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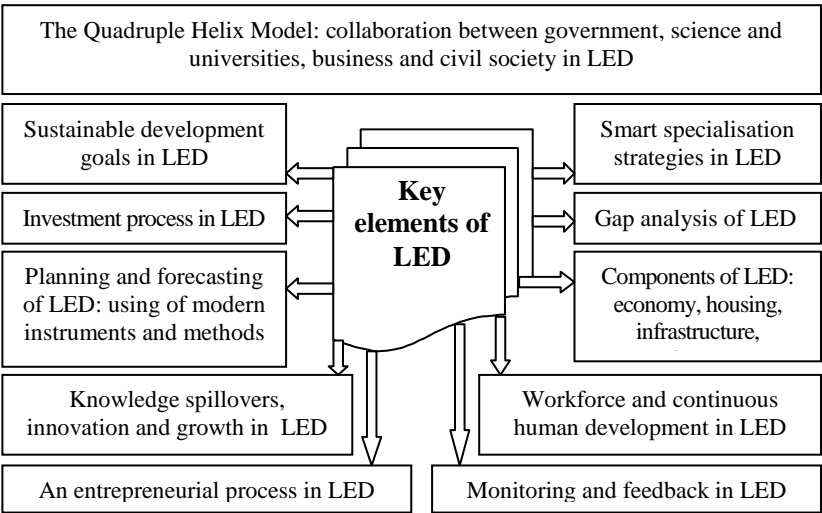
**LOCAL ECONOMIC  
DEVELOPMENT AS A TOOL  
OF INCREASING THE  
COMPETITIVENESS OF THE  
TERRITORIES UNDER  
CONDITIONS OF  
DECENTRALIZATION IN  
UKRAINE**

In the conditions of forming of the modern innovative model of economic development of the countries of the world, at the same time the processes of globalization and decentralization of regulation are accelerated. The steady development of information and communication technologies, digitization of production processes, provision of services, social sphere, smart specializations in the process of developing strategic vision of the territorial development are also introduced. The spread of Industrial Revolution 4.0 and the adoption of big data technologies are becoming more widespread. Therefore, the necessity of introducing methods and instruments of local economic development and intermunicipal cooperation as the priority approaches to securing sustainable competitive advantages of territories in the conditions of globalized world economic area is growing.

Local Economic Development (LED) is an approach towards the economic development which allows and encourages local population for working together, achieving the sustainable economic growth and development thereby bringing economic benefits and improved quality of life for all residents in the local municipal area [6].

Integration into the international economic area and the introduction of a number of local economic development tools, such as partnerships, cross-border, interregional, international cooperation, lead to the generation of joint projects capable of enhancing the competitiveness of communities. In turn, by acting as a hotbed of innovation, territorial communities turn into the engine of economic growth for the national economy [10].

The key elements of LED under the modern conditions of decentralization are presented in Figure 6.3.



**Figure 6.3 The key elements of Local Economic Development**

*Source: formed by authors*

In the context of LED efficiency increasing it's very important to create the mechanisms of collaboration between government, science and universities, business and civil society. Nowadays, the best practices of such collaboration are based on the Quadruple Helix Model, which allow forming effective territorial innovation ecosystems, raising the degree of community involvement in the innovation process [4].

According to the analysis of international comparators of the competitiveness level and cooperation of stakeholders in the world countries (Table 6.5), the Global Competitiveness Index in Ukraine (57,0) in 2018 is lower than in the neighboring countries – Romania (63,5), Bulgaria (63,6), Poland (68,2), and much smaller than in the leading countries – the USA (85,6), Germany (82,8), Japan (82,5). Accordingly, the indicator of multi-stakeholder collaboration shows an even bigger gap (45,5 in Ukraine, while in USA – 79,2), as well, as the indicator of university and industry research collaboration (39,8 in Ukraine, while in the USA – 78,4). Thus, the issues of collaboration among the main stakeholders in Ukraine need immediate resolution.

Table 6.5

**International comparators of the competitiveness level and cooperation of stakeholders in the world countries (2018)**

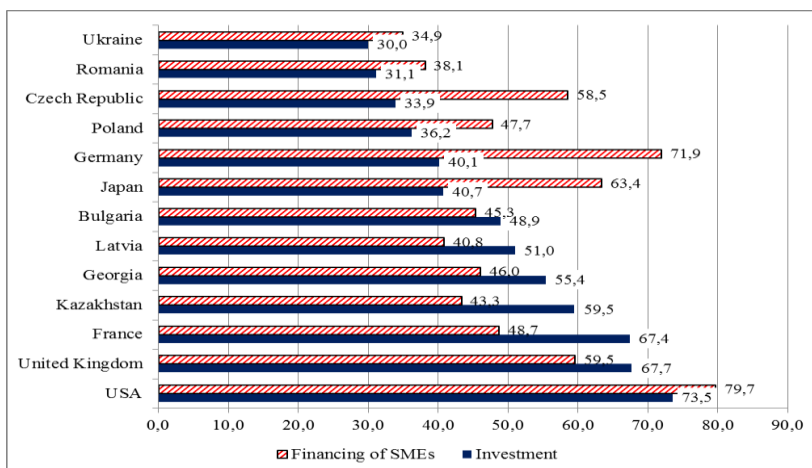
Countries	Global Competitiveness Index (max = 100)	Multi-stakeholder collaboration	University / industry research collaboration
Ukraine	57,0	45,5	39,8
Romania	63,5	36,3	35,7
Bulgaria	63,6	43,3	39,3
Georgia	60,9	39,0	29,3
Kazakhstan	61,8	45,2	39,1
Latvia	66,2	41,0	34,4
Poland	68,2	34,9	37,1
Czech Republic	71,2	50,6	47,6
France	78,0	53,8	53,7
United Kingdom	82,0	67,5	73,1
Japan	82,5	62,6	62,3
Germany	82,8	73,4	72,9
USA	85,6	79,2	78,4

*Source: formed by authors based on [11; 12]*

Very important tasks of LED to get concentrated in terms of attracting investment, developing entrepreneurship and solving the problems of labour market. It will allow increasing the competitiveness of the territories and to solve a number of social issues.

The indicators of the investment and financing of SMEs among the selected group of countries show the next differentiation (Figure 6.4). So, the leaders by metric of the investment are the USA (73,5), the United Kingdom (67,7), France (67,4), while in Ukraine this indicator only reaches a value 30,0 in 2018. The leading positions by level of financing of SMEs occupy the USA (79,7), Germany (71,9), Japan (63,4) in 2018. The high enough level of financing of SMEs demonstrate also Czech Republic (58,5) and Poland (47,7), but in Ukraine it's level reaches only 34,9. This allows us to conclude, that under conditions of decentralization the efforts of the participants of LED in Ukraine should be directed to enhancing the investment attractiveness of territories for domestic and international investors, taking into account specific factors of competitive advantages.

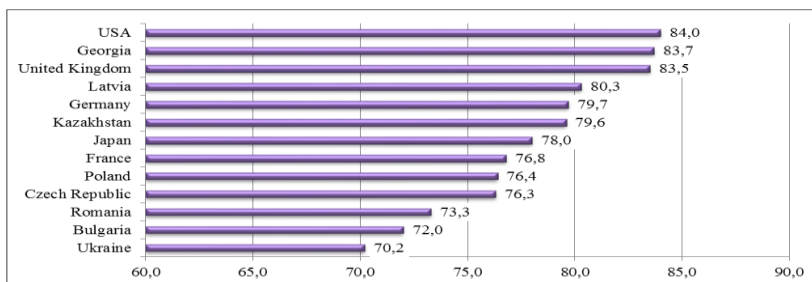
The following important indicator deals with the support of entrepreneurship at all fields and levels. According to the international indicators, in general it can be evaluate by the ease of doing business ranking (Figure 6.5).



**Figure 6.4 The indicators of the investment and financing of SMEs in the world countries (2018)**

*Source: formed by authors based on [11; 12]*

As we can see, the ease of doing business score in the USA is 84,0, in Georgia – 83,7, in the United Kingdom – 83,5, while in Ukraine – 70,2. Slightly higher are the meanings of the ease of doing business in Bulgaria (72,0) and Romania (73,3).



**Figure 6.5 The ease of doing business ranking for the world countries (2018)**

*Source: formed by authors based on [14]*

It is necessary to mark, that excepting the ease of doing business, potential investors consider also many other factors, such as the overall quality of an economy's business environment and its national

competitiveness, macroeconomic stability, development of the financial system, market size, rule of law, and the quality of the labour force [14].

Taking into account the negative demographic situation and increased migration among the population of Ukraine, aspects of staffing the territories by well-qualified specialists become one of the main priorities of LED.

The scientists underline, that a job creation plan could include aspects such as the establishment of a central employment agency with a database, mentorship programmes, public works programmes, intensive technical and business skills training, development of incubators and job centres, youth development programmes and policy formulation with incentives for job creation [7].

In Ukraine the process of active decentralization and forming the amalgamated hromadas started in 2015.

The formation of the amalgamated hromadas implies the ability to use the aggregate resources of individual territories for economic benefit, capacity building and rational use. Costs are reduced through resource sharing, positive experiences and well-established contacts, which leads to higher quality metrics with unchanged (or reduced) quantitative values. That is, the formation of the amalgamated hromadas contributes to the positive synergistic effect due to the more efficient use of resource, financial, labour, innovation, information, management, intellectual, infrastructure, investment potential of the territories [1].

As of November 10, 2019, in Ukraine were created 1002 amalgamated hromadas, at the territory of them live 11.2 million people, or 31.9% of the total population of Ukraine. The area of amalgamated hromadas is 238.8 thousand square meters, or 42,8% of the total area of Ukraine. For comparison, in 2015 there were only 159 amalgamated hromadas with a population of 1,4 million, covering an area of 36,8 thousand square meters. The average population of one amalgamated hromada in 2018 was 18965 people, in 2019 – 14929 people, on average for 2015-2019 – 11213 people.

It is necessary to note quite significant differences in the intensity of the processes of formation of able amalgamated hromadas by regions of Ukraine by indicators of the population and cities of regional importance, their area, the number of territorial communities that have not been united, coverage of prospective plans, etc. The leaders of the rating in 2019 among 24 regions of Ukraine are Zhytomyr (1 place), Dnipropetrovsk (2 place), Khmelnytskyi (3 place), Chernihiv (4 place) and Zaporizhzhia (5 place) regions, and the last places in the ranking

take Lviv (20 place), Kyiv (21 place), Vinnytsia (3 place), Transcarpathian (23 place) and Kirovohrad (24 place) regions.

Very low is the proportion of youth, which are living in the amalgamated hromadas – only 1342,5 thousand persons, or 7,7% of all youth, which are living in the regions of Ukraine (10333,0 thousand).

As of November 10, 2019, by territorial communities were concluded 488 intermunicipal cooperation agreements, of which: 84 in the housing and communal services sector, 29 contracts in the sphere of public employees, 43 contracts in the sphere of fire safety, in the fields of education and protection health, social security – 129 contracts, in other fields – 203 contracts [9].

At the same time, the functioning of the amalgamated hromadas is accompanied by a number of problems and unresolved issues of effective performance, many of which are related to the lack of proper professional and personal skills, experience and management skills of the residents of the integrated communities.

Reforming local self-government provides real opportunities for community development, as well as certain benefits for citizens to develop businesses in their territories, as part of taxes remains at the disposal of the territorial community [2]. It allows achieving such benefits, as: exchange of experience and knowledge; pooling of financial resources; saving on the development and purchase of new technologies; sharing of supplies of raw materials, equipment, technical and technological base; maximum use of investment potential [1].

The ways of improving the processes of vitality of the amalgamated hromadas are mainly focused on improving the legal support of local self-government, building a network of socio-cultural infrastructure, creating a favorable business environment, involving the population in active entrepreneurial activity, coordination of economic activity between their territorial communities [8].

By the analysis of the best national practices in the field of intermunicipal cooperation development, the following recommendations and proposals could be presented: development of public awareness and partnership between public authorities and citizens in the preparation and further realisation of intermunicipal cooperation projects; organisation of the training programmes for local elected representatives and decision makers as well as the representatives of other target groups; strengthening the financial basis of local authorities etc. Intermunicipal cooperation could be also used for further realization of the reform of the administrative and territorial structure of Ukraine as

well as improvement of the quality of the municipal services to be provided by local authorities to the citizens [13].

In the context of staffing needs satisfaction are necessary such directions of LED improvement: forecasting quantitative and qualitative needs of the labor market in specialists, taking into account the requirements of the innovative model of economy as a basis for making adjustments to the volume of training in the future; transformation of the content of vocational training according to the new requirements for knowledge, skills and competences of staff, the emergence of new professions, the spread of distance forms of employment; expansion of cooperation with foreign partners, exchange of experience, implementation of best practices in the field of human resources development; promotion of social and labour relations, the implementation of human values to governance [3].

The scientific and practical recommendations for improving the social-economic situation in accordance with the strategic priorities of the development of regions of Ukraine consist in the development of infrastructure (youth housing, road infrastructure, social infrastructure), creation of the innovative-integrated structures in the regions (innovative agrarian and industrial clusters, innovative centers for organizing the effective cooperation between the authorities, business, educational and scientific institutions, communities), directing public funds to local budgets support for businesses in the region, improving the functioning of the amalgamated hromadas.

Very expedient is the increasing the professional competence of amalgamated hromadas managers and specialists by acquiring the modern organizational, managerial, analytical and other skills necessary to ensure the integrated, effective, innovation-oriented development of territorial associations of the regions in the context of decentralization. To reach this purpose, the following algorithm of action can be suggested:

- to carry out an analysis of the status and trends of the functioning of the amalgamated hromadas in the regions;
- to identify the most “scarce” competencies for managers and specialists of all levels the amalgamated hromadas in the regions;
- to analyze the best domestic experience in the field of efficient functioning of the amalgamated hromadas, as well as the leading foreign practices of decentralization reforms;
- to develop short-term and long-term training and advanced training programs for the managers and specialists of the amalgamated hromadas

in the regions;

- to organize professional development courses for managers and specialists of the amalgamated hromadas, taking into account individual needs and thematic areas of study, including the use of foreign experience gained through participation in different international projects.

The result vector of interaction of key stakeholders in LED should be concentrated in such areas as: educational component of training of specialists, professional development of employees, areas of improvement of organizational and regulatory influence in terms of decentralization of power, financial analysis, audit and information, tax regulation, staffing, investment support, stimulation of entrepreneurial activity, social development, national security [5].

By improving the efficiency of LED, such benefits can be achieved:

1. In the economic sphere: increasing the cost-effectiveness in the areas of road management, construction of municipal facilities, education, health care, participation in grant programs, ensuring transparency of the budget process; raising the level of life quality for the population; increasing the investment attractiveness of entities within the amalgamated hromadas to investors.

2. In the social sphere: reducing social tensions in society by effectively resolving conflict situations, establishing communicative interaction, and engaging residents to solve the problems of socio-economic development; increasing the level of social protection of the population living in the territory of the amalgamated hromadas.

3. In the environmental sphere: the introduction of environmentally-oriented, resource-saving management of LED will help to improve the environmental situation in the regions.

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