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STRUCTURAL IMBALANCES OF ECONOMIC DEVELOPMENT OF REGIONS IN UKRAINE

Abstract

The problem of structural imbalances elimination of economic development of regions in Ukraine is raised. It is determined that the starting point of the analysis of the regional economies structure is to assess its potential. The evaluation of the economic potential of regions has been made. The comparison of natural-material composition of the economic potential and its structural contribution into the socio-economic development indicators showed the imbalances of economic structure of regions. On the basis of territorial concentration of resources there are identified the root causes of deformations in the structure of the economy of certain regions.The structure of regional economies was examined in the context of major structural dimensions in the dynamics and statics. The conclusion about the existence of disproportionality was made. Also the relevance of increasing the role of authorities in structuring of regional economies was corroborated. The necessity of forming selective policies of structural adjustment of regional economies and the criteria for the development strategy was proposed. On the example of Ternopil region the priorities of regional structural policy was corroborated.

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Key words:

Structural imbalances, regional economies, selective strategies.

JEL: E60, H70.

Introduction

The statement and study of the problem is conditioned by several reasons:

- firstly, the need to ensure sustainability of national economy as a complex structured system, which is possible under the condition of its more or less balanced structure. The economic structure provides a value that reflects the relationships and interdependencies between certain elements of the economic system within the process of its development. The main types of the economic structure making the basis of macroeconomic analysis are the following: sectoral, industrial, technological, reproductive, social, territorial (regional), and foreign economic. The structural transformations in national economy, manifested in the form of changes of elements, particles, proportions and quantitative characteristics of the economic system, are encompassing all the noted sections. The prior analysis [1, p. 59] shows that out of the three possible levels of depth in this process (structural revolution, restructuring, structural adjustment of the economy) the last one occurs in Ukraine and its regions. As the result of that, the industrial, technological, reproduction, and foreign economic structure of national economy is deformed. Transformation processes that currently characterize the development of the country and its regions, lead to further restructuring of the regional economy. Accordingly, the following tasks are actualized: to identify trends in the change of territorial structure of national economy, to identify problems requiring responses of institutional environment on structural transformations of the territorial structure; to ground the ways of institutional support to structural changes. Therefore, it is important to evaluate the manifestation of these structural imbalances on the level of individual regions;
- secondly, lack of study of structural deformations in quantitative (ratio of elements in the system) and qualitative (the ratio between the ele-

ments) costs not only on macro- but also on meso-and at management levels;

- thirdly, the sharpness of the problem of financial provision of the regions and local communities, the opacity of intergovernmental transfers, which on the one hand complicate the process of decentralization of management, and on the other, actualize the need for administrative and territorial reform;
- fourthly, the global nature of the structural reforms that manifests in the formation of a new world economic order, in globalization trends of socio-economic priorities of human development, in strengthening of global macro-financial challenges to structural transformation of national and regional economies, in the formation of world civilizational structure of global economy. Their influence requires optimizing the structure of regional economies in the context of their competitiveness not only in national but also in global environment.

A systematic approach to study the structure of regional economies requires consideration of the regional economy in the context of its sectoral, technological reproduction, branch-wise, territorial and foreign economic (external regional) structure, as well as spatial, structural and systemic, organizational, functional, administrative transformation.

Economic Potential of Regional Economy as a Basis for the Formation of its Structure

The starting point for analyzing the structure, trends of its transformation, causes and effects is to assess the potential of the region's economy, which is considered to be the basis of its further transformation. The evaluation of the economic potential of the region (regions) should be understood as the determination of its scope in terms of value, and calculation efficiency of economic resources and degree of meeting the objectives of economic development. It should be noted, that so far neither national nor international standards have yet been developed for evaluating the value of economic potential, also there is no consensus on the methodological principles and approaches, indicators and methods for its measurement. The scientific sources of [2, 3, 4] in order to evaluate the economic potential propose to use two main methods: quantitative and qualitative.

The most universal indicator of quantitative assessment of the regional economic potential is its gross regional product, which characterizes not only the level of development of regional economy, but also peculiarities of its branch

structure, operational efficiency of individual sectors, industries, in addition, it synthesizes the effects produced by a number of factors, including the amount and availability of resources, regional level of technological development, which determines the quality and efficiency of technological base of the economy, accumulated innovation capacity, quality of labor, production of ideas and innovations (Table 1).

Table 1

Characteristic of regions in Ukraine in terms of gross regional product in statics and dynamics

Regions (Oblasts)	GRP (in actual. price) UHA, mln., 2008 .	GRP index in compared price, 2008 .	Ratio of the region %	Regions (Oblasts)	GRP (in actual. price) UHA, mln., 2008 .	GRP index in compared price, 2008	Ratio of the region %
Ukraine	948056	102,3	100	Mykolaivska	19410	106,9	2,0
AR Crimea		106,6	2,9	Odeska	46994	111,9	5,0
Vinnytska	20094	105,1	2,1	Poltavska	34118	94,9	3,6
Volynska	12784	106,1	1,3	Rivnenska	14074	99,5	1,5
Dnipropetrovska	104687	97,3	11,0	Sumska	16210	103,6	1,7
Donetska	117646	97,1	12,4	Ternopilska	10618	105,1	1,1
Zhytomyrska	15008	104,2	1,6	Kharkivska	59389	102,1	6,3
Zakarpatska	13208	103,9	1,4	Khersonska	13174	109,8	1,4
Zaporizka	42445	101,3	4,5	Khmelnytska	16061	99,9	1,7
Ivano-Frankivska	17883	97,5	1,9	Cherkaska	19101	114,9	2,0
Kyivska	35687	104,4	3,8	Chernivetska	8833	105,4	0,9
Kirovohradska	13961	113,7	1,5	Chernihivska	14918	102,3	1,6
Luhanska	42985	98,9	4,5	Kyiv city	169564	104,4	17,9
Lvivska	35534	100,7	3,7	Sevastopol	6305	106,9	0,7

Note: According to [5, p. 12, p. 16]

In the context of our study the economic potential should be evaluated from the position of the following:

a) natural-material composition (exploited resources);

b) its actual state, trends and prospects for development and use;

c) organizational forms of this potential management, specifically, its areas of activity (industrial, agribusiness, export, tourist-recreational, educational, etc.);

d) its individual components, located in its own territory and abroad;

e) contribution to certain organizational forms of management provided by the law of the country, the overall results of functioning of the regional economy (structural aspect).

This comparison of natural-material composition of the economic potential (natural-resource, labor, investment, scientific, etc.). with its structural contribution suggests the degree of balance in the economy (Table 2).

Table 2

Regions (Oblasts)	Ratio of the region in economic potential				Ratio of the region in socio-economic indices					
	Territory	Population in condition on 01.01.2010	Quantity of employed economic activities	Fixed assets	Gross regional product, 2008	Volume of realized industrial product	Agricultural products	Volume of construction and mounting works	Export of goods and services	Investment in fixed capital
Ukraine	100	100	100	100	100	100	100	100	100	100
AR Crimea	4,3	4,3	4,5	3,5	2,9	1,8	4,3	5,2	1,3	3,6
Vinnytska	4,4	3,6	3,4	2,5	2,1	1,8	6,0	2,0	1,1	1,8
Volynska	3,3	2,3	2,1	0,9	1,3	0,8	2,9	0,9	0,7	1,6
Dnipropetrovska	5,3	7,3	7,6	8,7	11,0	13,8	6,2	5,9	11,3	8,7
Donetska	4,4	9,7	9,8	11,0	12,4	17,5	4,9	9,3	19,8	8,5
Zhytomyrska	4,9	2,8	2,7	1,1	1,6	1,2	3,2	1,3	11,3	8,7
Zakarpatska	2,1	2,7	2,6	1,3	1,4	0,7	2,2	1,3	2,9	1,3
Zaporizka	4,5	3,9	4,1	4,0	4,5	6,6	3,5	2,4	5,9	3,1
Ivano-Frankivska	2,3	3,0	2,6	1,3	1,9	1,4	2,5	1,6	0,7	2,3

Regions (Oblasts)	Ratio of the region in economic potential				Ratio of the region in socio-economic indices					
	Territory	Population in condition on 01.01.2010	Quantity of employed economic activities	Fixed assets	Gross regional product, 2008	Volume of realized industrial product	Agricultural products	Volume of construction and mounting works	Export of goods and services	Investment in fixed capital
Kyivska	4,7	3,7	3,7	2,9	3,8	3,8	6,5	3,6	2,7	6,6
Kirovohradska	4,1	2,2	2,1	2,1	1,5	1,0	3,6	0,8	0,5	1,8
Luhanska	4,4	5,0	5,1	2,9	4,5	7,2	2,7	2,9	3,9	2,9
Lvivska	3,6	5,5	5,4	3,9	3,7	2,7	4,3	5,6	1,8	4,4
Mykolaivska	4,1	2,6	2,7	2,4	2,0	2,1	3,3	2,1	1,6	2,6
Odeska	5,5	5,2	5,1	3,9	5,0	3,3	4,2	5,6	5,5	6,6
Poltavska	4,8	3,3	3,2	3,7	3,6	4,8	5,6	4,5	2,6	5,1
Rivnenska	3,3	2,5	2,3	1,3	1,5	1,1	2,9	2,4	0,7	1,8
Sumska	4,0	2,6	2,5	1,3	1,7	1,5	3,1	1,1	1,5	1,4
Ternopilska	2,3	2,4	2,1	0,7	1,1	0,6	3,0	1,3	0,3	0,9
Kharkivska	5,2	6,0	6,3	10,2	6,3	5,5	4,9	7,5	3,1	5,5
Khersonska	4,7	2,4	2,4	1,3	1,4	1,0	3,9	0,9	0,8	1,4
Khmelnytska	3,4	2,9	2,9	1,5	1,7	1,3	4,1	1,5	0,5	2,3
Cherkaska	3,5	2,8	2,8	1,6	2,0	2,2	6,6	1,3	1,1	2,0
Chernivetska	1,3	2,0	1,9	0,8	0,9	0,4	2,0	2,2	0,3	1,7
Chernihivska	5,3	2,4	2,4	1,4	1,6	1,3	3,6	1,3	0,6	1,0
Kyiv city	0,1	6,1	6,8	23,6	17,9	14,2	...	24,8	18,8	18,6
Sevastopol	0,2	0,8	0,9	0,4	0,7	0,4	...	0,7	0,4	1,0

Note: According to [5, p. 18–20].

As can be seen from the table. 2, the contribution of regions into major indicators of social and economic development in many cases is inadequate to their share in the economic potential of the country. The above is one of the indicators of intraregional structural balance (imbalance) of the economy of a certain region. In general, according to the estimates of economists, natural-resource potential of Ukraine is characterized by the following structural parameters: 44.4% of the total volume accounts for land resource, 13.1% – for water, 4.1% – for forest, 9.5% – for recreation , 28.4% – for mineral, and 0.5% – for biological.

Ukraine is taking a leading place in Europe in deposits of natural resources, in particular, the first place – in amount of arable land, deposits of iron and manganese ore, sulfur, it is among the first – in the reserves of coal, natural gas, potash and rock salt.

However, spatially those resources are not homogeneously deposited in different regions, and that historically determined their specialization, the nature of economic activity, industrial structure, as well as it influenced the formation of technology differing now in different regions. Since the leaders in the concentration of land resources are Odeska (5.5% of the total land area), Chernihivska (5.3%), Kharkivska (5.2%), Khersonska (4.7%) regions, the first places in fossil fuels belong to Volynska region (sapropel – 61.69%), Donetskka (coal deposits – 66.85%) and in non-metallic minerals – Crimea (bromine – 100%), Vinnytska region (fluorspar – 50%), Donetskra (clay for refractories – 63.64%, raw petrurhiyna – 100%), Dnipropetrovska magnesite – 100%, alumina raw material – 100% staurolite – 100%), Zhytomyrska (shale profiline – 100%), Zakarpatska (barite – 100%, zeolites – 100%), Ivano-Frankivskka region (rhodonite – 100%), Lvivska (potassium salt – 69.23%), Rivnenska (amber – 100%, raw materials for mineral wool and fibers – 100%), Khmelnytska (saponite – 100%, onyx marble – 100%), in metallic minerals – Donetska region (mercury ore – 100% germanium – 50.68%), Dnipropetrovska (aluminum ore – 100%, manganese ore 60%, iron ore – 52.63%), Zhytomyrska (vanadium ore – 100%), Zakarpatska (Transcarpathia) (ores of lead and zinc – 75% silver ore – 50%), Zaporizka (strontium ore – 100%, ores of rare earth metals – 100%), Kirovohradska (ore chromium – 100%), Luhanska (silver ore – 50%) and in water resources Lvivska, Ivano-Frankivska, Zakarpatska (Transcarpathian), and Poltavska regions [5, p. 21-56].

However, some fields are not currently being developed (ore deposits of mercury in the Donetska region, ore deposits of nickel and cobalt in the Dnipropetrovska region, vanadium ore in the Zhytomyrska region, lead and zinc ores in Zakarpatska (the Transcarpathian) region, ores of rare earth metals in Zaporizka region and others. A warp sectoral structure of the economy resulted acute problems of energy conservation and efficiency of fuel and lubricants. In the regions of Ukraine the energy cost of goods is critically high, which is one of the reasons for their low competitiveness. According to the research of International Center of Prospective Studies (ICPS) , Ukraine is recognized as one of the world's largest consumers of energy per unit of gross domestic product. The GDP energy ratio is 0,83–0,87 kg of fuel per hryvnia. By this measure in 2008 the country ranked the last but one, i.e. the 62nd place. According to expert estimates, Ukraine consumes almost twice as much energy to produce one unit of GDP compared with the countries of Central Europe (Poland, Czech Republic) and almost three times more than the economically developed countries. The main task in this respect is the introduction of energy saving technologies and energy efficiency improvement of the economy.

Production and technological potential and its structural, technological, resource, and institutional elements are represented most powerfully in Kyiv (1st place in terms of assets), in the Donetska oblast (region) (2nd place), Kharkivska region (3rd place), Dnipropetrovska region (4th place), Zaporizka region (5th place), Lvivska region (6th place), where the largest part of fixed assets is concentrated. Such regions as Donetsk and Dnipropetrovsk have concentrated their largest share in industrial production, while AR of Crimea, Kyivska, Odeska regions – in agriculture. The concentration of businesses by regions is characterized by the following data (Table 3).

Table 3

Number of business entities by regions in Ukraine according to the EDRPOU (National State Registry of Ukrainian Enterprises and Organizations)

Regions	Total	Including small businesses per 10 thousand people of available population.	Regions	Total	Including small businesses per 10 thousand people of available population.
Ukraine	1258513	75	Mykolaivska	39235	71
AR Crimea	52414	83	Odeska	75235	88
Vinnytska	30956	46	Poltavska	36289	63
Volynska	19149	47	Rivnenska	19543	46
Dnipropetrovska	101613	71	Sumska	23412	52
Donetska	92265	55	Ternopilska	21261	44
Zhytomyrska	24735	51	Kharkivska	74674	83
Zakarpatska	20761	57	Khersonska	29616	57
Zaporizka	48035	77	Khmelnytska	26848	48
Ivano-Frankivska	24281	57	Cherkaska	28378	55
Kyivska	49478	76	Chernivetska	16784	50
Kirovohradska	24065	55	Chernihivska	19365	52
Luhanska	44245	49	Kyiv city	237720	259
Lvivska	64277	79	Sevastopol	13879	87

Note: according to [6, p. 59, p. 105].

In 2001–2009 a characteristic trend for all regions was that a number of state-owned enterprises declined within the period from 9965 to 6811. However, a number of enterprises of private property increased by 1.5 times [6] for that time. The shift in the institutional structure of production and technological potential of the regions suggests some adaptation of businesses to supply for natural resources based on market power, while the majority of state-owned enterprises is a legacy of centralized distribution of productive forces, focused on the functioning of the USSR single national economic complex. Some effects of eliminating deformation of institutional regional economy was produced by growth of small business, which unlike the first half of the 1990s occurred not as the result of separation or restructuring of existing enterprises, but by establishing a completely new production entity. Unfortunately, amidst the global financial crisis in 2009, the number of small and medium enterprises decreased by 40% [7] in Ukraine. According to experts, most of them went to the «shadow», and some of them discontinued operations because of the crisis.

The structural balance of regional economies was negatively effected by the manifestation of such risks of post-transformation stage of economic development, as the following:

- growth of entrepreneurship in the «center» due to the «periphery»;
- reduction in budget revenues;
- reduction in resource potential quality;
- increase of international labor migration;
- excessive territorial concentration of business and economic resources.

The concentration of business in the «center» and in large cities caused a sharp disparity between demand and supply of labor, including highly qualified labor force, which in its turn worsened tensions in labor market of many regions, and activated inter-regional migration.

Employment potential of regions is characterized by uneven concentration of highly qualified specialists, which determines the possibility of the development of such important for innovative economic activities as science and higher education. In particular, the major part of Doctors and Candidates of Sciences is concentrated in Kyiv (28205 people in 2009), in Kharkivska oblast (region) (13644), in Dnipropetrovska region (6040),in Donetska region (6074), in Lvivska (6656) [6, p . 405].

Analysis of Structure of Regional Economies in the Context of Major Structural Dimensions

A system and structural aspect of the analysis of regional economy and its structural transformation enables to determine the state and change of correlations between the key elements of regional socio-economic system; the degree of optimality of inter-sectoral proportions; the regulation level of sectoral and economic structure of the region; to identify disparities in the development and use of components of socio-economic development of the regions. The analysis of the regional share in total gross value added of Ukraine in general, and in terms of economic activities conducted on the basis of national accounts, as well as under the regional GDP indices shows that the share of the three regions with the highest rated social and economic development (the city of Kyiv, Donetskka and Dnipropetrovska regions) makes over 42% of total gross regional product, indicating a certain disparity in territorial localization of economic activity of the regions.

Significant interregional differentiation is also illustrated by the index of the gross regional product per capita. According to the State Statistics Committee of Ukraine in 2008, it was in the most prosperous regions – Dnipropetrovska region and the city of Kyiv, UAH 30918 and UAH 61592 respectively, while in the most problematic areas – Chernivetska and Ternopilska regions it made – UAH 9771 and 9688 [6, p. 13].

The regional economy of Ukraine is characterized by some mono functional orientation. For most of the regions only one or two sectors play a major regional-formation role, providing economic ground for other regional indicators. Thus, in 16 regions the main place is occupied by agriculture, food industry and processing of agricultural raw materials (in particular, these are traditional agricultural regions (oblasts) including Ternopilska, Vinnytska, Khmelnytska, Chernivetska). In Donetska, Dnipropetrovska, Zaporizka regions the largest share in the volume of regional production is metallurgy and metalworking, in Zaporizka and Sumska regions – mechanical engineering, in Luhanska and Poltavska regions – production of coke and nuclear fuel. That is, there is a situation that can cause a status of a depressed area. In particular, it is most evidently revealed in the development of so-called «old industrial» coal regions and small Ukrainian towns.

The efficiency of economic potential and social and economic development opportunities is determined by the capacities to form and use of their investment potential and, above all – attraction of investment resources. Noting the trend of fixed investment growth rate in Ukraine in 2000–2007, and weakening of investment activity in the period of 2008–2010, it is worth stating, that investment funds continue to be concentrated in the regions with high levels of economic de-

velopment, but there is a significant revival of investment activity in the regions with lower rated regional development.

The changes that occurred in the structure of ownership in the regions as a result of privatization, led to changes in the sectoral structure of production. In particular, more than 70% of goods and services in many regions are produced by non-state owned enterprises, and at the expense of their income over 65% of the budget revenue is created in all levels.

At present stage of development the technological structure of Ukrainian economy is represented with III, IV i V modes. In recent years it has deteriorated: while increasing the share of traditional third order structure, the share of new innovative technologies also reduced, and that inhibits the progress of the country towards a postindustrial society. Thus, the proportion of I, II, III of technological modes for 2000–2009 increased (totally by 48%) and weight of the fifth (pharmaceutical, automotive, chemical, instrumental industries) and the sixth technological modes (biotechnology, nanotechnology, new materials, optoelectronics, artificial intelligence systems, microelectronics, photonics, microsystem engineering, information superhighway, software and integration tools, molecular electronics) fell by 30% [8].

An indicative phenomenon was the rise of technological conservatism, which manifested in the institutional failure to accept the budget innovations that led to Ukraines lagging behind the advanced countries in the development of the V–VI technological modes, the share of which in 2009 was under 4% and 1% respectively. Out of the total funds allocated to R & D almost 70% accounts for the IV technological mode and only 23% – for the V (according to the national program of the development of high scientific technologies it is declared to increase by 2013 the output of the V technological mode up to 12%, and the production of the VI technological mode – to 3% [9]).

However, there is a significant gap in technological modes in Ukrainian regions, which allows to state asymmetry of technological development. In particular, the development of the industries of the third technological mode pertains to Eastern regions, while the- fourth and fifth technological modes are peculiar to Western and Central regions (Table 4).

Calculation of the integral index of structural changes in the economy of Ukrainian regions for 2000–2009 years, as well as the indexes of structural changes in the innovation activity, the index of structural changes in the implementation of environmental and resource saving technologies, the index of structural changes in consumer spending and foreign economic activity suggests the presence and in some cases, deepening of structural imbalances and other threats, which in this context occurred:

1) against the exhaustion of traditional features of innovative resources in 2000–2009 years the reduction of the number of entities engaged in innovation activity by 28% [8].

Table 4

The structure of the industrial complex sectors in Ukraine for technological modes in the regions

Technological mode	Description	Ratio in production structure	Major representatives
III	Low-technology industries: manufacturing and processing)	49–53%	Donetska, Luhanska, Poltavsks, Zaporizka, Lvivska regions
IV	Medium-low-tech industries: rubber and plastic products, other nonmetallic mineral products, shipbuilding, basic goods, machinery (excluding production of electrical and electronic equipment)	40%	Almost all regions (excluding Zhytomyrska, Zakarpatska, Ivano-Frankivska, Khersonska, Chernivetska, Chernihivska)
V	Medium-tech industry: production of electrical and electronic equipment, machinery, pharmaceutical industry	6–8%	Kyivska, Kharkivska, Lvivska
VI	High-tech industries: biotechnology, artificial intelligence systems, global information networks and systems	1–3%	Kyivska, Kharkivska, Lvivska

Note: Developed according to [10].

2) reduction of the contribution of manufacturing industry into the basic value added production, that is resulted by structural changes within the manufacturing industry in favor of industries with low proportion of value added in gross output, that is energy-intensive production of raw nature;

3) certain deformation of the structure of reproductive proportions. In particular, the consumption of the economic private sector tended to increase against the background of reductions in real incomes; dynamics of gross accumulation is characterized by the highest variability; increasing of imports of goods

and services occurs more rapidly than that of exports, leading to changes in the external contribution to the regional economy;

4) shift in favor of consumer spending, in which the dominant place belongs to households spending and reduction of gross accumulation of fixed capital as a major factor in the technological renovation of production;

5) the prevalence of products of low redistribution in export deliveries, enabling to compete in foreign markets in prices rather than in quality characteristics, which forms vulnerable against any external «shocks» the economy of regions where those productions are concentrated;

6) with reference to the structure of accumulation the shift occurs in favor of tangible fixed assets, while the accumulation of intangible assets is significantly reducing.

The deepening of structural imbalances in the regions was affected by the global financial crisis of 2008–2009 (currency imbalances increased, the liabilities of regional economic sectors grew, the post-crisis stock price competitiveness exhausted, sharp real hryvnia devaluation occurred from August 2008 to 2010, a significant proportion of intermediate consumption – 60% in 2008 preserved)

Strengthening of structural imbalances in the economy of Ukraine's regions has resulted in high material intensive production, lack of economic efficiency, primarily the resource potential, poor tax base, the dominance of transfers in the structure of local budget revenues, their intensity, limited sources for financing the infrastructure development, balance intensity of labor market, institutional disorder of migration processes.

Strateging as the Main Instrument for Transformation of Regional Economic Structure

The analysis shows that firstly, the structural transformations in the regions occurred spontaneously; secondly, the market institutions as the main driving force of economic development, slowly make these structural changes; and thirdly, the issue on enhancing the role of authorities in structuring economy in the regions is coming to the fore. These phenomena found their evaluation among scientific circles and in governmental structures.

Today a certain legal, regulatory and methodological base has been worked out in Ukraine that is necessary for the structure correction of regional economies. In particular, the Concept of state regional policy, approved by the President of Ukraine in 2001 [11], includes the promotion of the development of

the regions, or part of them. Within that document the parameters of economic and social development are much lower than the corresponding averages in the state (depressed areas). National Strategy for Regional Development for the period to 2015 (2006) [12] provides for promotion of regional development with the use of a few basic tools, namely: regional agreements on regional development, public purpose-oriented programs, programs to overcome depression of some areas. The strategy approved the priority policies for the development of each region, based on national interests and characteristics of resource potential of the regions. The Law of Ukraine «On Stimulation of Regional Development» (2006) determined the legal, economic and organizational principles of regional development, and provisions on depressed areas.

However, these documents do not solve the problems of balancing the economic structure within the regions. This institutional vacuum may be filled through the formation of regional strategies, an important component of which would be the section of «Structural transformation (structural adjustment) of the economy». Today Ukraine implements «National Strategy of Regional Development for the Period till 2015», also there regional development strategies (strategy areas by 2015) are worked out and implemented, but most of them do not include the strategies of structural transformation or correction of the economic structure. However, their development can be considered as a part of planology with respect to the change of structure of regional economy, taking into account on the one hand, the economic potential of the region, and on the other – the criteria for selecting structure (its correction, adaptation), such as: 1) focus on the social economy and raise of life standards, maximal meeting the needs of the population, 2) increasing of the competitiveness of the region, 3) the economic security of the region, and 4) ensure the equilibrium of administrative and territorial subdivisions of the region. In our view, the named sections of the strategies must be completely original, and diversified according to the specific needs of the region. There the following problems are obvious: the choice of priorities and consistency of these sections with macrostructural strategic plans of Ukraine, creation of regional centers of responsibility, the capacity of local authorities to implement these strategies within the existing legal framework and available financial resources, implementation of the mechanisms for project management.

It should be noted that a significant obstacle in the development and implementation of such strategies (sections of regional strategies) is unstable and inadequate legislation on the management mechanism of regional budget resource, the lack and controversy of its provisions, the absence of legally stipulated fiscal powers of regional and local authorities. Deficit, peculiar to both, state and local budgets, exacerbates social efficiency of the regional economy, which actually is manifested in underfunding of such economic areas as education, medicare, housing and communal utilities. According to the calculations of Ukrainian scientists the rapid decline occurred in the share of local budget revenues in the consolidated budget of Ukraine (from 52.1% in 1995 to 30% in 2003

and 23.3% in 2010) occurred because of high centralization of budgetary funds within the state budget (70–75%), which, in its turn, brought about the inability of financial support to the functions of local authorities, and as a result – a significant dependence of local budgets upon transfers, the share of which increased within 2003–2010 from 34.2% up to 46.2% [8]. As a result, at the moment more than 90% of local budgets are subsidized, mostly they are the regional budgets, and only 6.7% of them are the donors under the current system of budgetary regulation [13, p. 90]. In the context of the solution of the studied problems the following issues remain urgent: incompletion of the process settlement between central and local governments, poor transparency of the intergovernmental relations distribution. The allocation formula of intergovernmental transfers is focused on tax capacity and does not include all the specific features and peculiarities of socio-economic, demographic and ecological situation of the regions; the calculation formula of subsidies equalization is complicated by a set of factors, which reduces the predictability and stability of local budget revenues; the current method of planning revenues and distribution of transfers in Ukraine is oriented at equalizing the national average level of revenues in terms of different regions and does not take into account the specific features of areas such as: degree of concentration of industry, level of urbanization, level of infrastructure development, etc. [1, p. 723].

Resolving the financial support of structural transformations in regional economies requires the solution of the following tasks: 1) improvement of legislation in budget area, 2) strengthening of the financial basis of local government; 3) improvement of the mechanism of the regional budget formation and management mechanism of regional budgets expenditures; 4) improvement of intergovernmental transfer system. The latter is particularly important and controversial as the ratio of tax revenues and intergovernmental transfers in the structure of consolidated revenues of local budgets in the 1999–2009 changed in favor of the latter. Thus, the share of intergovernmental transfers increased according to the Ministry of Finance of Ukraine and the State Treasury of Ukraine from 18% in 1999 to 47% in 2009

Specific options for determining the structural policies of each region require deep analysis of its potential, economic and institutional basis, endogenous and exogenous factors, operating within the framework of a particular territory.

Identifying the Lines of Regional Structural Policy on the Example of Ternopil Region

The comparison of the economic structure of Ternopil region and its economic potential, as well as the analysis of structural transformations in the dynamics in terms of branch-wise, reproductive, sectoral, economic, territorial, and social structure showed transformational changes and imbalances in all elements of the structure of regional economy. Certain imbalances were diagnosed in the functioning of industries and sectors in the course of regional socio-economic, environmental, humanitarian and other processes and phenomena, also the capacities of regional authorities were studied to apply new management techniques, meeting current challenges of globalization and regionalization.

The analysis of the economic structure of Ternopil region [14–23] showed the following:

- in the sectoral structure of regional economy the industries of primary and secondary technological modes dominate, in particular, the share of extractive and processing industries in total volume of realized regional products in 2010 made 75.6%, and in 2009 – 74.9%, respectively. The structure of industrial production is dominated by two sectors: food industry (46.4% of total sales in 2010) and production and distribution of electricity, gas and water (13.7% respectively). In the structure of gross added value of Ternopil region the major share belongs to: agriculture (in 2010 – 19.1%), processing industry (in 2010 it accounted for 14.4%), transport (over 11.0%), that is, the industries dominate with potentially low added value. Similar correlation is peculiar to the structure of production of goods and services with domination of agriculture (21.2%) and processing industry (27.4%);
- in the reproductive structure of the regional economy the dominance of intermediate consumption is observed, whose share in the gross regional product ranges from 55.2% in 2006. to 56.9% in 2010, which shows the growth of material – and resource intensive regional economy against the background of poor investment and innovation activity of enterprises, part-loaded capacity of production;
- analysis of the territorial structure showed that within the volume of industrial products realized in 2010 the largest share belongs to the city of Ternopil – 45.4%, only in four districts this figure ranges from 5% to 10% (in Chortkiv – 10.6% Ternopil – 7.4%, Husiatyn – 5.9%, Terebovlia – 5.2%) in other districts the volume of sales is within 0.3% – in

Shumsk, and 4.4% – in Pidhaitsi). This demonstrates the uneven distribution of productive forces in the region and its significant concentration in the regional center;

- the study of foreign economic structures showed that the volume of exports of goods and services in 2010 in relation to gross regional product amounted to 10.2%, while imports – 14.9%; the foreign trade turnover amounted to 24.1%. Despite the fact that the region's foreign trade turnover plays an important role in the structure of the economy, Ternopil region is less oriented at export. Its export quota in total Ukrainian exports makes 0.2% and is characterized by orientation at raw material;

- there irrational is the social structure of a regional system that is characterized by a high proportion of pensioners in the structure of the population in the region (about 34% in 2010), by intensity of the demographic situation, a decrease in population (over 2010 the population of Ternopil region decreased by 4.7 thousand people), disorder and lack of institutional support of migration processes (in 2010 compared to 2009 net migration (migration decline of the population) was 77.3% and reached 884 people), high unemployment rate (exceeding the average in the country) – the registered unemployment rate in general through the region made on December 1, 2010 – 1.9% of the working age people, and on January 1, 2011 – it was 2.6% respectively.

The comparison of the structure of Ternopil region economy and the economic potential of the region revealed the following:

- insufficient use of the innovation potential of the area. The assessment of quantitative and qualitative indicators of innovative potential showed that Ternopil region is the least innovation attractive among all regions of Ukraine. Thus, the volume of scientific and technical activities performed in the region in 2009 amounted to UHA 14,396 thousand, or – UHA 1369 per UHA 1 million of gross regional product. that significantly differs from the average figures in Ukraine; the structure of financing of scientific research is dominated by the state budget (49.6% in 2009.), while the proportion of customers of scientific and technical works makes 35.3% but at the expense of local budgets only 0.6% of R & D is executed; the share of realized innovative products is low, and in total sales it makes 13.2%, since only 15.2% of industrial enterprises of Ternopil region introduce innovations in their production;

- inefficient use of socio-economic potential of the region, and above all – natural resources as a basis for development of areas of regional specialization, specifically, agriculture, characterized by the irrational structure of agricultural land exploitation. The qualitative parameters of labor resource potential exploitation indicate the irrational structure of

labor resources and employed people against the growing ratio of shadow economy (59% of population are rural residents);

- poor orientation of regional economy at the use of business potential of the area, as the main factor of economic growth, characterized by low rates of creation of small businesses (an average of 1,3–2,2% per year) and irrational distribution of the latter by sector of activity (particularly, 15.5% of small enterprises are concentrated in the trade area, who in the production structure provide 50.7% of sales and services, while 10.5% of businesses in the sections of industrial production realized only 17.8% of manufactured products). As the analysis shows, business sector in the economy of the region is not fulfilling its functions of creating the institutional environment for development. Thus, the share of small enterprises in total volume of manufactured products constituted 11.1% in the region at the beginning of 2010, only 35.4 thousand people or 8.2% out of all employed are occupied at small businesses of the region, 39 small businesses account for 10 thousand people of existing population in the region, and that is the lowest index in terms of the regions, which in relation to the average in Ukraine is 54%.

Inadequate use of the regional potential in optimizing the structure of the economy led to the following problems in socio-economic development of the region:

- imbalance and strain on local budgets. This is manifested is high subsidization rate of the regional budget (the share of official transfers in budget revenue amounted to more than two-thirds, from 69.7% in 2007 to 71.2% in 2009);
- «freezing» of the problems of depressed (problematic) areas, since in the last three years, the achievement of key socio-economic parameters was less than 75% of the average figure in Ukraine;
- reduction of the level and quality of life, which is caused by the limited domestic demand, irrational consumption patterns of the population (the household spendings are mainly for purchasing food, basic necessities, and payment for housing and communal services), poor development of the consumer market in the region;
- excessive foreign trade dependence of the regional economy under a low potential for investment attraction (especially in the sphere of energy and resource provision, and engineering), lack of attention to the possibilities of favorable economic and geographical position of the region in the development of interregional and cross-border cooperation and on this basis, the competitiveness increase of the area.

Therefore, the formed structure of the economy, caused a low (at the background of the figures of national economic development), level of socio-economic development, which lasted for a rather long period of time.

The imperfect structure of regional economy also resulted in a minor contribution of the region into the development of national economy that is manifested in low proportion of Ternopil region in the resulting indicators of Ukraine's economic development. Thus, according to the Central Statistical Office in Ternopil region in 2009: the share of the region in Ukraine's gross value added made- 1.2%; in the volume of industrial production sales – 0.7%; in agricultural production – 3.0%; in retail turnover – 1.4%; in investment volume into fixed assets – 0.9% ; in the volume of direct foreign investment – 0.2%; in exports and imports of goods – 0.3%; in tax receipts to the budgets of all levels – 0.7%.

Flawed structure of the economy produced a negative effect on the social development of the region. Thus, in 2009 there was observed high unemployment rate in Ternopil region, calculated by the Ministry of Labor Protection making 11.3%, while in Ukraine that figure was – 7.2%. For a long time Ternopil region is among those with the lowest rate of personal incomes, particularly the size of average wage in the region was – UHA 1412 at the end of 2009, that makes 74.1% of its average in Ukraine [6]. Overcoming the structural imbalances and problems of economic development in Ternopil region requires the development of active structural policy, which would be aimed at overcoming regional disparities, the leveling of social and economic contradictions, mutual agreement of state and regional interests. The main principles of this policy implementation should be a system of goals, including the following: balanced regional development; sustainable development to preserve opportunities for a long-term reproduction of the regional economic system; competitive development through a combination of social, economic and environmental priorities based on the provision of innovative cost-effective production with activation of recreation and tourism, and transit potential of the region.

The analysis enabled to determine the priorities for meeting these goals, in particular, the following : prevailing development of real sector of economy as the basis of socio-economic growth; activation of the development of knowledge-intensive high-tech industries and creation of the conditions for investment in technological renovation of production; improvement of innovation infrastructure quality in the region, in particular its high technology component, and increase of the capitalization of natural, historical and cultural values of the region; improvement of the investment climate (for both, domestic and foreign investors) to make the regional economy more efficient; expansion of the capacity of domestic consumer market of goods and services; creation of the conditions for tourism potential activation of the region; development of industries, focused on local resources or on utilization of recycled materials; the system of measures for overcoming the resource-consuming nature of production; achievement of the optimal balance between production and social areas; acceleration of the share growth of

service area in the structure of gross regional product; development of industrial infrastructure, in particular, its such elements as transport and communication, use of favorable geographical location of the region; overcome of the regional disparities of development, optimization of productive forces placement in the region by leveling the economic development of administrative districts; the development of «green» tourism.

To ensure the balanced economic, social, and environmental vectors for regional economic development, the group of scientists of the Department of State and Municipal Government, headed by this given author, offered to provide for the following:

1) in the area of the industrial development – to develop the environmentally oriented criteria of restructuring the basic industries; to create the low-waste local territorial production complexes; to adjust the admissible volumes of pollution emissions and the rates of modernization of technology and restructuring in the industry; stimulation of the development and implementation of environmentally safe technologies and cost-effective technologies, and renewable alternative energy sources;

2) in the area of the agricultural development: to introduce high agricultural technologies and farming systems adapted to local conditions with the aim of protecting land from pollution and depletion; to develop new environmentally friendly technologies of crop protection; to saturate market with organic products that meet the standards of environmental certification of food products;

3) in the area of the housing development: to encourage prudent use of water and energy resources; to improve water and wastewater facility capacities in rural settlements, and quality control system over the quality of drinking water at the local level; to introduce the effective technologies for disposal of sludge water and sewage wastewater; to promote wide application of heat, water and energy- saving efficient technologies in housing;

4) in the area of the development of safe, modern transport facilities: to introduce modern environmentally friendly technology solutions for the construction, reconstruction and maintenance of transport routes; to reduce the pollutant emissions and environmental impact of vehicles in towns and main roads; to provide the main routes around towns, areas and objects of conservation areas with the construction noise filter screens; to introduce European standards for the creation of natural corridors for construction of new and reconstruction of existing transport routes;

5) in the area of the development of tourism and recreational services: to facilitate the development of transport and communication sector, social-service economic activities (retail, restaurant business, health, leisure), hotels, promote small businesses and farms through the enhancement of recreational facility capacities, to promote cultural heritage of the region, ecological resources, rare landscapes, museums through mass media, and national competitions.

Conclusion

In conclusion, we note that the complexity and multivector investigated problems have not enabled considering the whole range of issues in this area. Particularly, noteworthy are the institutional aspects for meeting the problem of balancing regional economies, which may become the subject to scientific researches in the future. Some changes in the direction of eliminating imbalances are to take place in connection with the steps taken by the government in the area of economic reforms, namely: economic deregulation, administrative reforms, the adoption of a new Tax Code, and the expected housing and pension reforms, and others. This will require additional studies.

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