

POLICY FOR STRENGTHENING ECONOMIC SECURITY OF THE REGIONS: PROBLEMS OF INSTITUTIONAL AND LEGAL GROUNDWORK

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Abstract. The article justifies that among major lines of insuring balanced socio-economic development of the regions, the scientists place emphasis on improvement of legal base – contributing to making unambiguous decisions in the event of conflict situations between the center and regions, surpassing such priorities, like preserving resource potential of the region and development of a separated budget and finance policy. The article also discloses state and problems of institutional and legal groundwork support for economic security of Ukrainian regions. It was proved that establishing policy for strengthening economic security of the regions within the country one must understand its integrity and availability of major development components. Approaches towards institutional and legal groundwork of economic security of Ukraine were also defined. Priority tasks for institutional and legal groundwork of economic security of the regions of Ukraine on current stage were established in the paper too.

Key words: region, regional policy, economic security of the regions, institutional and legal groundwork, regional development control.

Introduction

Major task of the system for ensuring economic security of the region, first of all, is to protect economic interests of the economic activity subjects of a particular administrative-territorial unit. Major unit of the economic interest is, firstly, to satisfy economic needs; secondly, executing economic relations; thirdly, interaction and self-development of economic activity subjects; fourthly, preserving economic potential of an enterprise and gaining profit.

Segregating and combining common economic interests of the economic activity subjects in the region territory is a starting condition for establishing region as a separate economic subject. Economic interests of the region are

specifying the purpose of the regional development according to natural and climatic, economic, historical and ethnographic, demographic and other conditions. Within each region there are contradictions in terms of how to meet interests of various groups of economic activity subjects not only in the territory of the region, but also in interregional interaction, which may pose danger to safe economic development of the region. Within this context an important factor within the system of strengthening economic security of the region are the issues of its institutional and legal groundwork.

It should be mentioned that experts of the National Institute for Strategic Studies were among the first who defined regional aspects of the national security of Ukraine. According to the monograph “National Security of Ukraine” (1996) regional security is defined as an important component of the national security of Ukraine, measures of which should be aimed at insuring territory integrity of the country, overcoming social and political tension and removing social and economic poverty in separate regions (Kosevtsov 1996).

A number of scientists specify availability of a close connection between such categories as “competitive ability” and “economic security of the region”. In particular, Yeresko (2006) defines establishment of highly competitive regional economy as the purpose of strategic planning of a complex regional development. Antoniuk (2005) emphasizes determinative influence of strengthening competitive ability of the regions on the county’s economy development. Kovalska (2007) suggests her own methodology for assessing competitive ability of the region and defines mechanism for its strengthening. Holovchenko (2008) investigates a line of key problems as to optimal mechanism for insuring economic security of the Ukrainian regions. Some scientists, in particular, Bohdan and Kosiak (2013), perceive the problem of establishing economic security of the region through actualization of its economic interests as a condition for ensuring regional development. Burkaltseva (2012) investigates an issue of institutional insuring of economic security of Ukraine. Antoshkin (2014) the essence of social and economic security of the regions contemplates in interconnection with the national security of the country, and Sukhorukov and Kharazishvili (2012) – in the context of social and economic development perspectives of the regions. And finally Humeniuk (2014) emphasizes security of structural and institutional transformation of the region’s economy.

The research has proved that notwithstanding initiated reforms of the state management system for regional development of Ukraine, relations on the level of “center-region-territorial community” are established under strict control or are not controlled at all. Sufficient attention is not paid to strengthening of economic security of the regions, in particular, to legal groundwork. So, within this context, the research of institutional and legal groundwork problems of ensuring economic security of the region becomes also topical.

1. Investigation of theoretical and methodological backgrounds and development of methodological and practical recommendations as to institutional and legal groundwork of the region's economic security

Research of economic security in Ukraine, including economic security of the regions, became topical after the collapse of the Soviet Union and establishment of separate independent country, and it has become very urgent with the initiation of war actions on the East of Ukraine. Economic security has soon become an integral part of not only scientific research, but also of socioeconomic environment. Affiliation of economic security to the system of the national security has been approved by the legislation. Thus, according to the Law of Ukraine on Fundamentals of the National Security of Ukraine No. 964IV d/d June 19, 2003 “economic security of Ukraine” is a component of a broader notion – “national security of Ukraine”. It is implemented through the state policy according to the doctrines, concepts, strategies and programs approved under the established procedure in political, economic, social, military, ecological, scientific and technologic, informational and other fields (Samoilenko 2013).

Economic security is a basis for establishing system of the state and regional policy priorities because consequences of security threats in any field are being assessed based on economic calculations.

One of the most popular approaches to interpretation of the economic security is a definition through degree of protection of interests, notion of stability and independence, total of conditions and factors etc.

Study of the available approaches approves complexity of the economic security category, and, notwithstanding some attempts, inability to separate a synthesized definition. Based on current attitudes as to interpretation of economic security we believe it is necessary to comply with the idea of supporting recovery of the national economy.

It is difficult to go against Burkaltseva (2012: 96). within this context, who says that arguments of using recovery approach in study of economic security phenomenon gives us a possibility to establish the following definition of the economic security, in particular – “ability of the national economy to recover continuously, when its independence, stability, development, adaptive ability and persistence are ensured. This provides a possibility to preserve characteristics of a fully-featured economic entity under the conditions of uncertainty, risk and influence of internal and external threats”

It is hard to disagree with a statement of Holovchenko (2008:4), who says that “economic security is not a theoretical issue. It means preserving and ensuring vital interests of major population strata of the country. Provisions and principles of the economic security get clear definition, when main development trends of the socioeconomic structure and fundamental interests of the

country and regions are also defined”.

As Humeniuk (2014:138) underlines, economic security on the regional level should be interpreted as an “aggregate of existing condition of the economy and society, when sustainable economic growth, sufficient standard of living in the region and ability to counteract influence of internal and external threats is ensured on the basis of effective management, and when threats are not posed to other regions and country in general”.

We believe that economic security of the region is a complex structure, characterizing a level of institutional provisioning, ability of the region for self-financing and quality improvement of innovative, intellectual and labor potential. All these is an objective precondition for counteracting external and internal threats to the regional development.

Economic security of the region depends on sum of various factors: resource and production potential, investment provisioning, degree of economic freedom of the regions of the country, regional budget and finance policy, level of market infrastructure development, availability of prepared staff for local self-government etc. (Bohdan, Kosiak 2013). These components require high level of regional development management and sufficient independence in establishing own policy for successful implementation of its provisions at the local level.

Level of independence and ability of the regions to create their own economic policy with regard to its peculiarity but without damage to the country is a basis of the policy for ensuring economic security of the region. Moreover, priority belongs to decentralization, allocation of managerial functions between centralized state power and regional management. Based on the global experience it is possible to state that decentralization leads to economic development of the regions, strengthening of competitive ability of existing economic entities, improvement of life quality and living standards of the population in the regions, origin of local initiative elite (Antoshkin 2014).

Establishing policy for ensuring economic security of the region within the state one should understand its integrity and availability of main development components: (1) territory of the region with its material and technical base, natural conditions, economic status, sociodemographic composition of the population; (2) main production and production infrastructure of the region (a set of industries served by major regional production and ensuring its efficient economic activity) (Antoshkin 2014: 20); (3) social infrastructure as a set of objects, which ensures fulfillment of cultural, social and other needs of the regional population.

Problems that exist on the regional level reflect problems that exist in the country. They are an indicator of stable safe development as the region is an integral part of socioeconomic system of the country and is in constant touch and

close interaction with it. Relations within the regions in the country are aimed at using internal resources of the regions to develop and improve structure of material production, development of social and production infrastructure, provision of ecological and social security.

2. Determination of threats of economic security of the region

Imperfection of legal basis that govern rights and obligations of the regions.

Global experience shows that it is imperfection or lack of legal basis that is the reason of conflict situations and exacerbation of crisis and social tension (in Italy – Piedmont, Sicily, in Russia – Chechen Republic, in Ukraine – Crimean Autonomy, in Great Britain – Northern Ireland).

Ineffective budget and finance policy.

In developed economies (USA, Germany, and Japan) a share of local finances makes up 50-60% of volume of financial resources of these countries.

Inappropriate level of preparation and qualification of managerial staff on the regional level.

Lack or underdevelopment of economic infrastructure (firstly, of economic entities).

Insufficient awareness of the population of contents and essence of economic reforms as a result of unsatisfactory explanatory work on building up consciousness of the population as the lord of their own region.

Specified problems fade away economic security of the regions, and unwillingness of the citizens to be responsible for development of their own locality, place of living, region. Instead, they expect a “powerful hand” from the center, which resulted in crisis phenomena that have outgrown into military and political conflict and social catastrophe in the Eastern regions of Ukraine.

3. Institutional and legal groundwork of the policy for establishing economic security of Ukraine

Amongst main directions of ensuring balanced socioeconomic development of the regions, the scientist give top priority to the improvement of legal base – to provide making unambiguous decisions in case of conflict situations between the center and regions, passing ahead such priorities as preserving resource potential of the region and development of separate budget and finance policy.

Developments in institutional and legal groundwork for development of the Ukrainian regions during the last years (2014-2015), as well as changes in the regional policy in general, require substantiate analysis in the process of

integrating development policy for the regions into the overall strategy of the country's modernization.

Introduction of new approaches towards incitement of territories development and modern mechanisms remains predominantly declarative in spite of initiated reformation of the state management system for regional development. Relations on the level of "center-region-territorial community" are created under the strict control or are not controlled at all.

The policy for regional development of Ukraine is created on the basis of total of normative and legal groundwork, which covers over 20 Laws of Ukraine, decisions of the Constitutional Court, Decrees of the President, Orders of the Cabinet of Ministers of Ukraine, acts of central executive authorities. Amongst determinative legal acts for regional security policy one should specify the Law of Ukraine on Stimulation of Regional Development (d/d 08.09.2005), on General Scheme of Planning of the Territory of Ukraine (d/d 07.02. 2002), decree of the Cabinet of Ministers of Ukraine on Approval of State Strategy for Regional Development for the period until 2015 (d/d 21.07.2006) and others. The list of regulatory acts that establish legal groundwork of the policy for ensuring economic security and their characteristics are given in Table 1.

Table 1. Legal groundwork of the policy for ensuring economic security of the regions of Ukraine

	Name of the document	Date of approval and authority	Characteristics of key provisions
			The laws of Ukraine
1	On local self-government in Ukraine	21.05.1997 No. 280/97-VR as amended d/d 02.06.2015, Verkhovna Rada of Ukraine	Defines system and guarantees of local self-government in Ukraine, fundamentals in Ukraine, fundamentals of organization and activity, legal status and responsibility of authorities and officials of local self-government. Definition of the notions "territorial community, representative body of local self-government, bodies of self-organization of the population, budget of local self-government, development budget, self- government". Systems and principles of local self-government. "Territorial community of the village, settlement, and city is a primary subject of local self-government, main carrier of its functions and powers".
2	On State Forecasting and Elaboration of Ukraine's Economic and Social Development Programs	March 23, 2000 No. 1602-III, Verkhovna Rada of Ukraine	Definition of the notions "state forecasting of economic and social development", "programs for economic and social development". Principles of state forecasting and development of programs for economic and social development: integrity, objectivity, scientific character, publicity, equality, fulfillment of nation-level interests. System of forecasting and program documents of economic and social development.

3	On Planning and Development of Territories	April 20, 2000 No. 1699-III, Verkhovna Rada of Ukraine, ceased to be in force due to the Law No. 3038-VI d/d 17.02.2011	Definition of the notions “planning of territories, town planning and project documentation, General scheme of planning territory of Ukraine, regional rules of building, public discussion and hearing”. Organization and financing of works on territory planning. “Planning of territories on regional level consists of development and approval of schemes of planning territories of the ARC, regions, areas, regulation of using their territories, approval and implementation of respective decisions on compliance with town planning documentation according to the law”.
4	On the General Scheme for Planning the Ukrainian Territory	February 07, 2002 No. 3095-III, Verkhovna Rada of Ukraine	Fundamentals, directions and disadvantages of using territory of Ukraine. Provides results of analysis of state of using territory of Ukraine; defines main directions of using territory of Ukraine; gives suggestions as to realization of the General scheme. Improvement of the system of settlement and ensuring sustainable development of settlements. Stages and subjects of implementation of the General scheme.
5	On State Special programs	March 18, 2004 No. 1621-IV, Verkhovna Rada of Ukraine	Definition and types of state special programs: nation-level programs for economic, scientific and technical, social, national and cultural development, environment protection. State special programs in the system for planning and forecasting economic and social development of Ukraine. Main stages of elaborating and implementing state special program, public hearing of the program concepts. Powers of the state authorities on elaborating and implementing special programs.
6	On Stimulation of Regional Development	September 08, 2005 No. 2850-IV, Verkhovna Rada of Ukraine	Defines legal, economic and organizational fundamentals of implementing regional state policy as to stimulation of regional development and overcoming depressiveness of the territories. Definition of the notions “region, stimulation of regional development, depressive territory, industrial and rural region”. Financing and reporting as to stimulation of regional development and overcoming depressiveness of the territories.
7	On Fundamentals of State Regional Policy	05.02.2015 No. 156-VIII, Verkhovna Rada of Ukraine	Specifies purpose, principles, objects and subjects of state regional policy; legislation on issues of state regional policy. Defines conditions of establishing state strategy for regional development, stages and action plan on its implementation. Describes powers of the Cabinet of Ministers of Ukraine and other subjects in the field of state regional policy. Also specifies powers of the Interdepartmental Coordination Commission on Issues of Regional Development and Regional Development Agency.
Decree of the Cabinet of Ministers of Ukraine			
8	On Approval of the Procedure for Elaborating, Monitoring and Assessing Results of Implementation of State Strategy for Regional Development	November 16, 2011 No. 1189	Defines main requirements to elaboration of the State strategy for regional development. Specifies analysis results of socioeconomic regional development; characteristics of main problems of regional development; main priorities of state regional policy for the respective period; strategic objectives and directions of regional development; main tasks of regional development and stages of their realization; expected results of realization.

9	On Approval of State Strategy for Regional Development for the period until 2020	August 6, 2014 No. 385	Strategy defines objectives of state regional policy and main tasks of central and local executive authorities and local self- government authorities, aimed at reaching specifies objectives, and also envisages conformity of state regional policy to other state policies, aimed at territorial development. Defines main principles of implementing state regional policy. Objectives of state regional policy until 2020. Territorial socioeconomic integration and special development.
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Source: own elaboration based on Verkhovna Rada of Ukraine, 2016.

Legislation of Ukraine as to the issues how to ensure regional security is built upon the legislation in the field of state regional policy, which is based on the Constitution of Ukraine. It covers the laws of Ukraine (on Fundamentals of Internal and External Policy, on Stimulation of Regional Development, on Local Self-Government in Ukraine, on Local State Administrations, on Cross-Border Cooperation, on Regulation of Town-Planning Activities, on State Special-Purpose Programs, on State Forecasting and Developing Programs for Economic and Social Development of Ukraine, on General Scheme of Planning Territory of Ukraine etc.), acts of the President of Ukraine, Decrees of the Parliament, international agreements of Ukraine etc.

Accordingly, mentioned above documents constitute a legal groundwork for ensuring region security, and authorities, responsible for their approval, are the institutional basis for implementation of the security policy. A scheme for institutional and legal regulation and creation of policy for ensuring economic safety of the region is given in Figure 1.

Figure 1. Institutional and legal groundwork of the policy for establishing economic security of Ukraine



Source: own elaboration.

Among the objects of the policy for ensuring economic security on the regional level, legislation of Ukraine specifies only territories of the regions, as well as groups of the regions, united according to specific criteria. However, the legislation lacks a notion of protecting rights of territorial community. Protection of territorial community rights is a “primary object of local self-government, main carrier of its functions and powers” (The Law of Ukraine on Local Self-Government (Verkhovna Rada of Ukraine, 1997)). On the one hand, territorial communities are the subjects of ensuring policy for economic security, and on the other hand – their interests and rights are to be protected by the regional security policy.

Considering sociopolitical transformation, arising in Ukraine in 2014-2015, it is necessary to conduct modernization of the regional development. State strategy for regional development until 2020 on this subject specifies: “from the beginning of 2014 there occurred additional risks related to both external impact of the Russian Federation acts regarding the Autonomous Republic of Crimea, Sevastopol city and Western Regions of Ukraine and internal impact caused by imperfection of the state policy” (Cabinet of the Ministers of Ukraine, 2014).

Time challenges and necessity for reforms that use potential of institutional mechanisms for stimulation of regional development caused approval of revised State Strategy for Regional Development until 2020 (in 2014). Previous document, approved in 2006 (State Strategy for Regional Development until 2015) did not consider challenges, which occurred after global crisis in 2008-2010 and new developments in Ukraine after the Revolution of Dignity, as well as the trend for modernization of regional development within the context of European integration in Ukraine – in particular, after signing The Ukraine–European Union Association Agreement.

Ambiguousness of strategic development vectors and civilized choice required improvements in a new reading of the strategic regional development. In particular, compliance with the strategic priorities of the regional development of the EU countries as a factor of European integration acceleration. State strategy for regional development for the period until 2020 has been approved with regard to modern trends of socioeconomic, managerial and special regional development of Ukraine, priorities of their modification, mechanisms and indices of implementation in the long period. In general, a new strategy creates efficient institutional basis for stimulating effective regional development and strengthening economic security (Bilyk 2014).

In the process of specifying strategic priorities of the regional development one should consider preconditions for creating effective institutional basis for implementation of the state policy for regional development and ensuring economic security (Table 2).

Table 2. Principles for creating institutional and legal groundwork for policy of ensuring regional economic security

Principle	Characteristics
Accommodation of interests	Contributing to accommodation of interests of the state, region, local community in the process of implementing state regional policy, development of regional strategies, and stimulation of complex territory development.
Decentralization of powers	Ensuring decentralization of state administration of regional development according to the principles of subsidiarity, increase of managerial and financial ability of territorial communities.
Effective economic activity on the local level, regional level	Considering institutional peculiarities, unique resource potential of the territories, contributing to preservation and growth of cultural and historical, ethnical, natural heritage of the region in the process of strategic planning and definition of strategic priorities and objectives of regional development.
Competitive ability	Contributing to establishment of competitive regional socioeconomic complexes, including by way of establishing intersectoral interaction, vertical and horizontal cooperation, creation of regional, interregional cluster associations (including based on state and private partnership fundamentals).
Integration	Contributing to optimization of allocation of productive forces, development of interregional cooperation as a basis for creating spacious integrated internal regional market.
Institutional support for regional development	Contributing to development of various forms of the population self-organization, establishing effective interaction on the line "government – business-structures – public", engagement of various forms of public activity, development of public society and reaching public consensus as a basic precondition for effective resolution of complex problems of regional development.

Source: based on Bilyk, 2014.

As far as change of strategic development vectors of Ukraine was one of the factors of changing regional development with emphasis on adaptation to the processes of European integration, EU Program "Support for the Regional Development Policy of Ukraine" acts as a considerable institutional support for implementation of the state regional policy of Ukraine (Verkhovna Rada of Ukraine, 2013). Agreement on Financing the Program "Support for the Regional Development Policy of Ukraine" between the Government of Ukraine and the European Union became effective on 19.12.2012 (budget of the Program – 20 million Euros).

Development of the institutional ability – one of the priority directions of the institutional assistance of the European Union: creating Coordination Committee in order to govern the system for regional development management: increase of institutional ability of executive authorities, local authorities, non-governmental bodies through creation of professional networks and system trainings on issues of regional development. The following priority direction in terms of international aspect is financing of regional policy through realization of projects that are aimed at fulfillment of regional and local development programs within the regions.

Conclusions

Thus, in order to improve institutional and legal groundwork of the policy for ensuring economic security the following measures gain extra importance:

(1) activation of efforts as to creating effective institutional and legal basis to implement state regional policy; (2) implementation of innovative approaches to diversification of regional development; (3) use of mechanisms to implement regional development projects through the State Fund of Regional Development; (4) improvements in the work of the State Fund of Regional Development of Ukraine; (5) engagement of the national projects potential to stimulate creation of environment for economic development on local and regional level; (6) analysis of state special programs that exist in Ukraine, their relevance, timely and complete execution; engagement of international technical assistance for the development of institutional environment for stimulating regional development. Combination of internal and external policy measures shall give an opportunity to improve fundamentals of the state regional policy and related policy for ensuring economic safety.

Implementation of the mentioned above and other measures shall contribute both to further improvement of institutional and legal groundwork of the economic security of the region and, in general, to economic security of the country.

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