of the population and public expectations.

2. Financing of social protection should enhance greater participation of the private equity funds, charitable foundations and social organizations. We think that the domestic business has fully realized the extent of its social responsibility. Charity in Ukraine has a long and deep tradition. Another thing is that no purposeful work concerning more active involvement of private and corporate funds for the implementation of social programs have been carried out. There is very limited number of state-controlled and public charities, and a number of organizations which seem to support charity are seriously discredited in their activities. As the researchers of the features of social investment in Ukrainian business note, fixed investment is extremely uneven and is based on currency decisions of the management companies. Thus, society loses its vast resources in order to implement targeted financial support of the domestic social programs.

Analyzing the features of the Ukrainian society during the transitive state of the economy another phenomenon should be noted - social marginalization of the vast majority of population. In this case we are not talking only about economic component of the problem, but also about how not to include hundreds of thousands and possibly even millions of our citizens into any social structure.

In other words, one of the worst consequences of the conducted in the 1990's political and economic reform became not just a violation, and often direct destruction of a large number of social networks that combined citizens. But at the same time, a set of social ties and relations, including the accumulated mutual obligations, is the social capital of any society.

It is well known that the most success achieve those communities in which social capital as norms of reciprocity and structures of civil involvement is inherited (R. Burke has argued that the civil society lays the foundation of a civilized trade, not vice versa). Extreme weakness of the solidarity values in Ukraine led to the simultaneous blocking of the civilian trends in society, the authoritarian involution of the state and to a large extent to the expansion of traditional relationships within society.

Modern Ukrainian social environment is vastly marginalized, atomized. Only a minority of the population is joined in the ruling elite layer, the middle class and organized trade unions of workers. In this situation the formation of collective means of survival and social support, which are preventing from social degradation and help to accumulate social capital which then will be used to the form a civil relationship, is required.

These social networks need to be aligned at the bottom and even if they are not very durable still they allow including the vast majority of the population, which is marginalized, into the society. This exact «inclusiveness» characteristic is the most important in terms of formation of

civil relations, because the presence and density of social networks, which prevents the mass descending of mobility or social degradation is more significant than the presence of potential, which provides customized mobility.

### Conclusions

Thus, the experience of quite effective NGOs in Ukraine exists. It is important to give it more publicit in order to encourage this process, because the creation of civil society is not possible by simple «instructions from above» or even increased funding.

In our opinion, in this case one should more actively use the experience of the countries which are solving the problems of their employment in the most successful way. In particular, one of the most characteristic features of a social policy since the mid 90-ies in the West was moving accents in the policy of social solidarity from passive to active moments. If before it was limited primarily to the income support of wider groups in society by user through income redistribution, since 1994 a great meaning on the labor market gained the focus on maximalizaion of economic effect from the ensuring the measures of employment. At the forefront came such active programs as grants to entrepreneurs who claimed to be ought to maintain a certain level of employment and financial assistance to the unemployed and those wishing to open their own business and others. In contrast to that, passive programs and the measures that included social protection of unemployed were significantly reduced.

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INCREASING THE EFFECTIVE FUNCTIONING  
OF ECOLOGICAL AND ECONOMIC SYSTEMS

**Annotation**

*The main directions of obtaining synergy effects in ecological and economic systems are determined. Directions of state support for businesses, which are the creators of positive effects of externalities, are grounded. Mechanism of functioning of ecological-economic system is detected.*

**Key words:** ecological and economic system, management mechanism, synergistic effect, business entities, functioning.

**Анотація**

*Визначено основні напрями отримання синергетичних ефектів у еколого-економічних системах. Обґрунтовано напрями державної підтримки суб'єктів господарювання – створювачів позитивних екстернальних ефектів. Визначено механізм управління функціонуванням еколого-економічної системи.*

**Ключові слова:** еколого-економічна система, механізм управління, синергетичний ефект, суб'єкти господарювання.

**Аннотация**

*Определены основные направления получения синергетических эффектов в эколого-экономических системах. Обоснованы направления государственной поддержки субъектов хозяйствования – создателей позитивных экстернальных эффектов. Определен механизм управления функционированием эколого-экономической системы.*

**Ключевые слова:** эколого-экономическая система, механизм управления, синергетический эффект, субъекты хозяйствования.

**Introduction**

At the present stage of development of ecological and economic relationships it is important to select appropriate tools for management of processes of the functioning of ecological and economic systems. For the most part in the process of governance of processes of production's ecologization the administrative, economic and organizational tools are used.

Existing tools are mainly aimed at those subjects of economic activity that cause a negative impact on the environment. Nowadays there is almost no system of instruments of various kinds (or is it underdeveloped), which would be aimed at stimulating the development of those types of economic activities that form the positive effects of externalities.

As a rule, projects in which the level of positive externalities is high are not profitable enough for the companies themselves. Since the effects of externalities are not perceived by the economic system of business entities, such projects may be implemented only under the condition of

formation of the necessary incentive mechanisms through various economic instruments (loan, tax, investment) and comprehensive non-economic support of these types of activities by the authorities in the whole state and in the separate areas.

In order to effectively manage the operation of ecological and economic systems taking into account the synergy effects, the goal becomes to make a choice of appropriate tools of management. We believe that under present conditions of business entities' activities most appropriate is to use an integrated comprehensive approach for the application of appropriate tools, and its expansion due to the nature of ecological and economic relations in the conditions of the information economy.

**Analysis of recent research**

The works of local and foreign scholars and scientists are dedicated to the research of the impact of certain anthropogenic factors on the components of natural systems: O. F. Balatsky, S. M. Bobylev, E. Boone, B. V. Burkyns'kyi, A. A. Veklich,

K. G. Hoffman, G. Daily, B. M. Danylyshyn, A. Y. Żuławski, V. M. Kyslii, L. G. Melnyk, B. Nath, I. V. Nedin, N. V. Pakhomova, R. O. Perelet, I. M. Potravnyy, K. K. Richter, V. G. Sahayev, V. M. Stepanov, P. V. Tarkhov, O. M. Telizhenko, Y. Y. Tunytsya, S. K. Kharichkov, M. A. Hvesyk, L. Hans, E. V. Khlobystov and others.

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

- to determine the main directions of obtaining synergy effects in ecological and economic systems;
- to justify the directions of state support for business entities, which are the creators of positive effects of externalities;
- to identify the mechanism of functioning of ecological-economic system.

#### **Results**

Objectivity and the importance of an integrated approach are explained by the prompt rates of deterioration of ecological situation not only in Ukraine but also worldwide. Negative effects of externalities, which are formed at three levels, actively add to the deterioration of the overall environmental situation [5, p. 8]: in source of emissions, in the environment, at the level of the object. At the level of the source of emissions the damage appears «as the additional expenditures to prevent negative consequences, in the environment – in the form of additional expenditures for the elimination of negative changes, in the object – in the form of loss, damage, negative changes» [1, p. 8].

Negative effects of externalities are generated in the current conditions of management as a result of that, unfortunately, most productions remain energy-intensive and nature-intensive and are reluctant to switch to environmentally friendly production technologies, because appropriate incentives are almost non-existent. Such unwillingness of producers to switch to saving of resources is due to several reasons:

- lack of funds for upgrading capital assets of enterprises and transferring them into energy saving mode of operation;
- lack of effective legal and regulatory base for the regulation of ecological and economic relations;
- lack of understanding of the need to switch to environmentally friendly modes of production;
- lack of incentives for environmentally-oriented activities;
- lack of an integrated mechanism for realization of the available instruments;

– disharmony and imperfection of the legislative mechanisms for managing the internalization of external effects;

– neglect of external positive and negative effects on the financial performance of the entity;

– lack of clearly formulated state policy of socio-ecological and economic development of the country;

– disregard of the laws of synergetic development of natural and socioeconomic systems.

We believe that especially today there is a need in formation of the strategies of territories' development on the principles of synergy, according to which the development will take place as in a single enterprise, regional economy, and in the whole national economic complex, which will provide equilibrium in ecological and economic system. These principles are the principles of adaptability, coherence, co-evolutionary, complementarity, interdependence, reciprocity, and openness.

In our opinion, the main directions of receiving synergy effects can be:

- improving the use of natural resources;
- reproduction of the conditions of the natural environment;
- increasing the value characteristics of ecosystems;
- introducing innovative elements (methods) of the use of natural resources;
- improving the living conditions of the population.

These areas should become one of the priorities for business entities as components of ecological-economic system. This can happen only under a condition, when all the elements of socio-ecological and economic relations will realize the importance and the ensuring life value of the natural environment that requires constant reproduction.

In our opinion, it is important to develop mechanisms of management of synergy effects arising from the activities of those business entities that provide the appearance of positive effects of externalities. In order to increase effective functioning of ecological and economic systems it is advisable to differentiate the use of available management instruments according to the economic level of implementation of positive or negative effects of externalities.

We consider it appropriate to determine two levels of application of management's instruments

of the operation of ecological-economic system, which would enable to effectively manage the subjects of ecological and economic systems [3]. For example, at the macroeconomic level, the main directions of state support for business entities that create positive effects of externalities may be preferential system of taxation, concessional lending, and the creation of special funds for the development of industries and enterprises, which are the creators of positive effects of externalities. Preferential system of taxation will make it possible to reduce the tax burden on enterprises that provide creation of positive effects of externalities. For example, for enterprises working in tourism sector, which meet the needs of the population in different types of tourism, including in environmental tourism, the exemption from certain taxes may be prescribed.

At the local (regional) level the economic instruments that will be used to manage the functioning of ecological and economic systems, taking into account positive and negative effects of externalities as components of synergetic effects are implemented in the following forms: legal, financial and credit, consultation and information. Today the development of such directions of support for business entities, which are the creators of positive effects of externalities, is especially important, because of the need to make decisions concerning the formation of the system of funds' redistribution and enrollment them as profitable businesses. This requires an integrated approach that would have allowed applying a comprehensive approach to changes in the legal framework and in the development of the system of organizational and economic instruments of ecological and economic systems' management.

One of the directions of local authorities' activity is the creation of appropriate legal conditions. This means that local governments, councils of deputies are to set priorities for making decisions on collection of funds from the producers, which are the creators of negative effects of externalities in favor of such directions of economic activities that create positive synergy effect (SE). It may also be the measures aimed at exemption from payment of those enterprises that contribute to the improvement of overall environmental situation and create positive effects of externalities. Examples include decisions on the allocation of land for productions that are potential creators of positive synergy effect. Financial and loan conditions provide such procedure for the

formation and distribution of funds, preparation and implementation of regional budgets, which would provide appropriate incentives for enterprises that are the creators of positive synergy effect. Financial conditions should facilitate the creation of display systems of the results of effects of externalities in the financial statements of enterprises. This will allow each enterprise to determine the amounts of funds that will be used to improving the measures of resource and energy conservation, cleaning emissions into the environment.

Timely forming the system of public awareness and providing business entities with necessary information on environmental and economic situation in the region and informing them about the possibility of synergy effect can be referred to the consulting and information conditions. Information that should be provided to business entities, regarding changes in regulatory and legal framework, the emergence of new innovative methods of production, ways of implementing in the production of goods of environmental purposes, methods of application of information and communication technologies in the practice of eco-oriented activities becomes of a great importance under the conditions of information economy. In this case [3], triad «availability – capability – utility» should be implemented.

Availability should be guaranteed with the assistance of local authorities to establish an effective infrastructure for distributing access to information and communication technologies (ICTs). This, in turn, will provide conditions for growth of productive forces in the field of information and communication technologies. The development of innovative information products and services is one of the ways to improve environmental and economic results of activities by forming effects of externalities of this industry.

Under the component «capability» we understand the creation of conditions for development of basic skills to use information society's opportunities. The presence of one access to all sorts of environmental and economic information is not enough. The main factor in this situation is capacity, the ability to qualitatively use accessible information and communication technologies and information. This requires the development and continuous improvement of existing ones and increasing the rate of production of knowledge.

Utility of using the environmental and information products is the result of the first two

factors. It should be emphasized that the indicated triad should be reproduced constantly. In particular, the utility of using the ecological, economic, legal and other types of information should cause the need for expansion of the equipment base of information and communication technologies and, consequently, to increase the business entities' accessibility to the means of information and communication technologies. Availability should reproduce new needs in increasing the ability of their use and stipulate the growth of the development's profitability. Thus, the cycle of this triad is reproduced at a new level.

Creating financial conditions is essential for the formation of such a system of transfer of funds that will appear as effects of externalities, which would ensure their effective distribution. This task can be performed. Namely management of the operation of ecological and economic systems can be based on an appropriate mechanism, which will apply economic, regulatory and legal, organizational, social, and psychological instruments.

The proposed mechanism involves several stages and includes a few blocks - content and objectives of management, objects of management, expected results and management tools. The implementation of all stages will provide the formation of an effective strategy for territorial development in the long and short term.

The process of determining the content and objectives of management processes of the functioning of ecological and economic systems involves several stages. The first stage is the analysis of components of the synergy effect. To get started it is necessary to define the types of activities that are creators of positive and negative effects of externalities. As already noted, at this stage the components of synergy effect should be analyzed, but it requires a clear and detailed analysis of the projects (existing or those that will be implemented) to identify the size of internalities and externalities effects. This task should be entrusted to the main economic governance departments in the regions. Potential synergy effects are calculated based on the results of the analysis. An important component is also the analysis of the factors of the synergy effects' changes, i.e. those factors that influence their increasing or decreasing. The factors of change may be the investment decisions on environmentally friendly technologies, introduction of quality standards, compliance with applicable requirements, etc.

According to one of the fundamental laws of synergy [6, p. 56] for any organization, and this may be an enterprise, industry, national economy, there is a set of factors (components, elements) in which its potential will always be or significantly higher or significantly lower than the simple sum of potentials of its elements. This statement correlates with the thought that the synergetic approach provides «small selections of variables of complex systems, to which other variables are adjusted in the development process» [5, p. 9].

We believe that such variables may be the number of enterprises with related activities that are creators of positive or negative effects of externalities, level of pollution, assimilation potential of territory, overall results of the activities of enterprise, industry or national economy.

The block of instruments includes economic, regulatory and legal, organizational, social and psychological instruments.

Economic instruments. Question of the application of economic instruments to regulation of environmental and economic relations of economic entities is widely considered in modern ecological and economic literature [2]. Their main purpose is internalization of effects of externalities of environmental and economic activity's subjects.

The most widely used forms of economic instruments are taxes, subsidies, payments, fees, fines, excise taxes, grants, loans, payments, pricing instruments, bonuses, awards, prizes, promotion or restriction on the market, environmental insurance and others [4].

It is particularly important to resolve issues of internalization of negative externalities. For the formation of effective mechanisms of implementation in practice of the system of economic relations between the sectors (types of activity, enterprises) that create positive effects of externalities, and the areas that perceive these effects is necessary to develop schemes (system) of transfer (internalization) of positive / negative effects of externalities.

The following forms of support to enterprises that create positive effects of externalities can be offered:

1. The provision of grants or subsidies from the state budget or from the local budgets and reduction in tax burden.

2. Formation of prices of the field of enterprise, which is the recipient of positive effects of externalities, taking into account correcting coefficient.



3. Placing external effects of externalities as part of enterprise's resulting net profit.

It is necessary to take into account that the amount of losses from negative effects of externalities is considerably higher than the budget revenues and, therefore, these funds are clearly not enough to cover them [2]. That is why restructuring the national economy towards increasing the share of enterprises (branches) that are creators of positive effects of externalities, but only on condition of appropriate incentives from the state, may be available option out of this situation.

Regulatory and legal instruments. The main objective of regulatory and legal instruments is legal regulation of environmental protection and the use of natural resources. Nowadays this task is guaranteed by the Constitution of Ukraine, Laws of Ukraine («On natural environment protection», «On ecological-economic areas (economic polygons)», «On energy saving», «On wastes» and others), Codes of Ukraine (Land Code, Forest Code, Water Code) and regulations and orders of the Cabinet of Ministers of Ukraine. Legislative and regulatory framework needs significant improvement, which should be parallel to the improvement of economic, organizational, social and psychological instruments. This should be a system of integrated measures.

Organizational instruments include administrative fees, environmental permits, environmental standards, environmental controls, quotas on pollution and the mining of natural resources, administrative regulations, and administrative bans. Their main functions are to control the compliance with relevant regulations and standards, establishment of property rights on natural renewable and the nonrenewable natural resources and the implementation of descriptive instructions from state authorities and local governments.

Social and psychological instruments. The basis of social and psychological management technologies is the motivation and the belief, moral incentives. These instruments should be aimed at increasing environmental awareness of employees of enterprises and organizations.

The basis of motivation should be the value the obtained results, the improvement of state of the environment, increased competitiveness of manufactured products. The efficiency of social and psychological instruments is possible to achieve due to process optimization of ecological

education since the first years of human life; then this process should continue in school, as well as in the process of postgraduate education. In our opinion, training courses for staff to orientate on the formation of eco-consciousness and eco-beliefs should become also important.

Given that the overall synergistic result of the activity of the ecological and economic system will be determined taking into account the effects of externalities, a comprehensive use of the specified instruments for the effective management of development of productive forces in Ukraine is needed. Increasing profits of economic entities, increasing GDP of the country, forming the structure of profit distribution and occurrence of the effects in the environmental area through reproduction of natural potential of territories may be named among the expected results.

### **Conclusions**

This mechanism should provide a solution of one of the main tasks of management of the productive forces' development. It lies in defining such a structure of activities, which together would increase the final result (GDP), improve the quality of the environment and ensure high-quality socio-ecological and economic life of the population.

To develop viable environmentally oriented development plans for the territory (region) it is necessary to formulate priority strategies for sustainable development taking into account the effects of externalities.

In our opinion, the following conditions can be considered as the basis for improving the effective functioning of ecological and economic systems: continuous self-organization of the system; minimization of resources' losses; effective use of resources; constant regeneration of natural resources; constant flow of resources to the system; leading role of the state to create conditions for permanent self organization.

Creation of an effective ecological and economic system, which will operate in accordance with the principles and laws of synergism, is the task for the management of the region and the country. A set of relevant factors is required for its creation. These are production, information and innovation, financial, and human factors. Increasing effectiveness of functioning of ecological and economic systems at local and national level is possible through the creation of integrated ecological-economic systems – ecologically oriented clusters.

Clusters are understood to be the commercial complexes, in which individual economic actors are tied into sole cycles so that the economic activities' processes complement the processes of reproduction of ecosystem components. This ensures the maximum efficiency of using the

natural factors. Such complexes contribute the most to implementation of the principles under which the best conditions for synergy effects are created, namely complementarity, reciprocity, and interdependence of the components of ecological and economic system.

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ROLE OF THE STATE IN THE PROVISION OF LIFELONG EDUCATION  
SYSTEM WITH PREDICTABLE LABOUR MARKET DYNAMICS

**Annotation**

*System of regulation of «education throughout life» is grounded. Directions of the formation of educational services in Ukraine are defined.*

**Key words:** higher education, the European area, lifelong learning, strategy.

**Анотація**

*Обґрунтовано систему регулювання «освіти впродовж всього життя». Визначено напрями формування освітніх послуг в Україні.*

**Ключові слова:** вища освіта, Європейський простір, безперервна освіта, стратегія.

**Аннотация**

*Обоснована система регуляции «образования на протяжении всей жизни». Определены направления формирования образовательных услуг в Украине.*

**Ключевые слова:** высшее образование, Европейское пространство, непрерывное образование, стратегия.

**Introduction**

The gradual formation of the basic elements of the knowledge economy actualizes the problem of forming a system of continuous education. Ability to continuing education and to obtaining new knowledge is the most important indicator of the competitiveness of the individual in the labor market. In the European context, the concept of education throughout life involves the formation of a society that learns. Education throughout life (lifelong learning) on the mass level is one of the priorities of the European education policy.

**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 local scientists L. I. Antoshkina, T. N. Boholib, A. I. Butenko, V. A. Visyashev, 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 higher education's functioning require the elaboration of new mechanisms of state regulatory activities in the sphere of its management.

**Statement of research objectives**

- to justify the system of regulation «education throughout life»;
- to identify directions of formation of educational services in Ukraine.

**Results**

The EU documents related to the issue of the development of the European education and creation of a «Europe of knowledge» tell about the system of continuous education [2, p. 26]. Final communiqué of the meeting of observers on the Bologna process in Prague in 2001 stressed the importance of lifelong learning as a basic element of the European area of higher educational [8, p. 23]. The document of the European Commission gives the following definition of the term «lifelong learning»: «All activities of education, carried out during life, in order to improve knowledge, skills and competencies in the interest of personal, civic and social development, and / or to get a job» [8, p. 13].

In countries where there is the highest level of modern technological lifestyles, for example, in the U.S.A. up to 60 % of the adult population studies, and in Germany – up to 40 % [7, p. 22]. In other words, education throughout life is the requirement of development of higher technological structures of knowledge economy's formation.

If obtaining the higher education can be regarded as a powerful instrument of long-term

strategy of personnel training and human resources development, the diversity of programs of lifelong education (formal and informal structures of education and training) is an instrument of solving short-term objectives, which make rapid «adjustment» of qualifications to changing conditions of labor market. The criteria for the functioning of each subsystem are the maximum competitiveness of personnel and their compliance with the requirements of the labor market.

The education and training is called the primary, when the person receives it before entering labor market. The education received during working life is the education of the adult population. It can be agreed that the line between these two components is determined by the start of employment rather than age of the person and duration of education [1, p. 17]. So when we are talking about education throughout life, it is advisable to use the term of «the adult population education» or in case of getting the second higher education – «postgraduate education».

Given that education is the most important factor in augmenting human capital, education of the adult population should be seen at the state level as a defining social institution. The activity of this institute provides addressing important social, economic, political, educational, moral and educational problems of modern society.

Postgraduate education in the modern world is seen as the most important component of the system of lifelong learning that allows each individual to gain a new level of competence to carry out constant creative renewal, development and improvement throughout life.

According to paragraph 1 of Article 10 of the Law of Ukraine «On higher education» postgraduate education is a specialized improvement of education and professional training of individual by strengthening, expanding and updating his/her professional knowledge, skills and abilities or getting another specialty based on previously acquired education and qualification level and practical experience. Postgraduate education creates conditions for continuity and succession of professional growth and includes:

- retraining – getting another specialty based on previously acquired education and qualification level and practical experience;
- specialization – the acquisition of abilities by a person to perform certain tasks and responsibilities that have peculiarities within the specialty;

- expansion of profile (qualification upgrading) – the acquisition of abilities by a person to perform additional tasks and responsibilities within the specialty;

- internship – gaining experience by a person in fulfillment of tasks and responsibilities of a certain specialty.

A person, who has been retraining and successfully passed the state certification, receives appropriate document on higher education. A person who has successfully passed the internship or specialization or broadened profile (raised qualification) receives the appropriate document on postgraduate education [8, p. 11].

Postgraduate education is carried out by higher educational institutions of postgraduate education or by structural units of higher educational institutions of the appropriate level of accreditation, including on the basis of concluded agreements.

According to paragraph 1 of Article 48 of the Law of Ukraine «On Education» the institutions of post-graduate education, in particular, include:

- academies, institutes (centers) of training, retraining and development; educational and course complexes;

- higher educational institutions units (affiliates, departments, branches, etc.).

More than 30 thousand of specialists with higher education exercise retraining (rehabilitation) and about 300 thousand of specialists – qualification upgrading in 562 institutions and departments of postgraduate education in Ukraine every year [4, p. 69].

Special attention is given to postgraduate education in high school activities. It is recognized that state policy in the field of postgraduate education is practically nonexistent. In this regard, there is an urgent need in creation of independent system of postgraduate education and to identify promising directions for its development.

The structure of educational institutions of postgraduate education has changed recently. Over 200 of them operate in the higher educational institutions. The number of small educational institutions and departments of postgraduate education has decreased, which contributes to improving both human resources and educational and methodological support of the system of postgraduate education.

There are no statistics on how many people have two (or more) higher educations. Second higher education is paid, as citizens of Ukraine

have the right to receive higher education free of charge in state and municipal higher educational institutions if the citizen gets certain education and qualification level for the first time (Article 4 of the Law «On higher education»). Higher educational institutions can provide second higher education only if they have a license for this type of educational activity. Postgraduate higher educational institutions (universities and institutes) that have received license and have opened faculties or departments of a second education, also operate in Ukraine. They carry out education and professional program, pass the state certification. They have different terms of learning, content and programs. People get second higher education at the expense of legal and physical entities; there are few cases when the state pays for education. Person may study on state money, especially in case he/she lost his/her job and was registered in the employment center.

It may be considered that the choice of specialty for the second higher education is determined by the situation on the regional labor market. And if the economic and legal specialties were popular by 2005, today there is a growing interest in engineering specialties and specialties of information and computer technology. Popularity of humanitarian specialties, including psychology, sociology tends to decrease. Thus, many graduates want to become engineers and metallurgists in Dnipropetrovs'k, engineers of coal industry – in Donetsk. Most relevant professions for Kyiv are related to computer technologies. Among people, who wish to obtain second higher education, the most numerous group can be identified. It is the heads of different levels. For example, education in the Central institute of postgraduate education was established particularly for training the heads of educational institutions, heads of educational institutions of different types [6, p. 255].

Education of the adult population, on the one hand, poses range of serious tasks to the educational institutions, and, on the other hand, – opens broad possibilities to enhance business functions of universities. Business in the educational sphere of the adult population higher educational institutions can implement within the traditional postgraduate education in the following areas:

- providing the second higher education;
- working with corporate customers;
- working with individuals.

To resolve problems that occur in the system of postgraduate education it is needed to create

in each industry a clear system of postgraduate education with an adequate system of management and coordination, scientific and methodological support, normative and legal and material and technical support. That is why the state should ensure elaboration of normative and sub normative regulations that would combine the system of continuous education with predictable dynamics of the labor market.

In Ukraine lifelong learning should primarily help citizens to adapt to changes in the economy and society, to promote the development of innovative culture. After all, the main part of the working population received education in entirely different economic system. Not all people (especially 35-45-year old) could adapt to new conditions. This is a significant cause of unemployment. The inclusion of these people in economic activity is possible only with additional training, training or retraining. State should take measures to increase access to education for the economically active population, to form a system of training, courses that will orientate professionals to start their own business, to self-employment.

Business education was formed in Ukraine as a separate field of educational services, as an educational activity on a paid basis for the preparation of specialists and heads of companies in business administration. Getting an MBA degree can be considered as particular case of investment in human capital.

The emergence of business education was a response to the challenges of the market environment, which was dynamically developing. In the early 90's economic departments of the existing higher educational institutions have begun to prepare students with a focus on new business relationships. However, a new unfilled niche appeared on the education market, which experienced a period of formation. There is the need in prompt and quality training for practicing managers, capable of quick adaptation to market conditions and effective actions in the business environment. This applied primarily to people who have already had higher education and some experience of management, but their professional skills as well as worldview were formed during the administrative economy. They needed more than others knowledge and skills of doing business in the new conditions, and were ready to pay for their reception. Accordingly this market niche could not remain empty, especially because the global practice has developed an effective mechanism for

preparation of managers to market economy – it is a business education.

The main objectives of business education lie in the transfer of professional knowledge about the market, in development of abilities and entrepreneurial skills, in formation of personal qualities, life attitude and worldview of managers. Relevance of business education has led to the formation of a new type of schools – business schools. These educational institutions offer educational services in the field of business administration (MBA), organization and management of production in all areas. Training programs of such schools are focused on practical aspects of management and to a lesser extent they are focused on theoretical knowledge. The path to success of any companies and organizations in their economic development lies through modern business education. As one British expert mentioned «MBA is a door that should be opened today to get into the future of management» [5, p. 78].

We agree with the opinion of V. Zabolotniy that the MBA program is a postgraduate level of business education in the field of general management and business administration, which should provide preparation of highly qualified managers, personal development of students, career development and meet the high intellectual and academic standards of higher education [3, p. 28]. However, in a knowledge economy, in our view, the attention should be made on learning technologies of gaining and increasing new knowledge and its application in practice.

The development of business education in Ukraine was due to the following circumstances:

- the necessity to meet the needs of enterprises and organizations of different forms of ownership in educational services of a high quality needed to managers and entrepreneurs who are oriented towards personal initiative, market conditions of management;
- backlog of system of higher education from rapid pace of development of business environment because of its inherent fundamentality and certain inertia;
- strengthening a pragmatic approach to education on the part of students;
- the need for regular updating of knowledge and improving skills of specialists almost in all areas, managers at various levels and sectors of entrepreneurship;
- the need to realistically see one or another theoretical aspect in action that is necessary to

gain good practical skills, which are often required during the selection of staff;

- not all aspects of doing business that are included in the process of economic activities of enterprises in the real environment, are developed in the system of academic education in the framework of this or that discipline;
- the necessity of education of people in the spirit of entrepreneurship and innovation;
- the necessity of mastering of new forms and methods of training focused on development of leadership skills;
- the need to provide students and specialists with the most advanced information for successful employment or for the improvement of adaptability.

The main criterion of business schools' success is career and financial successes of their graduates. The source, which determines the required level of fundamentality of training, is not so much educational institution, but the real consumer of educational services. Business education provides unique opportunities to develop leadership skills, intuitive sense of the situation, the ability to find solutions in all, at first glance, hopeless situations.

Currently Ukraine has rather broad offer of business education of

variety of author programs and trainings. However, MBA degree in its classical (closest to Western standards and national features) versions provide: International Management Institute (IMI), Kyiv; International Institute of Business (IIB), Kyiv; «Kyiv-Mohyla Business School» (KMBS); Lviv Institute of Management (LIM); Dnepropetrovsk University of Economics and Law (DUEL).

According to many experts, understanding and vision of business education begins with understanding of its differences from the economic education. This difference is a condition of strengthening the status of business education in our society.

In contrast to economic education, which provides an understanding of the laws of management, business education produces skills and creates the desire to gain profit within a particular economic activity. The main characteristics of business education that distinguish it from economic education are determined the following:

- applied aspect of business education – emphasis on the practical application of acquired knowledge;

- postgraduate level: business education can be regarded as a segment of adult education;
- non-state character (private ownership, non-state funding sources);
- the most globalized sector of education;
- the most highly profitable form of educational activity;
- focus on the practical needs of business environment.

The disadvantages of Ukrainian business schools may be considered the following:

- lack of foreigners in the groups, which eliminates the possibility of Ukrainian students to make new useful contacts, to share career and cultural experience of doing business in different countries;
- culture of attracting highly qualified practicing lecturers, business analysts and experts have not yet been formed;
- high cost of education, which often can not be afforded by Ukrainians, and undeveloped system of crediting the education;
- low level of competition for admission; entrance tests do not pursue goals to «filter out» someone from potential students;
- no accreditation in majority of business schools.

State regulation makes little impact on business education, as on the segment of education market. The main disadvantage of Ukrainian MBA programs is no recognition of their diplomas not only outside of Ukraine, but also inside the country. In Ukraine, it is impossible to accredit the MBA-program in the State Accreditation Commission, because it is not in the state register of educational programs.

Training of economists, managers, marketers in the system of business education can be an alternative to their preparation in higher educational institutions. If a person with basic technical and liberal education will be able to get, if needed, the necessary knowledge and skills in business school, he/she will not go to study to be an economist or manager, knowing the substantial excess of such specialists in the labor market. This way business schools will be able to «unload» economic departments of higher educational institutions, which are accused of «overproduction» of specialists in economic specialties.

Institutions for business education should offer to the different categories of professionals the most comprehensive range of services,

programs from the classic four or five years of higher education to two-week training courses in a particular subject.

Foreign experience and the importance of business education for the successful development of market relations show the need to include the following components in business education: undergraduate programs; postgraduate education with MBA degree; postgraduate education without a degree: trainings and short-term programs. All three areas are important and require development. Thus, if trainings and courses have a greater effect in the short term, the MBA and BA programs will have a greater effect in the longer term.

Training is one of the types of educational services provided by business schools. The words of Chinese philosopher Chuang Tzu can serve as the basic principle of training: «Truth must be experienced rather than described». Nowadays in developed countries, if there is information about passing professional training, job prospects increase greatly.

In general training is a method of active learning, built on the analysis of business situations which «students» immediately reproduce and «solve». Trainings are organized primarily for entrepreneurs or employees of companies on demand and last from 1-2 days to a week; classes are conducted with several participants at once (anonymity is provided optionally).

The trainings aimed at the product promotions, successful presentation, as well as related to marketing and sales are the most common today. Such trainings have too narrow focus, aimed at activities that are specifically targeted for maximizing profits. We consider it reasonable to conduct trainings (even with the creation of specialized training centers) for students and university graduates, civil servants, employees of services sphere.

Training programs are formed, focusing on the needs of the target group of students through questionnaires, market research and more. Training programs for these or other subjects are formed in accordance with them. These programs should be based on deep theoretical aspects and integrate them into current practical situations. It is advisable to invite qualified specialists in the specific field, lecturers-trainers for conducting trainings.

Training can be a kind of educational services provided by higher educational institutions (or institutions of post-graduate education) on a paid

basis. They must pass the accreditation, but not the state one, but the accreditation of employers' associations. The problem of attracting highly qualified teachers (trainers), who can be as university professors as well as invited lecturers from the outside the university, is the problem with which the higher educational institutions may face in carrying out such trainings. The state must establish a system of certificates issued to graduates, who passed the system of training and mastered certain competencies.

### Conclusions

So, sector of educational services related to post-graduate education is perspective in a society based on knowledge. However, it has not yet

sufficiently developed in both quantitative and qualitative aspects in the regions, and in Ukraine in general. Most of higher educational institutions of fourth level of accreditation in the regions in response to growing demand on this segment of the education market have created departments of postgraduate education. However, in order to increase the effectiveness of postgraduate education, to make it an instrument of increasing the competitiveness of specialists in the labor market, a set of state measures is required. Lifelong learning should receive recognition as one of the principal components of the Strategy for the development of education in the future.

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**Section 4.**

**REFORM OF THE SYSTEM OF MANAGEMENT  
OF HOUSING AND COMMUNAL SPHERE  
AND THE SPHERE OF SERVICES TO POPULATION**

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THE USE OF FORMS AND METHODS OF STATE INFLUENCE  
ON THE DEVELOPMENT OF HOUSING SECTOR

**Annotation**

*The methodological principles of forming the state housing policy are defined. The key areas of state and regional housing policy are developed.*

**Key words:** housing policy, methodological principles, market relations, self-regulation.

**Анотація**

*Визначено методологічні принципи формування державної житлової політики. Розроблено основні напрями державної та регіональної житлової політики.*

**Ключові слова:** житлова політика, методологічні принципи, ринкові відносини, саморегулювання.

**Аннотация**

*Определены методологические принципы формирования государственной жилищной политики. Разработаны основные направления государственной и региональной жилищной политики.*

**Ключевые слова:** жилищная политика, методологические принципы, рыночные отношения, саморегулирование.

**Introduction**

The state regulation of the market economy is provided in two ways. On the one hand, it is the impact that organizes and orders that is necessary for the market itself as an essential condition for its reliability. On the other hand, the public authorities promote organic embedding of market relations into the system of social relations.

Apart from purely market auto-regulators as demand, supply and competition for the successful development of the economy it is necessary for the defined state and regional regulators to act, namely, for legislative, executive and supervisory forms and methods. Only by means of combining the administrative and purely market-based regulation it is possible to ensure the desired level of social and economic development of the country.

**Analysis of recent research**

The modern concepts and methods of improving the mechanism of managing housing are presented in the works of A. Asaul, Yu. Vinslav, A. Berkuta, I. Mazur et al. As for the research on managing the investment and construction industry that have been carried out at the international level, R. Archibald, F. Behjulya, K. Hrey, E. Larson's research should be emphasized.

**Statement of research objectives**

– to define the methodological principles of forming the state housing policy;

– to develop the main directions of state and regional housing policy.

**Results**

For the most profound understanding of the regulatory processes mechanism that take place in the housing sector of any state, it should be recognized that their diversity and multi-vector nature, that formed a complex open system with periodic instability of development, lead to the necessity to consolidate the functions of the main coordinator in the development of housing market according to the state regulation. Addressing this challenge is connected with finding the factors that influence the establishment of correlation of the mechanisms of self-regulation, state and civil control of the national economy. At the same time the interaction of state and market is considered imperfect from the standpoint of self-regulation processes of the economy that the state should compensate [3, p. 180]. In most developed countries the theory and practice of the models of development, in which market regulators are combined with elements of state influence, processed using specific forms and methods of state influence on the development of housing. It should be noted that the degree of influence varies significantly depending on the level of national economy and culture development, mentality and geopolitical situation of the country. It is

impossible to find in the world practice an ideal scheme of the mechanism of providing affordable housing [2, p. 55]

One of the main reasons of it is the difficulty in determining the standards of living in any country. Accordingly, it is difficult to identify the current trends of social development, including solving the housing problem, and, thus, forming a housing policy.

The basic social standard is the standard of poverty and welfare. Taking this standard into account, the other kind of social standards, as well as the protection of social rights, such as education, health, housing associated with the general standard of welfare and poverty is developed.

Like any other social problem, housing problem should be considered from different perspectives. Living standards could include:

- economic and financial parameters;
- organizational and institutional conditions of housing and community amenities operation;
- political and legal fundamentals that ensure implementation of housing reforms and operation of housing and community amenities;
- social and psychological aspects [1; 4; 5].

The insufficiency of research in housing policy with the lack of economic and financial criteria leads to the fact that living standards are losing their social dimension. If the economic basis of social policy in developed countries has proceeded far from the initial variant, which was dominated by financial performance, the Ukrainian social policy remains within the previous economic approach.

The correlation of households and tenants associations, the dynamics of this correlation over the past 10 years is considered to be the main indicator of housing sector in developed countries. The indicator, namely the degree of difference between the need for housing and effective demand for housing, is also used. The need for housing is always higher than demand, as the demand for housing does not often mean the willingness of the person or household to buy accommodation. The correlation between the need for housing and the amount of free housing is considered in a similar way. Two complex indicators, namely the ratio between the need and demand, the ratio between the need and amount of housing fund, allow determining the long-term strategy for housing reform [5, p. 60-61].

Consistency of different standards is that each person has at least two more or less concurrent

system standards: objective standards established by government, law, social circumstances, and those standards, which are operated by the person himself.

In our opinion, while forming the areas of housing policy the objective and subjective living standards should be coordinated as much as possible. Thus, the failure to coordinate the objective and subjective economic standards can cause a lot of problems ranging from failure to pay lodging allowances to poorly regulated pricing in the housing market. Today the key problem is that the income of the population is included in the economic standards to such extent as it should be.

In the sphere of institutional standards the failure to coordinate objective and subjective standards may appear as a negative issue in relation to the question of self-government of housing properties. Informal rules of interaction that have been established between the population and housing and community amenities impede the introduction of new forms of housing self-governing. This process is also negatively affected by the lack of civic initiative, as well as by the understanding of the need to take responsibility for managing one's own housing.

If the system of institutions involved in solving housing problems is established in the developed countries and it is known to all people, in our country as in countries in transition, institutional restructuring is quite significant, so that average citizens do not have time to understand pros and cons of institutional schemes that occur. Besides, the mentioned institutional changes are often significantly ahead of the legal ones. Therefore, the use of each of the systems that are now in action is always accompanied by significant financial risks.

Constant reforming of housing legislation leads to the fact that citizens are more likely to act according to their understanding of regulations, rather than according to their real content. In addition, the legal framework of housing policy in Ukraine differs by means of contradictions: decisions are made that disorient people in the process of developing a strategy of solving housing problems. This may be explained by the passive attitude to solving housing problems, i.e. the system of psychological stimuli to participate in the housing policy is ineffective.

It should also be noted that the current situation in Ukraine is characterized by lack of consistency between the legal, organizational and economic standards.

Thus, it is possible to conclude that the development of objective standards, and the ways of their implementation which is the most important should be based on the study of subjective standards, how they relate to the current objective standards.

When forming housing policy it is necessary to take into account the fact that the problem of housing and community amenities is not uniform and consists of more or less related problems and the peculiarities of the system functioning. Most housing problems are divided according to the type of accommodation, whether it is new or old. There is so-called pro-social approach to describe the living standards when the complexity of housing problems is substantiated by the diversity of social groups: the youth, elderly people, people who were left without care, etc. This approach to measuring housing problem is aimed to identify important areas of housing policy and determine its priorities.

The World Bank offers typify housing problems according to two criteria: the areas of support of an appropriate level of housing rights and models (institutions) to ensure the functioning of each of these areas. The main aspects of the housing sector include: the construction of housing, the support of housing funds (keeping housing in good condition, repair and reconstruction), rent, utilities, providing the special groups of people with housing.

Multidimensionality of the housing problem is manifested in the fact that housing policy corresponds to the policy of insurance and pension maintenance. Housing policy is closely connected with the social insurance system. Insurance Institutes in developed countries provide the citizens with guarantees concerning their contributions to the construction and purchase of accommodation. Insurance companies, along with pension funds are the main sources of long-term financing for the housing sector. The presence of a developed system of insurance is a condition of active implementation of these forms of financing in the housing sector as mortgages and providing loans under the agreement. Otherwise (in the absence of prevailing and popular insurance system) the sources of financing mortgage and providing loans under the agreement can not ensure the availability of this form of financing for the most needy part of the population.

Housing policy and employment policy are related to the income of the population, their stability and the size and methods of shadow employment regulation. The income of the

population as an indicator is used in developed countries for predictive evaluation of applicability of the scheme of financing the housing sector. In addition to income, there is such significant aspect, as housing construction, the availability of housing funds in the businesses and organizations. As part of the relationship of housing and employment policy it is determined how the social system is able to provide the housing needs of people whose incomes do not allow them to buy accommodation, pay for the utilities, and maintain normal state of housing funds.

Provision of housing means not only the availability of housing, but also its quality. In Europe the certain system of criteria concerning the quality of the housing is used, which can, in our opinion, be applied in Ukraine as well [6].

Space is a major complex standard in Europe, which includes room size (in this case not the flat is meant but the building in which the apartment or whole house is situated), the size of rooms; space for personal use; the overall interior space; interior layout; the availability of closets; the private space outside the housing. In Ukraine the size of the dwelling is measured in square meters, whereas in most developed countries the cubic meters index is used.

In our country only one indicator of dwelling space is used that is the space that is crucial for determining whether to expand the size of an apartment or providing the subsidy. The indicator of space suggests that since the mid 1990 there is a change of strategy of constructing the buildings that is the size of the apartment (total area in square meters) is increased and the number of apartments is reduced.

The availability of living space is an important indicator in Europe: the convenience of the entrance; the convenience in moving around the accommodation; the size of doorways; other opportunities to move in the space of housing; conditions for people with special needs and limits in movement; the presence of options for future adaptation of housing. The absence of such indicator in the practice of housing and community amenities in our country leads to the situation that the population faces a great inconvenience in their homes, such as inconvenient stairs, inconvenient location of lifts, narrow doorways, lack of ramps, etc.

Such indicator as service within the accommodation and hygiene is also used in Ukraine, but it is very different from European

one. In Europe the capability and illumination of lighting devices, telecommunications, reception of television and radio programs, ensuring the work of kitchen equipment, providing equipment associated with sanitation, cleaning garbage containers and garbage collection are taken into account. In our country the main sanitary standard is the absence of parasites and rodents, but the tenants are responsible for maintaining the service within the accommodation. The programs to control kitchen and house devices are fragmentary.

Interior space and health includes heating, water supply, and efficiency of energy consumption, ventilation, air quality, daylight and sunlight, acoustics.

The housing security includes such factors as safety of the stairs and housing, which is characterized by a multi-level space; the safety of windows and glass surfaces in the apartment, the kitchen safety, the safety of the heating system.

The neighborhood is a very important criterion for developed countries, which includes the density of neighbors, movement and circulation of pedestrians, car parking, the overall open area, the possibility for privacy, protection and other aspects of housing-related neighborhood.

Although modern European standards of the accommodation quality are better than those applied in Ukraine, they also do not cover all issues in this sector that require study and solution. In our opinion, first of all, Ukraine needs to develop its own standards of housing that will best correspond to the objective and subjective criteria.

At the same time we can define a set of macroeconomic conditions, without which, in

our opinion, it is not possible to solve the housing problem successfully. Such conditions may include: macroeconomic stability, the developed construction materials industry, developed free market of housing and construction works, the presence of effective demand, effective mechanisms for investment, lending and insurance, a well-developed legal framework of market mechanisms, favorable conditions for promoting competition.

### Conclusions

Therefore, in our opinion, the study of the housing market should precede the development of basic directions of state and regional housing policy. It should be noted that there is not enough data from official statistics concerning the characteristics of the households and effective demand, as the demographics of families are defined by the census, the frequency of which is large enough to use this information as a basis for analyzing the housing market. Accommodation combines the properties of the object of market relations and state administration, contains social and economic components and is the difficult category, into which the social and economic, as well as demographic characteristics of the level of welfare of the population, budget and regulatory, as well as credit and financial system, price and tariff policy on housing construction and housing services are integrated; the effectiveness of housing policy depends on the effectiveness of the interaction of market and state regulation of the housing market.

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ENSURING THE TRANSFORMATION OF PUBLIC RELATIONS  
IN THE SPHERE OF HOUSING AND COMMUNAL SERVICE

**Annotation**

*The problematics of functioning and development of housing sphere in Ukraine is defined. The legal provision of ensuring the state management of the development of housing service is studied.*

**Keywords:** public policy, housing and communal services, legal support, market transformation.

**Анотація**

*Визначено проблеми функціонування і розвитку житлово-комунальної сфери в Україні. Досліджено правове забезпечення державного управління розвитком житлово-комунального господарства.*

**Ключові слова:** державна політика, житлово-комунальна сфера, правове забезпечення, ринкова трансформація.

**Аннотация**

*Определены проблемы функционирования и развития жилищно-коммунальной сферы в Украине. Исследовано правовое обеспечение государственного управления развитием жилищно-коммунального хозяйства.*

**Ключевые слова:** государственная политика, жилищно-коммунальная сфера, правовое обеспечение, рыночная трансформация.

**Introduction**

Because of the absence of a clear view in the scientific literature on the current state of housing and communal services of Ukraine, which determines the nature of socio-economic problems and the market reform, in this article the overwhelming attention is paid primarily to financial, social, economic, political and legal basis of the functioning of this institution, the strategy, ideology and practice of its reformation. Featuring the system-dialectical relationship of the initial positions with the aim of transforming the housing sector, we pursued the goal to provide an interdisciplinary foundation for the detection of nodal points of the processes in this area of government.

**Analysis of resent research**

On the relevance of the problem of public administration of the modernization processes in housing and communal service indicate numerous theoretical studies and synthesis of both local and foreign scholars, including: V. N. Amitan, A. V. Babak, L. V. Bezzubko, P. Y. Belyenkoho, 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. Koretsky, G. O. Kramarenko, V. I. Kutsenko, Y. V. Makogon, Y. M. Mantsevych, L. V. Melnyk,

N. I. Oleinik, Y. V. Ostapenko, T. N. Strokan and others.

Statement of research objective

– to identify the problematic of functioning and development of housing and communal sphere in Ukraine;

– to examine the legal framework for the influence of public administration on the development of housing and communal service in Ukraine.

**Results**

While implementing the methodology of historical and systematic approaches, we try to identify the causes, objective and subjective dependence of the apparent failures of ongoing reform of housing and communal services based on market mechanisms, which are being consistently accomplished in it, and, above all, establish the historical roots of a number of basic contradictions in the Ukrainian municipal sphere, which are causing the urgent need for its reformation with the help of an algorithm of evolutionary and transformational type. The factors that led to the unsatisfactory progress of the formation of a radical transformation of the concept of housing and communal services were due to the imperfection of the concept of contradiction in the processes carried out on the preceding the current stage of reform

of housing and communal sphere and justified the need for more complete account of the social and structural conditionality of the governmental transformation of municipal sphere which is underestimated by the reformers.

Of course, the chosen method of investigation of any specific issue as expressions of the contradictions cannot be used autochthonic because it expresses only one, although the leading edge of the methodology of a classical analysis of the system. But since we are talking about the social institution, the original in this analysis should be the legal basis of the formation of housing and communal services as a social institution and the transformation of the institutional framework of its structural organization.

The initial meaning for the market transformation of the housing and communal sector has a degree of completeness and perfection of legislation regulating communal relationships of its subjects with the population and society in regards to these relations. On practice we have a lot of evidence that the population is currently prevailing doubts about the relevance of these points of the social policy, the constitutional characteristics of the country as a social state, which is generating sharp criticism of the current norms of the civil law with the orientation on housing and communal sphere and, accordingly, special legislation which is regulating relations in the provision of public utilities. However, the analysis leads to the conclusion that the system design of the legal bases of the functioning of a market of housing and communal sector in Ukraine is almost formed. And we can talk only about the degree of systemic completeness of these bases and their level of excellence.

However, the evaluation of the noticed issues is not easy, as it is traditional for the Ukrainian society in the face of the majority of the population, moreover, not only the masses but also the ruling elite, to ignore the legal aspects of its functioning, poor knowledge and weak discipline in following the laws which makes it difficult to develop the criteria for such evaluation in regards to many circumstances of the confusion of the legal status of the present society and the state and its authorities and management at all levels. Out of this situation may become, as it seems, a comprehensive analysis of not only the legislation but the process of its formation, as, on the one hand, the most important factors of transforming the housing sector, on the other - the original date for further systematic review of the theoretical aspects, results and

practical application of the existing housing and utilities laws in Ukraine.

Let us first of all concentrate on some of the constitutional foundations of the legal regulation of the relations of provision housing and communal services. They have actually been created anew, as radical-liberal economic and socio-political transformation of the country, which was taken at the beginning of market reforms, came into open conflict with the valid at the time legal framework that provided the legal regulation of relations in the housing sector. In order remove these contradictions that due to their severity gave rise to a significant social protest movement of the population, it was necessary to create a fundamentally new legal framework that can meet the needs for rooting market forces in life and yet be acceptable by most citizens, including ensuring the provision of utilities. Therefore, market reforms in housing and communal sector began to develop the constitutional foundations of legal regulation of relations in the housing and communal services, recognizing the Constitution of Ukraine as a priority before all current housing and municipal laws. It is also applicable to civil law, industry, limited of other regulatory legal acts and purely official role of the so-called departmental regulations.

At the constitutional level the initial point for market transformation of housing utilities are provisions that define the economic foundations of society by providing the recognition of equality before law of all subjects of property rights and their protection (Article 13 of the Constitution of Ukraine), competition in the business, consumer protection, control over the quality and safety of products and services (Article 42 of the Constitution of Ukraine). They serve as the constitutional basis for the establishment and proper functioning of the state, municipal and private systems of ensuring housing and communal services, providing fair competition and free choice of housing and communal services, which should stimulate real improvement of their quality. Particular constitutional basis for the functioning of the municipal housing and public service are articles that define the role of local governments, non-system of public authorities (Section XI of the Constitution of Ukraine) [3].

The adoption of the current Constitution created in the Ukrainian society, particularly in housing and communal sector, a brand new legal situation as an entirely different set of subjects towards the issue of constitutional responsibility.

The essence of this problem arose from the fact that the current Constitution, unlike the former ones, holds no propaganda for the reason they it doesn't possess the status of direct action and thus condemns society to live by special laws. According to it the party and government decisions and departmental instructions received the status of a Charter of the Fundamental law of direct action (Article 8 of the Constitution of Ukraine), that has a central role in the life of every citizen of the country [1, p. 48].

The constitutional foundations of the legal regulation of relations in the housing and utilities sector, particularly in connection with the provision of public utilities, are of both practical and theoretical significance. From the standpoint of management it is essential for the approval of his subjects the rule of law regulating all areas of society, in terms of theory and practice of constitutional responsibility, particularly relating to housing and communal services, in terms of application of constitutional law and the legal rights coming from it.

The real constitution of the statute of the Basic Law, the highest legal standards stipulated under the imperative nature of it all norms of another, regardless of time of its adoption, the law. They lose their strength if conflict with the legal provisions of the Basic Law. This explains why some revision of existing laws more Soviet origin and is often the practice of rejecting bills initiated. This is mainly due to the contradictions of a sex or just draft the Constitution of Ukraine.

Giving the Constitution the status of a basic law-the highest legal standards stipulated under the imperative nature of all norms, regardless of time of its adoption. They lose their strength if they come into conflict with the legal provisions of the Basic Law. This explains the reasons for the revision of the existing laws from the Soviet era and also often the practice of rejecting the bills which are being initiated. This is mainly due to the contradictions of either one single article or draft law with the provisions of the Constitution of Ukraine.

The above considered circumstances have a particular relevance to the problems of legal regulation of the domestic housing sector, particularly concerning housing and communal services. Very often they become the why there is incompleteness and imperfection of current legislation. Completeness of it is far from the necessarily legal regulation of many contradictions, which is continuously generated by both objective and subjective circumstances exercised by the market of transformation utilities. As stipulated

above the absence of the relevant provisions of this situation is almost always possible with using a factor of direct action with relation to these constitutional provisions that is directly based on the rules of law provided for them.

As regards to the civil regulation, it is based on the specification of special laws, especially on the Civil Code of Ukraine, the constitutional provisions that qualify the private side of the current stage of market development of Ukrainian society [5]. First of all, it is associated with the development of market economy. The central point of this process is for reformers to transfer the standards and regulations of civil law into the aspects of real life in a consistent market condition in which such social benefits as housing and utilities, education, medical help and other similar services would be included into the economic system of prices and begin to be regulated by civil law.

The initial basis of the whole modern state policy of market transformation of the Ukrainian housing sector is to put it on the base of the sequence of economic relations, an important place in which to take the conversion of all utilities paid in full, mostly people, goods that legal terms means the distribution of these relations the priority of the civil law. Consistent implementation of this policy involves annihilation of any circumstances caused by demographic, ideological, political or other reasons directly related to the operation and development of this institution, and therefore ignoring the humanistic side of public administration and the transformation of the housing and municipal sector is needed.

Radical-liberal reformers turned the market of transformation of the housing sector with the aim of improving the structural organization of this institution by inhumane means of extracting profit, which is fundamentally changing its nature. Accordingly, the distribution on the housing and communal sphere the mechanisms of civil regulation designed to ensure the transformation of social relations of housing and communal services to the population by a total economic cost while excluding the fact that the effectiveness of it depends on the state of various subsystems of the housing sector, various climatic and other conditions of their operation and development of appropriate regional character, etc.

The process of distribution of the norms of civil law on the relations in the housing and communal sphere began with the approval of the Law of Ukraine «On Privatization of State Housing



Fund» on 19 June 1992 [4], which received its development in the Law of Ukraine «On Housing Services» [2]. They have step by step decreased the target conditioning of operation of social and humanistic factors, the development of housing and municipal sphere and intensified their economic grounds, increased the role of the contractual relationship and therefore the civil rights without regard to the need for the interdependence of economic, social, cultural and other elements of the system of the analyzed institutions, which are threatening the stability of the Ukrainian society.

The danger of such deformation increases under the condition of exclusive competence of the government of central level, and when civil law together with law-making activity is not corrected to the field, which therefore cannot affect the above mentioned terms of efficiency and other consequences of the establishment in municipal spheres of economic dominance, cost relations.

Currently the system of civil law rules governing relations in the housing and utilities sector includes, first of all, the property relations in the various subsystems of housing, and secondly, property and contractual relationships based on legal equality of the economically independent participants in housing turnover, including regulatory agreements between housing agencies and the public on reimbursed provision of utility services, etc. Thirdly, there is the issue of the responsibility of all participants of these relations in providing utility services, whereas not only for the failure or improper performance of its contractual obligations, but also for moral damages for causing damage by the means of irrational provision of utility services.

The positive side of the inclusion of housing and communal services into the system of civil law jurisdiction is that nowadays the relations connected with the rights of citizens to a decent existence may be a subject of a judicial protection. And any decisions, actions and inaction of officials from the system of housing and utilities sector may be appealed in the court. But in order to understand and appreciate the social significance of the practice of application of civil law is often impossible without special legislation relating to housing and communal services. This is due to the fact that only a special law is designed to regulate in detail a particular group of public relations. However, many public relations require complex regulation, namely the special laws are usually rules relating to various areas of law. Therefore, the provisions of

the Civil Code of Ukraine not only prevent but on the opposite-stimulate providing special legislation with the aim of making a better use of the legal norms.

For these reasons, at the state level regulations that form the basis of the mechanism of ensuring constitutional rights in the housing and communal sphere up to an adequate standard of living and quality of housing and utilities carry out many special laws. The main law is the Housing Code of Ukraine. We should keep in mind that the nature and effectiveness of social transformation of the housing sector as the effective functioning of housing depends not only on the completeness and perfection of the legal framework, but also on the process of its formation: transparency and coordination of public opinion and other subjects of enforcement facilities, etc. Ignoring the side processes of forming legislative base, particularly transformation of the character can be fraught with negative consequences, particularly beyond the functioning of the housing sector.

Regardless of the subjective assessments of the current Ukrainian legal framework in municipal sphere it should be emphasized that the big importance for the theory and methodology of transformation of this institution has the fact that in this area the system of statutory rules and regulations is already functioning, allowing to measure housing as a transition into a market system based on other than ever before, legal, economic and organizational bases.

Pondering the first results of radical-liberal transformation of the national housing and communal services, resource and technological state of housing, the current economic situation the attention should be paid to the imbalance that has developed to this point between the legal system which was established to regulate the housing and resource capabilities, which has continued in the transformation of a society according to the basics of the radical-liberal housing strategy. This imbalance puts into question the possibility of this basic in preserving medium-term social and political stability of a society, without which all the strategy of socio-economic recovery of the country will be put under attack.

However, preliminary analysis of the lawmaking process by completing the regulatory system of transforming the housing sector shows that it obviously did not have time to adapt to rapidly changing political, economic and social situations. Even before the act is passed special laws demanded

to a conceptual change operate. With the regard to special laws, they already have several versions that reflected the very significant processing. This algorithm of improving the regulatory framework is allowed only in the times of a stable social order, effective information security, high capacity of public authorities at all levels, and under the condition of local authorities and the population responding quickly to any changes in the legislation. Legislation and legal system determines the nature and essence of the formation of social norms. The first is possible only in the evolution of this process. So we cannot say that universal rules exhaustively regulating the sphere of relations and providing activities transformed in the inutilities and housing sector exist, while that would be clearly premature.

The problems with the operation and development of housing and communal services of Ukraine always had lack of resources for expanded reproduction in the right volume and with the required quality of its material basis in the form of housing. Factors and the content of this deficiency in different periods of history are different, which determines the specific direction and content of public policy in this area.

One of the outwardly similar factors which was in the Soviet period and now is also existent is the intense population growth in large cities. Sources and drivers of growth of the urban population in the past years and today differ. Since the beginning of the XX century till the end of the 1980s industrialization and urbanization became the main reasons for the movement of rural population. These processes are characteristic of all developed countries and the result of it is the same: increase in the number and share of urban population.

Today, the influx of population in large cities has not reduced, but the difference is that not only the rural migrants, but also many inhabitants of

the doomed by the market economic decline small and medium-sized Ukrainian cities. Many of these cities became victims of the market, devastating and creating a system of settlement and resettlement in their laws that leave no room for illusions. Processes like deindustrialization, closing mines, factories, the crisis of science, culture, health care and others displace the population's settlements, and with that people are directed to large cities with more developed labor market and better conditions for survival.

### Conclusions

Therefore, the housing problem was for a long time mainly solved through providing «beds» or dorm rooms, and settling the multi-family communal apartments. Millions of citizens for years stood in line to get some furnished apartments or to improve living conditions through public consumption funds. It has formed the persistent social dependency syndrome, when only a few people wanted to take the initiative and spend their money on resolving personal housing problems. In addition, the population was proletarianized with the system of limits of its profits, with the quantity and size of living spaces which should suit one separate person or family, paralyzed by organizational difficulties and were unable to participate in mass housing processes.

Thus, the system itself, suppressing every initiative in solving the housing problem, led to the creation of an infinite queue for public housing, which artificially stimulated its deficit.

These circumstances forced the paternalist principles on fundamental decisions in solving housing problems and stimulated individuals to start looking for the mechanisms of transferring the residential areas on the principles of market economy.

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**INSTITUTIONAL AND LEGAL CONDITIONS**  
**FOR THE DEVELOPMENT OF CORPORATE SERVICES**  
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**Annotation**

*The historical aspects of the state regulation of the development of corporations are defined. The changes in the system of production relations, which predetermine the creation of new economic forms on their basis, corporations and corporate enterprise are explored.*

**Keywords:** state regulation, corporation, market transformation.

**Анотація**

*Визначено історичні аспекти державного регулювання розвитку корпорацій. Досліджено зміни у системі виробничих відносин, що зумовлюють створення нових економічних форм на їх основі, корпорацій та корпоративного підприємництва.*

**Ключові слова:** державне регулювання, корпорація, ринкова трансформація.

**Аннотация**

*Определены исторические аспекты государственного регулирования развития корпораций. Исследованы изменения в системе производственных отношений, которые определяют создание новых экономических форм на их основе, корпораций и корпоративного предпринимательства.*

**Ключевые слова:** государственное регулирование, корпорация, рыночная трансформация.

**Introduction**

The study of the formation and evolution of a market economic system in Ukraine provides the definition of certain limits in which this system is developed, including the definition of corporations as subjects of economic relations, corporate sector, patterns of development.

**Analysis of resent research**

In the domestic literature much attention is paid to corporate relations mainly in terms of corporate governance. The most notable are works of O. Batura, P. Buriak, V. Golikov, V. Evtushevskiy, L. Mamychева, L. Melnik, V. A. Mishchenko, E. Petruni, S. Pishpek, N. Redina, V. Rybalkin, I. Sazontsya, S. Samofalov, A. Sirko, L. Tarash. Today, researchers need to be address problems of corporate ownership and corporate trends in organizational structures.

Statement of research objectives

- to identify the historical aspects of state regulation of corporations;
- to examine changes in the production relations which contribute to the creation of new economic forms based on them- corporations and corporate entrepreneurship.

**Results**

The term «corporation», which is widely used in economic science, is derived from the Latin

«corporation», which means a union, partnership. The distinctive difference of it from other associations is, firstly, the unity around certain goals, and, secondly, the protection of the interests or carrying out a representative function. These unions comprise of association of persons which exist independently of any changes of specific participants. Different forms of cooperativeness can be classified by such a feature as self-organization based on economic, social, political and ideological relations. For example, a form of manifestation of cooperativeness on the basis of economic relations is an economic activity based on such organizational form as corporation. In this example, the corporation unites people around a common goal - economic activity and the protection of certain interests.

The legal nature of corporation is closely related to its overall social nature. They are not separated, because the legal community, which is expressed as a person is only a consequence of more general and fundamental manifestation of the community (community affairs or community interests), which is the main unifying force of any corporation. Thus, the corporation is a legal form for the realization of the needs of its members.

Based on various criteria, namely, public relations, on which self-organization is based,

the type and purpose of activity, one can select different types cooperativeness. In our opinion, based on the above criteria one can select one of the components of cooperativeness - economic (entrepreneurial) corporatism, subjects of which are associations of individuals and entities which are united around the common goal by carrying out economic (business) activity and which are able to defend their own interests and the interests of the corporation as a whole.

Commercial corporatism as a form of institutionalization of the interests of economic entities finds its expression through the interests of the owners of corporate rights; however, these interests in economic theory are investigated through the economic development of a corporation as the subject of economic relations. This approach in defining the essence of economic categories of corporation is fruitful, however, did not provide an unambiguous understanding.

Today, in economic and legal literature there is some uncertainty with the term «corporation». We shall note that in the economic literature this term is mainly used in the sense of joint-stock form of business.

According to the accepted in many European countries continental legal system, corporation is recognized as the entity, benefits from the activities of which receive all members of it. With some differences in the legal basis of the developed countries the corporate form of business remains common. In the countries of Anglo-Saxon legal system, the term «corporation» is a synonym to entity. Thus, in the USA corporations are divided into public (governmental), non-entrepreneurial (non-profit corporations), business (business corporations). [3, p. 71] Economists and lawyers in the USA impose legal form of business it in the base of the concept of «business corporation», which is considered to be different and separated from the individuals who own it. Thus, the business joint stock company as the organizational form of economic corporations corresponds to the concept of «joint stock business corporations» [4, p. 14]

Thus, economic science and business practice treats a corporation as a legal form of business. Accordingly, we shall continue to consider specified criteria for determining the National Agency of the corporate sector.

Analysis of current economic and regulatory framework allows selecting corporate form of capital as a separate form with the owners having a limited liability. With all the differences in the legal

bases of the developed countries the main dividing line between corporations and non-corporations lays in allocating the ordering function and limiting liability. Thus, the legal framework of Germany refers stock companies to corporations, which include corporations and companies with limited liability. In France, among firms that have legal status, to the corporate sector are referred not the unities of people but the union of capital, where liability is limited to contributions to the statutory fund, that is, first of all corporations with limited liability [4, p. 15].

In the modern conditions economic legislation which is being applied in the developed countries pays great importance to the division of organizational forms of business entities at unities of labor forces and unities of capital.

It is the opinion of Ukrainian researcher V. Marchenko the corporation is a generic term, and the most common type of the concept of corporation is a joint stock company, due to the existence of the numerous advantages of this type of business entity, including the very first to be identified: universality, widely used in different areas, the ability to attract unlimited financial resources through the use of shares, investment stability, meaning the impossibility of free withdrawal of capital entered in the authorized capital stock of the enterprise [4, p. 14]. However, the given thesis about the correlation of the categories corporation and joint stock market requires a thorough investigation and, above all, finding out the essence of economic category of corporation.

In our opinion, an attempt to clarify the nature of any category needs to consider its position under the dialectical method of analysis, which determines the structure of the economic category, and its evolution. In order to get a general definition of the corporation one should investigate the most mature degree of development at which its preliminary development converted into undeveloped form. Then a general methodological rule applies that any phenomenon must reach a certain level of development of its properties for its laws to become available for study.

The formation of patterns of development of corporations and the corporate sector in the economies of the world is possible if we consider the historical aspect of this process. At the same time, the study of the evolution of corporate relations facilitates solving the problem of determining the nature and state regulation of

corporations, which lets one to define the limits of the corporate sector of Ukraine.

Most experts follow the opinion that the corporate business formation appeared during the death of old patriarchic relationships and gathering of considerable wealth by individuals in different countries due to business development, whose appearance was related to the concentration of capital and the need to reduce risks in the business. The relationship of these companies was based on personal contracts. One can say that in ancient times corporations existed in its infancy and did not affect the economic development of countries.

It is generally believed that corporations were the forerunners of the so-called trade guilds, which were the associations of the economic nature and a prototype of corporations because they didn't have common capital, were not integral economic units, even though the trade guild was responsible for the debts of each member [7, p. 8].

In XII-XIII centuries marine companies appeared whose capital was invested into merchant vessels with the help of which they transported goods. Clearly, the size determined by the cost of the ships. The founder had to explain how he proposes to divide the parts of the whole enterprise. The method of capital formation of companies was very similar to modern joint-stock companies. As to the forms of participation of partners in the enterprises it should be noted that the principles of equity made significant development. The basic capital of the company was expressed in monetary amount, which was divided into a fixed number of parts. The company began to function when all the members all of this unity had paid their fees and had been accepted into it.

In marine companies it was critical for the management responsibilities to be split between the partners. In order to address the most important issues, especially those related to the increase of the capital, the founder had gathered the shareholders, as he also reported to the general meeting of performance enterprise [1, p. 32].

These so-called legal forms of corporations in the form of marine companies got a clearly pronounced capitalist nature, where corporate relationships were built over the ownership of capital, which the ship served as, and the purpose of it was the profit. In these institutions expenses were recognized as general expenses and additional payments were established which the company should bear. In general terms maritime companies

were essentially close to the corporations as a legal form of business, but the principle of limited liability of participants had not yet been developed there.

Other associations of a corporate type, similar to marine companies of the Middle Ages were mining companies of the XII century.

A common view is that the appearance of corporate entities in different countries was a natural process of changing economic conditions, development of productive forces that caused the need for integration of capital for doing business, business turnover, especially in trade [7, p. 9].

According to the latest theory, the corporation as a legal form of business occurred during the formation of the world market on the verge of sixteenth-seventeenth century. The main founders and members of corporations set up as joint stock companies were merchants who used them for conducting risk cases, such as the familiarization of new territories and of trading with them.

In 1594 in Amsterdam a trading company was set up, which due to its association with other companies had a membership of 18 participants and was the precursor of the Dutch East India Company. The process of centralization of merchant capital had continued.

The completion of Dutch companies with each other had created considerable difficulties in obtaining profit. The study of the circumstances of trade with the East Indies led the Dutch government to concentrate trade in one hand. It proposed to unite individual companies into a single structure and as a result of it in 1602 the United East India Company was established [1, p. 33]. The numbers known to us indicate the scope of established businesses. In 1602, the East India Company had a capital of 6.5 million florins, divided into shares of three thousand florins, which is six times more than the English East India Company, which was established two years earlier and has always felt the lack of capital. Under the calculation, which refers to the year 1699, the initial capital which in future would neither be replaced nor increased, consisted of 64 tons of gold [2, p. 224].

With the privatization of money the question has been raised on the establishment of new institutions of investment other than those that were certified during the privatization, the seamless transformation of existing funds and investment companies into the new collective investment institutions. Legal and organizational basis for the establishment, operation and responsibility

of subjects of mutual investment, especially the management of their assets as identified in adopted in 2001 Law of Ukraine «On Joint Investment Institutions (Unit and Corporate Investment Funds)» are aimed at attracting and efficient allocation of financial resources of investors as well as protecting investors' rights. The law sets more stringent limits and requirements of a joint investment and defined mechanism of multilevel control of activities aimed at protection of investors [5, p. 1-6].

Apparently, in 1991-2004's were created:

- institutional and legal conditions for doing business in almost all sectors of the economy;
- new corporate sector had begun the processes of industrial integration on the basis of overall concentration and centralization of corporate capital;
- such market segments of corporate infrastructure as the stock market and in particular the market for corporate securities, the credit market.

We should note that the dominant trend in the market transformation of economic relations in Ukraine is the creation of joint stock companies.

Thus, today in Ukraine institutional and legal conditions for the development of the corporate sector are created.

At the heart of the economic system lays the law of the correspondence of the nature of industrial relations to the level of development of productive forces. This law reflects the dialectic interaction of the productive forces as the material basis of society and relations of production – their form of society. The law reflects the natural

evolution of industrial relations and their forms of manifestation and organization. According to this law there are objective conditions for the operation and development of organizational and economic forms, which are indicating the emergence of a new, more mature type of industrial relations by the means of resolving dialectical contradiction, the conflict between productive forces and production relations.

### Conclusions

Thus, the corporation, which on the surface of economic life is presented as the legal form of business, is characterized by legal status and organizational characteristics. It is actually a manifestation of more profound relations of production, in which the content of the category «corporation» as a form of existence of capital, as value, which brings added value for specific conditions of production and appropriation, is revealed. Thus, changes in the system of industrial relations, property relations lead to the creation of new economic forms in their base, including corporations and corporate entrepreneurship.

The formation of patterns of modern Ukraine's economy is influenced by forms of relations, rules, and ethics of the provisional «pre-market era,» which are gradually losing their power while new forms of relations, rules, and ethics are being created and are gaining strength. So, one of the common characteristics, patterns of functioning and development of Ukrainian economy is its particular instability, instability that does not cancel the general laws of economic system, but defines some trends in its development.

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