

Practice and prospects of local economic development

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Abstract

Local economic development issues are increasingly important to communities. With budget decentralization and local government reform, they have been given more resources and more authority to manage them, and now have to take the issue of their further development, identify opportunities and areas of focus, as they provide citizens with adequate services, jobs, social assistance, wellbeing and good roads possible for economically developed, capable communities. The article clarifies the essence of the state policy of development of territorial communities, defines the basic approaches to its implementation, substantiates the necessity of streamlining relevant tasks between different levels of public administration and improvement of specific mechanisms, which in the conditions of decentralization will provide communities with more rights regarding economic development of territories, will improve the quality of public services provision. It is determined that local economic development will be facilitated; ensuring the completeness of the state budget delegation of powers delegated by the state, the implementation of which is vested in local self-government bodies; maintaining existing sources of replenishment of local budgets and preventing the removal of stable sources of revenue; increasing the investment component of local budgets, in particular by increasing the number and quality of sources of revenues to the development budget; reduction of the share of intergovernmental transfers in local budget revenues while increasing own resources.

Keywords: state policy, regional policy, local self-government, local budgets, territorial community, economic development

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The development of a social, legal, democratic state in the conditions of decentralization and administrative reform in Ukraine leads to the development of an institution of local self-government, the primary subject of which is the territorial community. Effective local development management is linked to understanding global trends and applying global economic patterns to community development. The 21st century is recognized as an era of territorial development, agglomerations, and formation of new "growth points." If anything has been a constant over the last ten years, it is a fundamental and irreversible change that has taken place in how economies operate at national, regional and local levels. These changes indicate that the challenge of ensuring positive local growth and development is becoming increasingly complex. Local authorities seeking to improve the well-being of their communities today clearly understand that, in order to succeed, their efforts must be more thoughtful, ambitious and innovative. To achieve this, one must not only have a deeper understanding of the dynamics of local economic development, but also have the necessary skills and experience to ensure that their communities are more competitive in the world of new conditions and realities.

Literature Review

The research of local economic development was made by T. Baranovskaya (T. Baranovskaya , 2015), K. Donchenko (K. Donchenko, 2018), V. Negoda (V. Negoda, 2017), and others.

Among the well-known representatives of the world scientific opinion, the contributions to the study of local economic development were made by such scholars as: George Edward (Ted) Trellor (George Edward (Ted) Trellor, 2014) John P. Kretzman (John P. Kretzman, 2006), Edward Blakely (Edward Blakely, 2013) etc.

In view of this, decentralization was seen as the panacea to grassroots economic development, but it also failed to yield the needed result due to local governance units' (LGUs) excessive concentration on political, social and administrative development to the detriment

of economic decentralization. These failures gave currency to the adoption of local economic development (LED) which is seen as a partnership between the government, local government units and other partners to utilize the available resources of a locality to create new employment opportunities, generate income, provide infrastructure and poverty reduction.

The purpose of the study is to substantiate theoretical provisions and to develop practical recommendations on the prospects for local economic development.

Discussions

Regional policy is becoming a significant tool for regulating the socio-economic development of the country, which provides for development of regions and economic growth of the territory by creating favorable conditions for the development of all regions, as well as territorial communities, taking into account their natural, historical, ecological, economic, geographical, demographic and other characteristics, their ethnic and cultural identity.

The purpose of local economic development (LED) is to build up the economic capacity of a local area to improve its economic future and the quality of life for everybody. It is a process by which public, business and non-governmental sector partners work collectively to create better conditions for economic growth and employment generation.

Local Economic Development (LED) is an activity of businesses, local governments and other stakeholders aimed at maximizing community economic resources. The LED enhances the well-being, job opportunities and quality of citizen's life.

LED refers to the process in which the local government, or some agency, authority or organization on behalf of the local government, engages to enhance a community's capacity to effect economic progress in both a quantitative and qualitative manner.

Local economic development can be characterized by the following features in Fig. 1

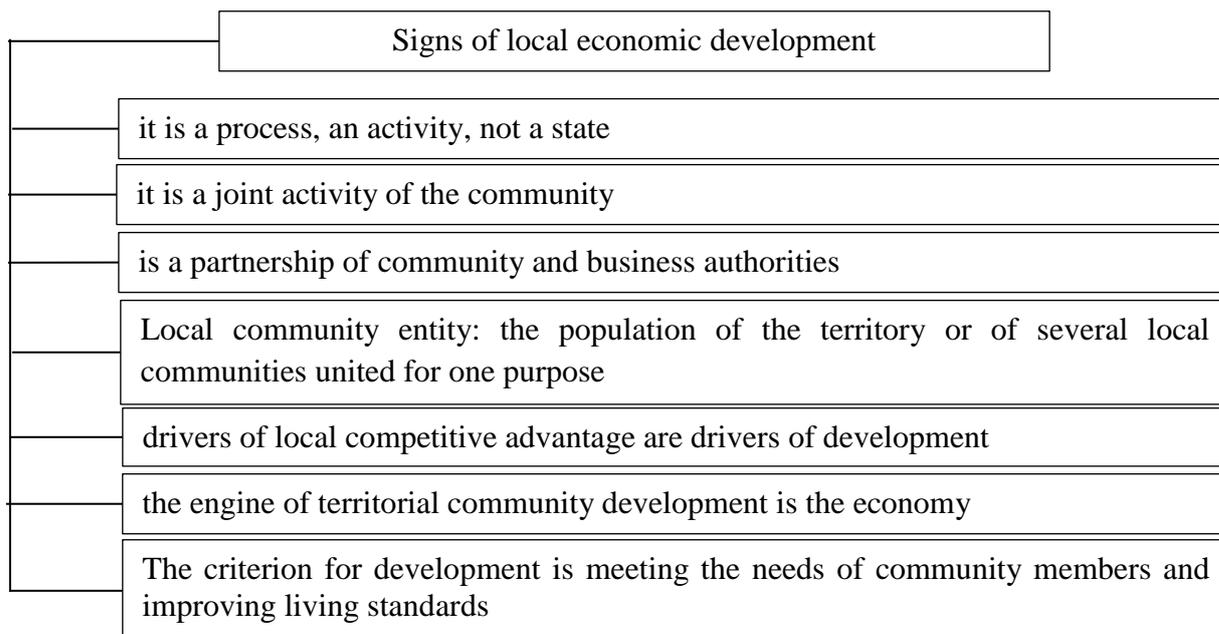


Fig. 1. Signs of local economic development

Local economic development is not possible without community action. It is related to actions, programs and projects that enable the community to increase its competitiveness and improve its economy.

The success of implementing local development policy is highly dependent on the level of authority available to local authorities, as well as the system of balance and distribution of powers between state, regional and local levels of government. It is known that high parameters of citizens quality of life and levels of economies development of the most developed countries of the world are caused, in particular, by a relatively high level of decentralization and deconcentration, a considerable amount of powers and corresponding resources for their realization, transferred (delegated) by states to "regional" and "local" management levels.

Local economic development practices in developed countries have highlighted the best practices for organizing, developing, managing and implementing policy planning for local development strategies, programs and projects. This experience is important in many aspects and

widely used. It has transformed itself into a practice of application and responds to today's realities and challenges of the global economy.

The main key principles to consider when planning community development and implementing any local economic development initiative are presented in Fig. 2.



Fig. 2. Principles to consider when planning community development and implementing any local economic development initiative

Local economic development in Ukraine, as in the developed world, should become a direct competence of territorial communities. The experience of America and Europe (Canada, USA, Germany, Czech Republic, Poland) shows that those communities that successfully develop their own internal capacity are successful. They improve those internal conditions and

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create those factors of competitive advantage that help attract more productive investments, develop business, retain existing businesses and support job creation. And all for the sake of it economic development and improving the quality of people`s life.

There is no single strategy or program for successful economic development, since different communities are different: geographic characteristics, social composition, economic resources, effectiveness of local government action.

Currently, local budget revenues are crucial to ensuring the financial foundation of local government. They play an important role in socio-economic development of the territory, since local budgets provide funding for educational institutions, culture, public health, media, and various youth programs, expenditures on settlement. Therefore, local budgets are the key to effective work of local self-government bodies.

Achieving a successful LED in today's global economy requires local communities to modernize their transportation and communications networks, other infrastructure, and develop human capital.

Nowadays, the key factor in financing the MED is the establishment of new forms of interaction between local authorities and private sector. The private sector is important for financing the MED for the following reasons:

- offers more financial resources than potential investors, faster and more productive;
- provides for the financing of the MED the capital that would otherwise be inaccessible;
- allows to rebuild the local investment market and solve the problem of scarcity of resources for LEDs;
- provides more financial and professional discipline in the implementation of local development policy and various initiatives in this field.

Local government authorities may also be able to involve credit sources in order to finance the LED debt on terms of maturity, payment and repayment.

Not only LED credit sources have many potential benefits. They are also accompanied by significant risks associated with increased debt load.

Grants are a separate source of funding for the LED. These are resources provided to finance the needs of the LEDs in the form of international technical assistance, charitable contributions and donations.

Quite often, local authorities raise funds from several sources to finance large-scale economic projects. For example, the city government may use budget resources and credit to equip a special industrial zone to subsequently receive additional investment in the city's economy.

In the Ukrainian practice of financing LED, the most common are budgetary mechanisms, first of all rent and sale of communal property. Instead, investment and credit mechanisms are rarely used by local authorities, primarily because of the unfavorable investment climate at both the state and local levels, the legal constraints imposed by current legislation and the low creditworthiness of most Ukrainian cities.

Along with the central governments, local development agencies, development banks and special regional funds play an important role in financing the LED in many countries of the world. Most of these institutions work to develop special financial instruments that are intermediate between central government transfers and private lending.

According to the sources of raising funds, the financing mechanisms of the LED are divided into budgetary, investment, credit, and grant funds.

Budgetary mechanisms of income support: taxes and fees, sale of communal property, rent of communal property.

Investment mechanisms for providing revenues are corporatization of utility companies, compensation for influence. Credit mechanisms for providing income are bond loans, non-bonded loans. Grant revenue mechanisms are international technical assistance, projects of sector budget support programs.

Conclusions and Future Study

Unfortunately, the current state of local budgets does not seem to be the best, which hinders the implementation of the complex tasks assigned to local authorities: the scantiness of their own revenue sources, almost complete dependence on the state budget, the lack of transparency of budgetary relations in providing financial assistance from the center, the lack of incentives for additional assistance. revenues and economic spending of budget funds.

The problem of stabilizing the revenue sources of the state and local budgets remains acute. The main source of formation of the latter should be their own income, not income from the center. But local authorities do not have real independent local budgets due to the lack of an adequate revenue base. The system of formation of local budgets "from above" is characterized by the lack of incentives for local authorities to operate in the development of their own tax base, which depends on the economic development of a region, its social and industrial infrastructure.

It will contribute to the economic development of territorial communities:

- ensuring the fullness of the state budget delegation of powers delegated by the state, the implementation of which is vested in local self-government bodies;
- maintaining existing sources of replenishment of local budgets and preventing the removal of stable sources of revenue;
- increasing the investment component of local budgets, in particular by increasing the number and quality of sources of revenues to the development budget;
- reducing the share of intergovernmental transfers in local budget revenues while increasing their own resources.

Current requirements for the process of local economic management and development implies that it:

- relies on strategic planning;
- tries to reach all resources of the territorial community effectively use them effectively;

- aimed at incorporating existing potential into the activity of territorial community, translating it into resources that operate on meeting the needs of citizens.

In other words, economic development management must be aimed at increasing the internal resources of each community, that is inclusion of endogenous potential in new, more modern activities.

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