

- the Economic Progress]. *Svit finansiv*, no. 2 (2023): 155-168.
DOI: 10.35774/sf2023.02.155
- Nan, Q., and Chengjun, Ji. "Industry Network Structure Determines Regional Economic Resilience: An Empirical Study Using Stress Testing". *Sustainability*, vol. 16, no. 13 (2024).
DOI: <https://doi.org/10.3390/su16135686>
- "Osnovni pokaznyky ekonomichnoho i sotsialnoho rozvytku m. Kharkova za 2022 rik" [The Main Indicators of the Economic and Social Development of the City of Kharkiv for 2022]. <https://www.city.kharkiv.ua/ru/document/osnovni-pokazniki-ekonomichnogo-i-sotsialnogo-rozvitku-m-kharkova-za-2022-rik-67723.html>
- "Osnovni pokaznyky ekonomichnoho ta sotsialnoho rozvytku m. Kharkova za 2023 rik" [The Main Indicators of the Economic and Social Development of the City of Kharkiv for 2023]. <https://www.city.kharkiv.ua/ru/document/osnovni-pokazniki-ekonomichnogo-ta-sotsialnogo-rozvitku-m-kharkova-za-2023-rik--70350.html>
- Pokolodna, M. M. et al. "Zmitsnennia finansovoi stiiikosti terytorii shliakhom rozvytku eko-turyzmu" [Strengthening the Financial Stability of Territories Through the Development of Eco-tourism]. *Finansovo-kredytna diialnist: problemy teorii ta praktyky*, no. 4 (2018): 212-221.
DOI: <https://doi.org/10.18371/fcaptop.v4i27.154195>

- Rysin, V. V., and Bida, A. P. "Finansova stiiikist banku: chynnyky ta osoblyvosti zabezpechennia" [Financial Resilience of the Bank: Factors and Features of Providing]. *Efektivna ekonomika*, no. 3 (2021).
DOI: 10.32702/2307-2105-2021.3.1
- Sak, T. V., and Shepeliuk, N. P. "Diahnostyka finansovoi stiiikosti pidpriemstva: metodolohiia ta praktyka zastosuvannia" [Diagnostics of the Financial Stability of the Enterprise: Methodology and Application Practice]. *Economic journal Odessa polytechnic university*, no. 4 (2023): 37-44.
DOI: 10.15276/EJ.04.2023.5
- Tkachenko, Ye. Yu., Fatiukha, V. V., and Yaryshko, O. V. "Finansova stiiikist pidpriemstva: sutnist ta osnovy upravlinnia" [Financial Stability of the Enterprise: Essence and Fundamentals of Management]. *Infrastruktura rynku*, no. 56 (2021): 129-134.
DOI: <https://doi.org/10.32843/infrastruct56-22>
- "«Vlasna sprava»: pidpriemtsi Kharkova ta Kharkivshchyny mozhut otrymaty vdvichi bilshyi hrant vid derzhavy" ["Own Business": Entrepreneurs of Kharkiv and Kharkiv Region Can Receive a Twice as Large Grant from the State]. *Diia.Biznes*. April 29, 2024. <https://business.diia.gov.ua/cases/granti/vlasna-sprava-pidpriemci-harkova-ta-harkivsinimozut-otrimati-vdvici-bilsij-grant-vid-derzavi>

Науковий керівник – Базецька Г. І., кандидат економічних наук, доцент, доцент кафедри економіки та маркетингу ХНУМГ ім. О. М. Бекетова

UDC 332.1:338.2
JEL: R11; R12; R13; R58
DOI: <https://doi.org/10.32983/2222-4459-2024-7-124-137>

THE CONCEPTION OF LOCAL ECONOMIC DEVELOPMENT AS AN INSTRUMENT FOR SUSTAINABLE ECONOMIC GROWTH OF TERRITORIES: UKRAINIAN ASPECT

©2024 ANDROSHCHUK I. O., RIEDRIEIEV R. A.

UDC 332.1:338.2
JEL: R11; R12; R13; R58

Androshchuk I. O., Riedrieiev R. A. The Conception of Local Economic Development as an Instrument for Sustainable Economic Growth of Territories: Ukrainian Aspect

The aim of this article is to study the conception of local economic development as an instrument for sustainable economic growth of territories in the context of decentralization, including the process of implementation of foreign experience of this conception in Ukrainian realities. The article analyzes modern theories of local economic development. An analysis of the definition of the concept of «local economic development», key elements and basic principles is carried out. The main barriers that hinder local economic development are noted, namely: financial and economic, innovative, social, environmental, political, lack of motivation and controlling system, as well as institutional barrier. The key risks characteristic of the general goals of local economic development are studied, including: risks of physical capital; risks associated with technological innovations; human capital risks; social capital risks, as well as risks related to the macroeconomic environment; risks related to the technological environment; ecological risks; risks associated with the cultural environment; infrastructure-related risks and political and legal risks. The key stakeholders of local economic development have been identified, which include: the government, local self-governments, non-profit organizations, business organizations, international organizations and the population. An analysis of the activities of stakeholders in the measurement of international trends is carried out. The advantages for the development of territories through the use of the conception of local economic development are substantiated. It is proved that the implementation of the conception of local economic development, taking into account the positive experience of foreign countries, will accelerate the development of the domestic economy and reduce the negative dynamics of destructive changes due to military aggression on the territory of Ukraine.

Keywords: local economic development, territory, community, economic growth, competitiveness, risks.

Fig.: 6. **Tabl.:** 3. **Bibl.:** 20.

Androshchuk Ilona O. – PhD (Economics), Associate Professor, Associate Professor of the Department of Economics, Management and Commercial Activities, Central Ukrainian National Technical University (8 Universytetskyi Ave., Kropyvnytskyi, 25006, Ukraine)

E-mail: ilonka.tsarenko@gmail.com

Riedrieiev Rostyslav A. – Postgraduate Student, Central Ukrainian National Technical University (8 Universytetskyi Ave., Kropyvnytskyi, 25006, Ukraine)

E-mail: rostyslavriedrieiev@gmail.com

УДК 332.1:338.2

JEL: R11; R12; R13; R58

Андрошук І. О., Редіреєв Р. А. Концепція місцевого економічного розвитку як інструмент сталого економічного зростання територій: український аспект

Метою даної статті виступає дослідження концепції місцевого економічного розвитку як інструменту сталого економічного зростання територій в умовах децентралізації, у тому числі процесу імплементації зарубіжного досвіду цієї концепції в українських реаліях. У статті проаналізовано сучасні теорії місцевого економічного розвитку. Здійснено аналіз дефініції поняття «місцевий економічний розвиток», ключових елементів та базових принципів. Відзначено основні бар'єри, які перешкоджають місцевому економічному розвитку, а саме: фінансово-економічний, інноваційний, соціальний, екологічний, політичний, відсутність мотивації та системи контролінгу, а також інституційний бар'єр. Досліджено ключові ризики, характерні для загальних цілей місцевого економічного розвитку, серед яких: ризики фізичного капіталу; ризики, пов'язані з технологічними інноваціями; ризики людського капіталу; ризики суспільного капіталу, а також ризики, що стосуються макроекономічного середовища; ризики, пов'язані з інфраструктурою, та політико-правові ризики. Визначено ключових стейкхолдерів місцевого економічного розвитку, до яких слід віднести: уряд, органи місцевого самоврядування, неприбуткові організації, бізнес-організації, міжнародні організації та населення. Здійснено аналіз діяльності зацікавлених сторін у вимірі міжнародних тенденцій. Обґрунтовано переваги для розвитку територій шляхом використання концепції місцевого економічного розвитку. Доведено, що реалізація концепції місцевого економічного розвитку з урахуванням позитивного досвіду зарубіжних країн дозволить прискорити розвиток вітчизняної економіки та знизити негативну динаміку деструктивних зрушень через військову агресію на території України.

Ключові слова: місцевий економічний розвиток, територія, громада, зростання економіки, конкурентоспроможність, ризики.

Рис.: 6. **Табл.:** 3. **Бібл.:** 20.

Андрошук Ілона Олександрівна – кандидат економічних наук, доцент, доцент кафедри економіки, менеджменту та комерційної діяльності, Центральноукраїнський національний технічний університет (просп. Університетський, 8, Кропивницький, 25006, Україна)

E-mail: ilonka.tsarenko@gmail.com

Редіреєв Ростислав Анатолійович – аспірант, Центральноукраїнський національний технічний університет (просп. Університетський, 8, Кропивницький, 25006, Україна)

E-mail: rostyslavriedrieiev@gmail.com

In modern conditions there is an urgent need to reform the existing system of strategic planning at the regional and local levels of the national economy.

The documents of territorial strategic planning in force in Ukraine cannot form a unified system of strategic planning at the regional level, and the low level of the legislative and methodological base leads to a lack of consistency and hierarchical interconnection of the elements of this system. Most of the regional strategies are also not supported whether financially or institutionally, which leads to the fact that the strategies are declarative in nature and cannot influence the implementation of the strategic goals of the State.

The good practice shows that a prerequisite for sustainable national economic development is the self-sufficiency of territories, their ability to rationally use their resources. Based on the above, it is extremely important to elaborate the latest mechanisms for managing the local economic development, which allow to combine the efforts and interests of all development actors: executive authorities, local government, local business and, of course, the amalgamated hromadas.

The considerable attention has been paid to the conception of local economic development as an instrument for increasing the economic growth of ter-

ritories, both in theoretical and applied researches. In particular, the issues of the conception of local economic development have been studied by Bates T. [2], Bingham R. [2], Blair P. [3], Holupka S. [8], Gaebler T. [14], Gilot R. [6], Giloth M. [20], Judd D. [9], Nelson A. [13], O'Toole J. [15], Osborne D. [14], Parkinson M. [9], Premus R. [3], Richard P. [8], Shlay A. [8], Simmons J. [15], Teitz M. [20], Trousdale W. [19], and Wiewel W. [20].

At the same time, the analysis of the conception of local economic development in the Ukrainian realities in the modern conditions of the implementation of the decentralization reform is of little attention, primarily from the point of view of the adaptation of foreign experience, which is the object of this research.

The aim of this study is to identify the conception of local economic development as an instrument of sustainable economic growth of territories in the context of decentralization, including the process of implementation of foreign experience of this conception in Ukrainian realities.

In the 1980s, major progress was achieved in the fields of both non-linear mathematical models and of economic modeling in conditions of imperfect competition. This opened the way for new theories on local economic development.

Recent theories of local growth use advanced mathematical tools and draw on recent economic analytical models. We refer here to the “new economic geography school” (Krugman, 1991; Krugman and Venables, 1996) and to the endogenous growth theories (Romer 1986, 1987, 1990; Lucas, 1988; North, 1990; Barro, 1990; Rebelo, 1991; Grossman and Helpman, 1991; Aghion and Howitt, 1992; Storper, 1997; Castells, 2007, 2008; Barca, 2009).

These theories are of particular importance for local development theory because they take analysis beyond Edwin Von Böventer’s already-mentioned distinction between ‘pure and exact’ regional theory without agglomeration economies, on the one hand, and ‘applied regional theory’, which is inexact but takes agglomeration factors into account, on the other.

The first innovative feature of these more formalized theories is that they enable elegant growth models of a strictly economic nature to include agglomeration economies, in the form of increasing returns, as determinants of local development.

The second innovative feature of these approaches is their ability to escape the mechanicism of the formalized models which preceded them and to introduce elements of uncertainty into both growth trajectories and the final equilibrium towards which the development path tends. Real phenomena accompanying development trajectories – synergy and positive cumulativeness (agglomeration economies) as well as negative feedbacks (congestion or saturation in growth processes) – are incorporated into the logic of the models through the non-linearity of growth relations.

While these are the main features of the most recent theories of regional growth, two groups of theories can be envisaged: first of all the models which assume the existence of increasing returns (at the firm or area level) to interpret development as resulting from a cumulative process of demand/supply growth, and the models which conceive growth as resulting from increasing returns on production resources, in a production function of neoclassical derivation; for these theories, growth depends exclusively on supply elements.

The first group are theories, rooted in a model, formulated at the end of the 1950s and then formalized in the 1970s by Nicholas Kaldor, which already conceived the existence of increasing returns intrinsic to the structural relations that characterize a local economy’s aggregate growth. In this model, economies of scale are assumed to be external to firms, taking the form of learning economies – or learning-by-doing economies à la Arrow. The rich and dynamic advanced economies, with their high growth rates, also display (in these models) greater rates of productivity growth which generate a cumulative circle of growth.

Myrdal’s and Kaldor’s idea of giving increasing returns a key role in local development was taken up by a school of thought which developed in the 1990s under the guidance of the well-known economist Paul Krugman. Exploiting the formalization of the imperfect competition model, Krugman and his followers produced elegant economic growth models which incorporated the location choices of firms. These were made to depend on three economic factors – transport costs, increasing returns, and migratory flows – which determine, according to the values that they assume, the existence of agglomerative phenomena (what Krugman calls ‘geographic concentration’) or diffusion processes.

The origin of the second group of theories – called ‘models or theories of endogenous growth’ – is Robert Solow’s well-known model developed in the 1960s. On the assumption that the only reproducible factor (capital) is characterized by decreasing marginal returns, Solow demonstrated that the economy is bound to register nil per capita output growth in the long period unless the existence of technical progress is exogenously assumed. By so doing, however, Solow identified the engine of economic growth as an exogenous factor linked to the progress of knowledge.

However, the assumption that increases in factor productivity stem from endogenous factors – such as innovation, scale economies, and learning processes – requires the removal of perfect competition and constant returns from the theoretical framework, and the inclusion in their stead of increasing returns or imperfect markets.

Local Economic Development (LED) is “the process through which local public administration and/or the community, based on groups, manages existing resources and enter into a new commitment to partnership either with the private sector, or each other, to create new jobs, employment and to stimulate economic activities in a well-defined economic zone”. Economic development requires “regional or local economic capacity development and formulating the response to economic, technological and social changes etc.” [10].

Definitions of LED vary, but all have these common elements:

1. LED is participative. It is based on partnerships between local authorities, the private sector, other public sector agents, and civil society, to foster local commercial activity. LED initiatives are community-led and locally owned.
2. Local governments provide leadership and coordination in the planning and implementation of LED initiatives, either directly or through delegation to community-based agencies.

3. LED plans integrate efforts across sectors, developing both the formal and informal economy, with a view to realizing community goals, such as better quality jobs, reduced poverty, environmental sustainability, and the inclusion of marginalized groups, notably women, youth, people with disabilities, and indigenous peoples.
4. LED initiatives vary widely, depending on local needs and conditions. They may include the development of infrastructure, research and innovation, skill training, attraction of new investment, technical and financial services to new and existing enterprises, supportive procurement policies, and support for marketing.
5. LED is a long-term process, aimed at developing inclusive, resilient communities.

Based on the definition of the conception of local economic development, we consider it appropriate to consider in more detail the guiding principles that should be inherited by the local authorities in the implementation of this conception, in particular:

- ✦ LED is strategically planned process;
- ✦ LED involves the adoption of interrelated activities in various fields;
- ✦ LED is based on the leading role of local government;
- ✦ LED is associated with the constant development;
- ✦ LED is based on a leading role of local authorities;
- ✦ LED is associated with the constant development;
- ✦ LED is based on public involvement/participation;
- ✦ LED is equal and aimed at ensuring the gender equality;
- ✦ LED leads to effective favorable environment;
- ✦ LED involves the establishment partnerships;
- ✦ in the basis of the LED approach there are creativity and flexibility;
- ✦ LED recognizes the importance of local business and pays attention to its needs;
- ✦ activities in dimension of LED take for the future, the characteristic features of which are given in the *Tbl. 1*.

The main factors affecting local economic development include the following:

Demographic Information

- ✦ Information about the people in a community provides a basis for understanding the demographic profile of the locality, its social needs, and current and future trends.

- ✦ A breakdown of demographic information will provide a more detailed understanding of the factors associated with the local economy (e.g. gender issues, employment profile, education characteristics, availability of human resources and skills).
- ✦ Knowing the demographic characteristics of a community will contribute to a baseline understanding of the impact of LED programs and projects, particularly for monitoring and evaluation purposes, and for measuring the added value, of a specific LED program and project.

Economic Information

- ✦ This information will provide an understanding of the structure, characteristics and nature of the local economy.
- ✦ The breakdown of local economic information by industrial sector can provide an insight into how the local economy is performing, is interlinked, which sectors are prospering, which are declining, where business development opportunities exist, and the aggregate value of local productive chains.
- ✦ Collecting labor market information can provide a workforce profile that highlights skills levels, shortages, skills in decline and LED trends. It can be used to identify labor market deficiencies, barriers to labor market entry and employment take-up and potential workforce programs, as well as identify industrial sectors that can be assisted and encouraged to locate in the area. It can identify specific groups of people that are unemployed which will help direct what LED actions are necessary.
- ✦ Understanding the nature and extent of the informal sector economy is fundamental to understanding how the local economy really functions. It is important to know how the informal sector contributes to, and operates with, the formal sector, and how to support and raise the productive qualities of these activities.

Business Enabling Environment Information

- ✦ Information on the business-enabling environment provides an understanding of how municipal government actions and activities help to support or hinder businesses in the formal and informal sectors.
- ✦ It provides an understanding of the reasons for business success and failure; the types of businesses that exist or have located in the area and the reasons why; whether businesses view the municipality as being supportive of the local business community; the range and number of agencies that support SME and business development, the effectiveness of these organiza-

Guiding principles of local economic development

| Type of principle | Characteristic |
|---|---|
| 1 | 2 |
| LED is strategically planned process | Local economic development planning is based on an understanding of local economic, political and social conditions; competitive advantages and local potential are taken into account; focus on realistic and relevant short and long term goals / objectives |
| LED involves the adoption of inter-related activities in various fields | Local economic development is not only about one thing or one sector, it provides a set of activities in various sectors aimed at building close relationships that expand the spectrum and increase the depth of local economic development |
| LED is based on the leading role of local government | The success of local economic development depends largely on the understanding and commitment of local leaders. While many possibilities may exist, they will remain compared to unimportant in the absence of the leading role and the desire to move forward |
| LED is associated with the constant development | The environment is inalienable from the economy, and the economy cannot be separated from the environment, therefore environmental values must be integrated into the decision-making process within the framework of local economic development. Sustainability is about balancing and building links between economic growth, social inclusion and environmental protection |
| LED is based on public involvement / participation | Involvement of stakeholders (that is, taking into account the various interests and views of the entire population: men/women; prosperous/disadvantaged; endowed/do not have the right to vote) in the process of local economic development and the interest it generates are necessary prerequisites for the strategic planning process and all activities, are needed to achieve positive change and development. This ensures the process is flexible, non-political, transparent and accountable |
| LED is equal and aimed at ensuring the gender equality | An integral aspect of any local economic development activity is taking into account the needs, priorities, attitudes of both women and men so that they both benefit equally from economic development |
| LED leads to effective favorable environment | An ineffective or weak business environment is not conducive to starting a new business, expanding, modernizing, or surviving local businesses. An enabling environment implies: 1) the existence of clear rules and procedures, including those that facilitate long-term plans, rather than a politically dependent short-term solution; and 2) easy business entry, effective regulation and enforcement of rules and regulations |
| LED involves the establishment partnerships | The task of realizing large-scale local economic development often burdens society with demands that it cannot fulfill on its own. There is a need to search for additional resources and opportunities to generate income to complete certain tasks. The most successful local economic development activities are implemented within the framework of strategies that involve all levels of government, the private sector, government agencies and other stakeholders. Collaboration ensures the successful creation of synergies, allows to level the lack of resources and high growth requirements. Effective partnerships are essential prerequisites for realizing a society's vision of economic development |
| In the basis of the LED approach there are creativity and flexibility | Rapid technological, political, social and economic change requires new responses and new solutions. Thinking outside the box should be the norm, not the exception. While every local economic development strategy must build on proven good practice and lessons learned, it must also employ an approach that is innovative, forward-thinking, creative, adaptable to specific circumstances and opportunities |

| 1 | 2 |
|---|---|
| LED recognizes the importance of local business and pays attention to its needs | Most communities already have established businesses ranging from small private firms to large enterprises. However, very often, in an attempt to promote something new or attract something new, the “best” potential for growth is ignored – a business that is already in the region and invests in it. Because of this, appropriate local economic development measures should be based on the better understanding of the needs and prospects of local businesses and should aim to make the local business environment more productive, supportive and attractive |
| Activities in dimension of LED take for the future | Local economic development activities are properly planned not just about waiting or reacting to events. On the other hand, successful measures of local economic development are balanced and aimed at the future |

Source: generalized by the authors on the basis of [12].

tions in supporting new businesses and business development; the state of labor relations; which programs exist; the range of local regulations that impact businesses and the costs of doing business (many investment decisions are based on the costs of doing business at the local level and in some municipalities, the time and cost to open a new business might be higher than others).

- ✦ Initiating a business enabling environment survey can help to determine satisfaction by, and opinions of, local businesses, helping to guide the municipality to improve the actions and activities that impact the business-enabling environment.

Hard Infrastructure

- ✦ This will provide information about the status of transportation, telecommunications, gas, water, electricity and wastewater provision. Such data can highlight current and future infrastructure deficiencies and needs and helps to prioritize investments in infrastructure for local economic development.

Regional, National and International Information

- ✦ Examining information about the regional, national and international economy helps to identify new markets and opportunities for business development (i.e., export activities, flows of remittances, sectoral linkages, promotion of tourism).
- ✦ By understanding these economic linkages, it is also possible to identify those activities that need to be strengthened to capture value that is realized outside the local economy. This will increase the money circulating in the local economy, help to create jobs and develop businesses (e. g. inhabitants spend their money in

shops in other cities because they are not able to find products locally).

- ✦ Some cities, particularly big cities and export zones, have strong ties with regions in other countries. Others might have strong ties with towns, cities and secondary cities. It is important therefore to understand how to take full advantage of the increasing connectivity between places, companies and people, strengthening regional and international markets for local economic cooperation.

Institutional Assessment

One of the major factors that will determine the local economic development effort is the quality of local institutions. This is valid not only for municipal government institutions such as those responsible for providing service and regulating the local economy, but also for private and non-governmental institutions. It is increasingly important to assess the capacity, performance and governance of the key institutions in the local economic development process so as to put in place the appropriate measures to improve their ability to deliver LED. This process is known as the “institutional assessment”.

In a ‘collaborative institutional assessment’, there is a continuous involvement of those that are going to be assessed in the design, gathering of information and review of findings. The role of external experts is mainly to guide and facilitate. Conclusions are generated from the employees themselves. Experience shows that this approach helps to internalize the importance given to the assessment, and increase accuracy and effectiveness of the assessment as the employees of the organizations have more confidence in the process as a whole. Because of the characteristics of this approach, employees are often more supportive of the institutional changes suggested by the results of this form of assessment. It can substantially reduce the costs of the

assessment as employees undertake the majority of the work without the need for a large contingent of expensive consultants from outside the organization.

Due to variety of factors it is important to evaluation of its significance. The main criteria are: mobility; time standing; common/unique and accessibility.

Each factor must be classified by them, which are important during the process of forming a strategy of development.

Sustainable development has been widely promoted as a holistic concept which aims or targets to integrate social, economic and cultural policies to ensure high-quality growth. However, there are barriers combating the implementation of sustainable development in local economy.

These *barriers* are the following:

- ✦ *Economic and financial barriers*: economists observed that the dominating development model tends to focus on economic growth as precedence rather than people's rights or welfare, and environmental processes and limits. This requires a shift in the worldview from treating the environment as part of the economy to treating the economy as part of the environment; strategically this means the economy should be adapted to ensure environmental services are maintained.
- ✦ *Innovational Barriers*: in the educational sector there is a lack of innovation-oriented research. This means that there has to be a closer connection between research institutes and the economy, which would also overcome problems concerning the knowledge transfer to applications in real life.
- ✦ *Social barriers*: population growth, paired with unsustainable consumption and production patterns among the wealthy, are the biggest social challenges to achieving sustainable development in the world. Absent of a significant change in human behavior, sustainability will not be potential. There are other social barriers which are: marginalization of the poor and entrenched inequities; limited awareness about sustainable development; environmental issues among both politicians and the wider public fragmented civil society; inadequate interaction between civil society and government; insufficient incentives to for the private sector to pursue sustainable development.
- ✦ *Political barriers*: Inadequate economic, social and environmental methods for policies, plans and projects are the major barrier combating the implementation of sustainable development.

- ✦ *Poor monitoring and evaluation systems*: a basic problem is lack of specific targets (globally, nationally and at local level), measurement and data to track progress, resulting in a lack of information available to decision-makers. It is suggested for strengthening the monitoring and evaluation of sustainable development strategies in order to establish a dynamic improvement process, with an objective of increasing their effectiveness. It is recommended that governments should turn up deeper and assess the socioeconomic impacts of developmental projects, rather than the outcome alone.
- ✦ *Institutional barriers*: institutional barriers as a result of lack of institutional experience to operate all the mechanism of democratic system has been combating and frustrating sustainable development in many developing countries.

The above barriers are shown schematically in

Tbl. 2.

Risk identification is closely related to the formulation of development objectives. Risks can be formulated only related to objectives whose achievement is affected by their materialization. Risk identification process is not an objective but a subjective process, related to experience and knowledge of the one who identifies them.

Risks are actually perceptions on factors that may affect the achievement of certain objectives. The same objective formulated in different communities may be subjected to the same risks, but with different probability and impact, or may be subject to different risks.

But beyond individual cases, we intend to identify common risks specific to the general objectives of local development.

Specific risks of the endogenous growth theory are: physical capital risks, risks relating to technological innovation, human capital risks and public capital risks.

From the exogenous development theory, we can identify the following categories of risks (*Fig. 1*): risks concerning the macroeconomic environment, risks regarding the technological environment, ecological environmental risks, risks relating to the cultural environment, infrastructure risks, and risks relating to the political, governmental or legal environmental risks.

Since there is a relationship between factors, barriers and risks, it is appropriate to imagine this in the form of a channel model (*Fig. 2*).

In accordance with this aspect, factors act as opportunities for local economic development, barriers as threats to this.

It is important to note the explicit feedback between barriers and factors, which in certain situations

The main barriers to local economic development

| Type of barriers | Characteristics |
|--|---|
| Economic and financial | Economists observed that the dominating development model tends to focus on economic growth as precedence rather than people's rights or welfare, and environmental processes and limits. This requires a shift in the worldview from treating the environment as part of the economy to treating the economy as part of the environment; strategically this means the economy should be adapted to ensure environmental services are maintained |
| Innovational | In the educational sector there is a lack of innovation-oriented research. This means that there has to be a closer connection between research institutes and the economy, which would also overcome problems concerning the knowledge transfer to applications in real life |
| Social | Population growth, paired with unsustainable consumption and production patterns among the wealthy, are the biggest social challenges to achieving sustainable development in the world. Absent of a significant change in human behavior, sustainability will not be potential. There are other social barriers which are: The marginalization of the poor and entrenched inequities. Limited awareness about sustainable development. Environmental issues among both politicians and the wider public fragmented civil society. Inadequate interaction between civil society and government. Insufficient incentives to for the private sector to pursue sustainable development |
| Environmental | Contaminated environment, spent fiscal funds to eliminate the negative effects of environmental contamination instead of preventing them |
| Political | Inadequate economic, social and environmental methods for policies, plans and projects are the major barrier combating the implementation of sustainable development |
| Poor monitoring and evaluation systems | Lack of specific targets (globally, nationally and at local level), measurement and data to track progress, resulting in a lack of information available to decision-makers. It is suggested for strengthening monitoring and evaluation of sustainable development strategies in order to establish a dynamic improvement process, with an objective of increasing their effectiveness. It is recommended that governments should turn up deeper and assess the socio-economic impacts of developmental projects, rather than the outcome alone |
| Institutional | As a result of lack of institutional experience to operate all the mechanism of democratic system has been combating and frustrating sustainable development in many developing countries |

Source: generalized by the authors on the basis of [11].

can be defined as determinants of local development, and in others, their catalysts.

LOCAL ECONOMIC DEVELOPMENT: MAIN ACTORS AND ROLE OF THE QUADRUPLE HELIX MODEL IN CURRENT CONDITIONS

LED's major objectives are to contribute to economic prosperity and social welfare by creating a favorable business environment, along with community integration of vulnerable groups and promoting a dynamic and positive attitude of the population towards their own region development issues.

LED actors include "authorities and government bodies (local, county and central) responsible for sectoral policies (industry, environment, labor, public works, transportation, etc.), representatives of economic activities and public services (businesses, banks, unions etc.), educational institutions, NGOs, mass-media etc."

Internationally, Sustainable Development attracts and subsumes a vast network with multiple stakeholders involved in the politics of SD. In this regard, local economic development is one of the strategic priorities of the international trends. And the accomplishments of each of the goals of a particular community / local institution are accomplished within these priorities, as demonstrated in the *Fig. 3*.

To involve the end-users and enhance the cooperation between stakeholders, co-creation sessions will be organized with relevant stakeholders.

The partnership will implement the Quadruple Helix Model as a working method within the project and develop the model towards areas of informal care and voluntary assistance (*Fig. 4*).

The Quadruple Helix involves representatives from all members of society; public authorities, industry, academia and citizens.

Public authorities can be government and regional development agencies and policy makers, as

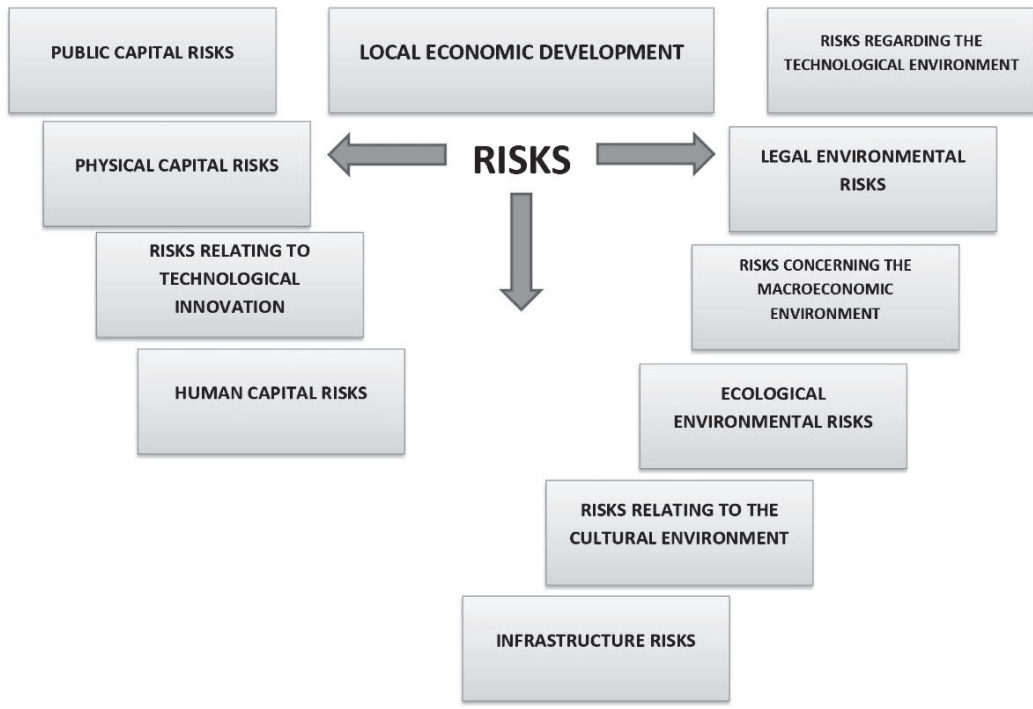


Fig. 1. The key risks to local development

Source: compiled by the authors.

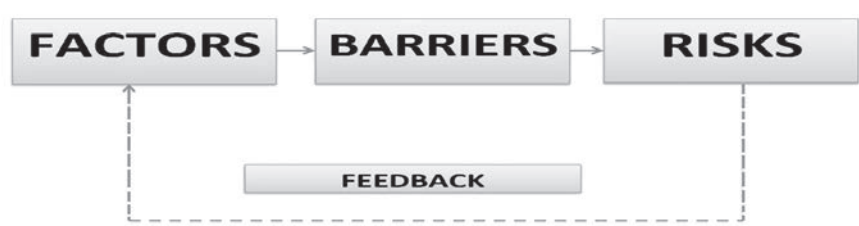


Fig. 2. Factors – Barriers – Risks Chain Model

Source: compiled by the authors.

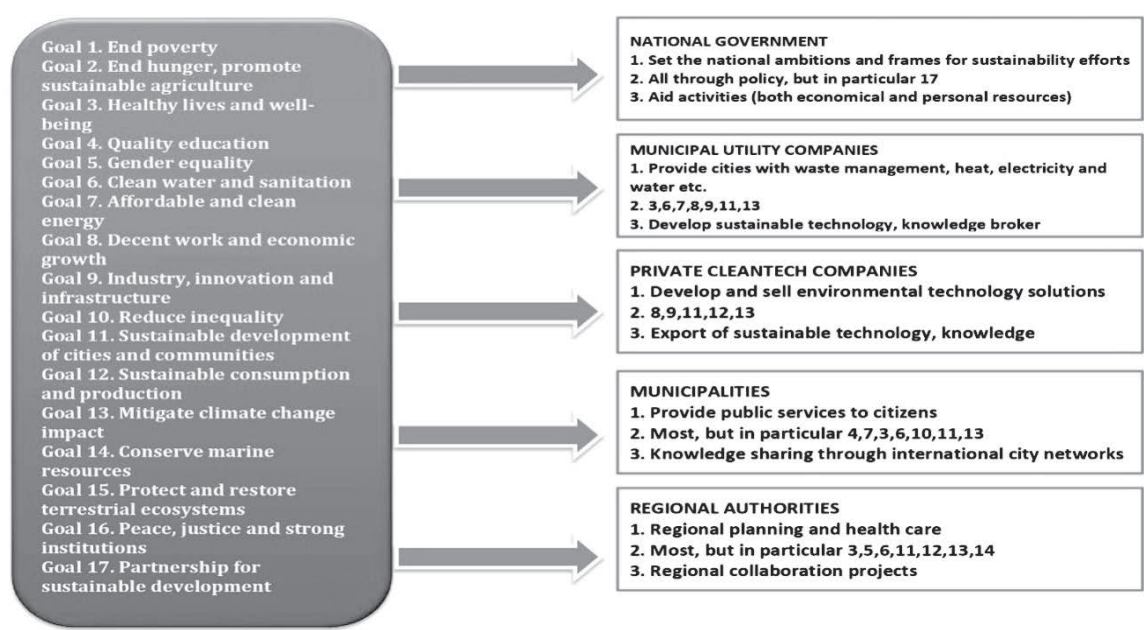


Fig. 3. The local development actors in dimension of international trends

Source: compiled by the authors using [7].

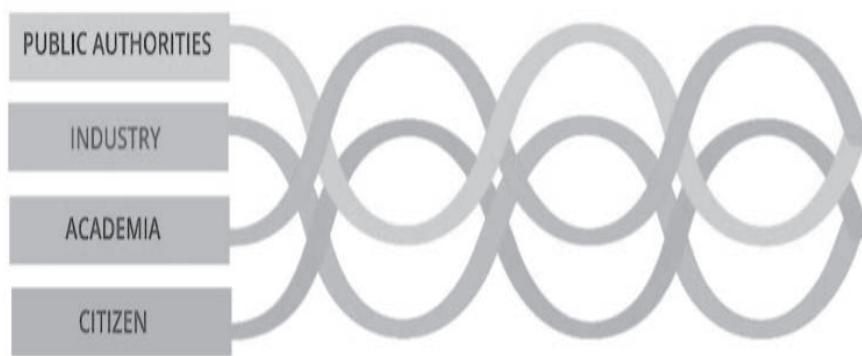


Fig. 4. The Quadruple Helix Model

Source: compiled by the authors with use of [1].

well as formal health care providers in some countries (as in Sweden and Norway). Industry can consist of businesses, for example private health care providers, and business clusters. Academia can for example be universities or research & development bodies.

The fourth actor of the Quadruple Helix is the citizen. In the In For Care project, the citizens that should be involved in the innovation process are two or three different representatives; x the end-user x the informal caregivers (who are usually relatives, also known as family carers) x and/or voluntary organizations and volunteers. The actors can be a bit different amongst the regions in In For Care since for example the formal health care provider can be both public, private or mixed.

An alternative view to the above is that states have invited non-state actors to intergovernmental negotiations in order to manage criticism from non-state actors by bringing them into diplomatic fora and providing them with some participation rights. In this view, the involvement of non-state actors in intergovernmental meetings may represent an attempt to coopt critical voices [4].

The above type of actors and their characteristics are shown schematically in *Tbl. 3*.

Development actors are operational at local, district, national, international and transnational (global) levels. At each of these levels actors can be from the public (government) sector, private (business) sector or from civil society (ordinary citizens). It is common to refer to the different groups of actors as stakeholders and for interactions between them to be called multi-stakeholder meetings. These offer huge challenges in terms of communication and consensus building. This is real meaning.

**LOCAL ECONOMIC DEVELOPMENT:
STRATEGIC PLANNING FOR REALIZATION**

The basic unit of local economic development of individual territories is the strategies of their develop-

ment, the bases of which are formed within the framework of the strategy of economic and social development of the region, and the last - the State Strategy.

At the present stage of development, Ukraine has adopted a program of strategic goals for sustainable development.

The ‘Sustainable Development Goals: Ukraine’ national report provides the baseline and benchmarks for Ukraine to achieve the Sustainable Development Goals (SDGs) approved by the United Nations (UN) Sustainable Development Summit 2015.

Taking into account the principle of ‘leave no one behind’ and using a wide range of informational, statistical and analytical materials, a national SDGs system has been developed (with 86 national development targets and 172 indicators for monitoring them) which will provide a solid base for further planning Ukraine’s development and monitoring its achievement of the SDGs.

The integration imperative (efficiency, effectiveness, coordination) calls for a single point of primary coordination and this logically needs to be a primary organization that can furnish leadership, promote partnership, and be accountable to the citizens.

It is helpful if the leading organization also has wider responsibilities for key public services, quality of life, land use, infrastructure and other important factors and is therefore able to shape development actively and to internalize and resolve potential tensions and pressures.

The leading organization should have some level of fiscal connection to the economic performance of the locality and therefore be motivated to seek effective sources of sustainable growth.

In view of transformation processes in the European environment, it is appropriate to pay attention to the document in the relevant direction, which is valid in the EU countries and defined by the European Commission.

The type of actors of the local economic development

| Type of actors | Characteristics |
|------------------------------------|---|
| National/Regional government | Working in government departments and agencies is underpinned by the aspiration of serving the local, regional and national community and the country at large, at home and overseas, in order to improve social, economic and environmental quality of life |
| Local government | Local councils form local government and are responsible for the delivery of operational services such as Housing, Education and Social Care as well as creating local policies to manage and inform the future development and service delivery of the locality |
| NGOs | Usually non-profit and sometimes international organizations independent of governments and international governmental organizations that are active in humanitarian, educational, health care, public policy, social, human rights, environmental, and other areas to effect changes according to their objectives |
| Social movements | Social movements can be defined as “organizational structures and strategies that may empower oppressed populations to mount effective challenges and resist the more powerful and advantaged elites” |
| Business | Like an activity of making one’s living or making money by producing or buying and selling products (such as goods and services) |
| Individuals | Local people use their knowledge to solve local issues. They create mid-term and yearly plans that help improve existing community development plans with the support of government organizations |
| International organizations/groups | International organizations also define the salient issues and decide which issues can be grouped together, thus help governmental priority determination or other governmental arrangements. The role of international organizations is helping to set the international agenda, mediating political bargaining, providing a place for political initiatives and acting as catalysts for coalition-formation |

Source: generalized by the authors on the basis of [11].

Sustainable Development: the EU sets out its priorities in setting out a strategic approach for achieving sustainable development in Europe, adopted on the 22nd of November 2016, which concerns the next directions.

A first Communication on the next steps for a sustainable European future explains how the Commission’s 10 political priorities contribute to implementing the UN 2030 Agenda for Sustainable Development and how the EU will meet the Sustainable Development Goals (SDGs) in the future. A second Communication on a new European Consensus on Development proposes a shared vision and framework for development cooperation for the EU and its Member States, aligned with the 2030 Agenda. A third Communication on a renewed partnership with African, Caribbean and Pacific (ACP) countries proposes building blocks for a new, sustainable phase in the EU-ACP relations after the Cotonou Partnership Agreement expires in 2020.

As we know, the main official document, which regulates the strategic planning of all countries of the world in direction of economic development, including LED, is UN Millennium Declaration, adopted in

2000 by 189 nations at the UN Millennium Summit, that identified the Millennium Development Goals (MDGs), a comprehensive framework of core values, principles and key drivers. As soon as the universal MDGs framework was designed, many countries worldwide refined the MDGs and established country-specific development targets.

Ukraine joined the UN Millennium Declaration and committed to achieve the MDGs by 2015.

The mission of the Strategy for Innovation and Good Governance is to encourage central and local government and local governments to work together to improve the quality of governance at all levels, from the closest to people, where solid and effective democracy is essential.

In addition, in 2014, Ukraine launched a major reform of decentralization through adoption of the order of the Cabinet of Ministers of Ukraine “On approval of the Conception of reforming local self-government and territorial organization of government in Ukraine”. The aim of reform is to create a modern system of local self-government in Ukraine on the basis of European values of local democracy, empowering local communities/hromadas with powers and resources that will ensure local economic development, providing high quality and affordable public services [17].

Further, in order to analyze the changes in the level of socioeconomic development of the regions of Ukraine after the initiation of the decentralization reform, we consider it necessary to analyze the data of the Gross Regional Product per capita in the regions of Ukraine (Fig. 5).

From Fig. 5, it can be seen that the leading positions in 2018 are occupied by such regions as: city of Kyiv – 283097 UAH per capita, Poltava region – 123763 UAH per capita, Dnipropetrovsk region – 114784 UAH per capita, but outsiders were the Zakarpattia region with a value of 41706 UAH per capita, Chernivtsi region – UAH 37 441 per capita, Luhansk region – 16 301 UAH per capita.

Whereas in 2013 we observe the following situation: city of Kyiv, Dnipropetrovsk and Kyiv regions had the highest value of GRP per capita, while Zakarpattia, Ternopil and Chernivtsi regions had low values.

Hence, analyzing the state of implementation of the decentralization reform in the regions of Ukraine, we consider it appropriate to conduct a comparative analysis in accordance with the values of GRP per capita.

Fig. 6 presents the data about the number of the amalgamated hromadas by the regions of Ukraine in current time.

As we can see, the leader by the number of amalgamated hromadas is Dnipropetrovsk region, in which

is accrued 71 hromadas (this region is a leading of the data of GRP/per capita). To outsiders by the number of amalgamated hromadas belong Luhansk (18 hromadas), Zakarpattia (17 hromadas) and Donetsk (13 hromadas) regions.

In total, in 2020 were formed 983 amalgamated hromadas in all regions of Ukraine.

Another aspect worth noting is the inflation rate, which is a macroeconomic indicator and destabilizes the situation in all regions, and therefore, it can be considered, reduces the effectiveness of conducting the structural reforms in the regions.

In general, by improving the efficiency of LED, such benefits can be achieved:

1. *In the economic sphere:* increasing the cost-effectiveness in the areas of road management, construction of municipal facilities, education, health care, participation in grant programs, ensuring transparency of the budget process; raising the level of life quality for the population; increasing the investment attractiveness of entities within the amalgamated hromadas to investors.
2. *In the social sphere:* reducing social tensions in society by effectively resolving conflict situations, establishing communicative interaction, and engaging residents to solve the problems of socioeconomic development; increasing the level of social protection of the population liv-

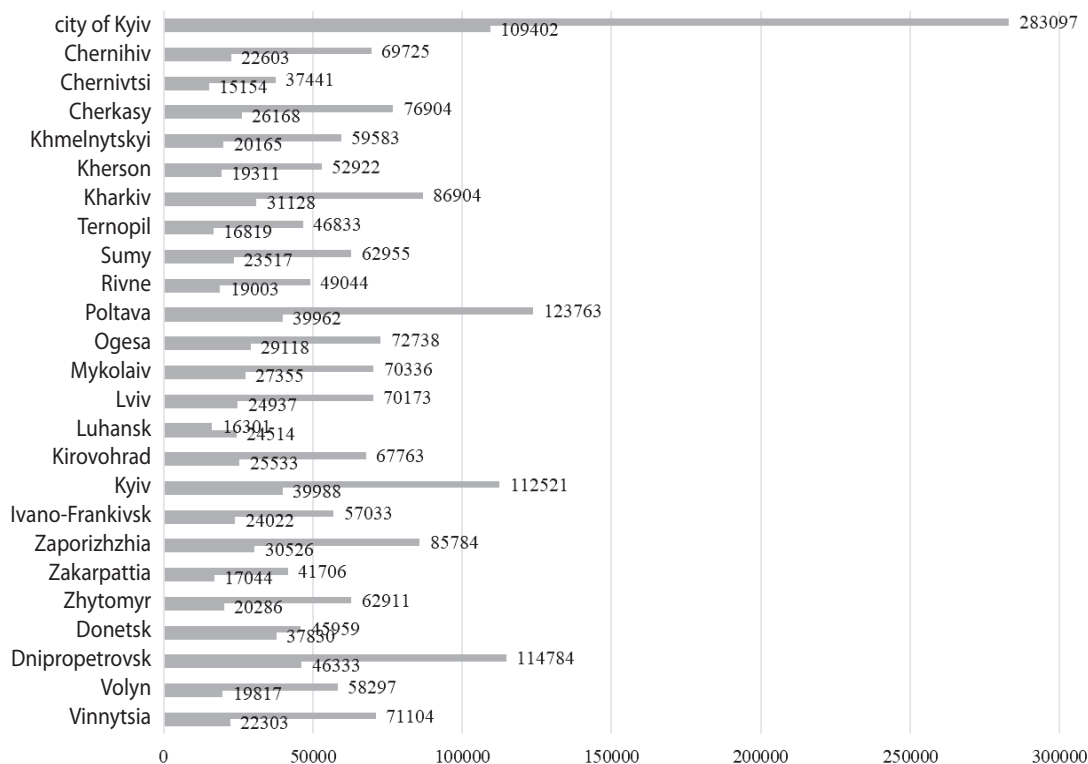


Fig. 5. The value of GRP per capita (in 2018 and 2013) by the regions of Ukraine, Hryvnias

Source: compiled by the authors with use of [16].

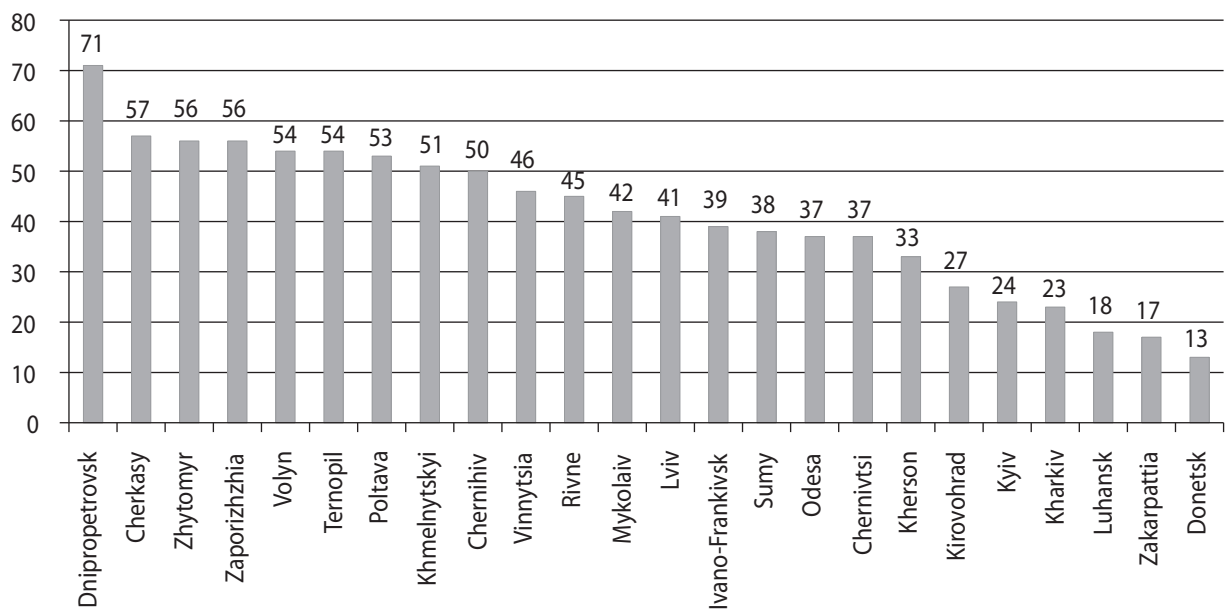


Fig. 6. The rating of the regions of Ukraine by number of the amalgamated hromadas, 2015–2020 (as of date September 10, 2020), units

Source: compiled by the authors according to the statistic data of [5].

ing in the territory of the amalgamated hromadas.

3. *In the environmental sphere*: the introduction of environmentally-oriented, resource-saving management of LED will help to improve the environmental situation in the regions [18].

CONCLUSIONS

Thus, it should be recognized that the conception of local economic development is quite effective, because it includes a wide range of actors that influence on the level of its implementation. As the experience of foreign countries, in particular Poland, shows, the structural changes by transforming the approach to government from centralized to decentralized accelerate the economic development of territories and improve the living standards. Given the state of the national economy, the implementation of the conception of local economic development, taking into account the positive practices of foreign countries will accelerate innovation in Ukraine, which is extremely important in today's accelerated development of the global world. ■

BIBLIOGRAPHY

1. A Quadruple Helix guide for innovations: by Värmland County Administrative Board, Sweden. URL: <https://northsearegion.eu/media/5326/quadruple-helix-guide-version-20180612.pdf>
2. Bates T. Theories of Entrepreneurship. Theories of Local Economic Development. *Perspectives from*

- Across the Disciplines* / ed. by Richard P. Bingham, Robert Mier. Sage Publications, 2011. P. 48–62.
3. Blair P., Premus R. Locotion Theory. *Theories of Local Economic Development. Perspectives from Across the Disciplines* / ed. by Richard P. Bingham, Robert Mier. Sage Publications, 2011. P. 132–139.
4. Clark J. D. Globalizing Civic Engagement: Civil Society and Transnational Action. London : Earthscan, 2013. 208 p.
5. Децентралізація в Україні. URL: <https://decentralization.ua/>
6. Giloth R., Mier R. Cooperative Leadership for Community Problem Solving. *Social Justice and Local Development Policy*. 1993. Iss. 5. P. 165–181.
7. Global Pressing Problems and the Sustainable Development Goals. URL: <http://www.guninetwork.org/articles/global-pressing-problems-and-sustainable-development-goals>
8. Holupka S., Shlay A. Political economy and Urban Development. *Theories of Local Economic Development. Perspectives from Across the Disciplines* / ed. by Richard P. Bingham, Robert Mier. Sage Publications, 2011. P. 85–96.
9. Judd D. R., Parkinson M. Leadership and Urban Regeneration; Cities in North America and Europe (Urban Affairs Annual Reviews). Sage Publications, 1990. 312 p.
10. Local Economic Development. Developing and Implementing Local Economic Development Strategies and Action Plans. *World Bank*. Washington, D. C., 2003.
11. Perai S. Local Economic Development Training Module. 2016. URL: <https://www.local2030.org/library/254/Local-Economic-Development-Training-Module.pdf>

12. Project profile – Municipal Local Economic Development. Government of Canada. URL: <https://w05.international.gc.ca/projectbrowser-banqueprojets/project-projet/details/z020932001>
13. Nelson A. Theories of Regional Development. Theories of Local Economic Development. *Perspectives from Across the Disciplines* / ed. by Richard P. Bingham, Robert Mier. Sage Publications, 2011. P. 124–130.
14. Osborne D., Gaebler T. Reinventing Government: How the Entrepreneurial Spirit is Transforming the Public Sector. Penguin Publishing Group, 1993. 432 p.
15. O'Toole J., Simmons J. Developing the Wealth of the Nation: A Call for a National Human Resources Policy. *Economic Development Quarterly*. 1989. Vol. 3. Iss. 4.
DOI: <https://doi.org/10.1177/089124248900300>
16. Державна служба статистики України. URL: <http://www.ukrstat.gov.ua/>
17. КОНЦЕПЦІЯ реформування місцевого самоврядування та територіальної організації влади в Україні : схвалено розпорядженням Кабінету Міністрів України від 1 квітня 2014 р. № 333-р. URL: <https://zakon.rada.gov.ua/laws/show/333-2014-p#Text>
18. Tkachuk O., Levchenko A., Kuzmenko H. Local Economic Development as a Tool of Increasing the Competitiveness of the Territories under Conditions of Decentralization in Ukraine. *Strategies for sustainable socio-economic development and mechanisms their implementation in the global dimension : collective monograph* : in 3 Vol. / ed. by M. Bezpartochnyi. Sofia : VUZF Publishing House "St. Grigorii Bogoslov", 2019. Vol. 3. P. 300–308. URL: <https://dspace.kntu.kr.ua/server/api/core/bitstreams/484c6163-b459-4de4-a337-07381b1ad495/content>
19. Trousdale W. Strategic Planning for Local Economic Development. The Manual. Vol. I: Concepts & Process. UNHabitat and Ecoplan International Inc., 2003.
20. Wiewel W., Teitz M., Gilot R. The Economic Development of Neighborhoods and Localities. Theories of Local Economic Development. *Perspectives from Across the Disciplines* / ed. by Richard P. Bingham, Robert Mier. Sage Publications, 2011. P. 16–25.

REFERENCES

- "A Quadruple Helix guide for innovations: by Varmland County Administrative Board, Sweden". <https://northsearegion.eu/media/5326/quadruple-helix-guide-version-20180612.pdf>
- Bates, T. "Theories of Entrepreneurship". In Theories of Local Economic Development. *Perspectives from Across the Disciplines*, 48-62. Sage Publications, 2011.
- Blair, P., and Premus, R. "Locotion Theory". In *Theories of Local Economic Development. Perspectives from Across the Disciplines*, 132-139. Sage Publications, 2011.
- Clark, J. D. Globalizing Civic Engagement: Civil Society and Transnational Action. London: Earthscan, 2013.
- "Detsentralizatsiia v Ukraini" [Decentralization in Ukraine]. <https://decentralization.ua/>
- Derzhavna sluzhba statystyky Ukrainy. <http://www.ukrstat.gov.ua/>
- "Global Pressing Problems and the Sustainable Development Goals". <http://www.guninetwork.org/articles/global-pressing-problems-and-sustainable-development-goals>
- Giloth, R., and Mier, R. "Cooperative Leadership for Community Problem Solving". *Social Justice and Local Development Policy*, no. 5 (1993): 165-181.
- Holupka, S., and Shlay, A. "Political economy and Urban Development". In *Theories of Local Economic Development. Perspectives from Across the Disciplines*, 85-96. Sage Publications, 2011.
- Judd, D. R., and Parkinson, M. *Leadership and Urban Regeneration; Cities in North America and Europe (Urban Affairs Annual Reviews)*. Sage Publications, 1990.
- [Legal Act of Ukraine] (2014). <https://zakon.rada.gov.ua/laws/show/333-2014-p#Text>
- Local Economic Development. Developing and Implementing Local Economic Development Strategies and Action Plans*. Washington, D. C.: World Bank, 2003.
- Nelson, A. "Theories of Regional Development". In Theories of Local Economic Development. *Perspectives from Across the Disciplines*, 124-130. Sage Publications, 2011.
- Osborne, D., and Gaebler, T. *Reinventing Government: How the Entrepreneurial Spirit is Transforming the Public Sector*. Penguin Publishing Group, 1993.
- O'Toole, J., and Simmons, J. "Developing the Wealth of the Nation: A Call for a National Human Resources Policy". *Economic Development Quarterly*, vol. 3, no. 4 (1989).
DOI: <https://doi.org/10.1177/089124248900300>
- "Project profile – Municipal Local Economic Development. Government of Canada". <https://w05.international.gc.ca/projectbrowser-banqueprojets/project-projet/details/z020932001>
- Perai, S. "Local Economic Development Training Module". 2016. <https://www.local2030.org/library/254/Local-Economic-Development-Training-Module.pdf>
- Tkachuk, O., Levchenko, A., and Kuzmenko, H. "Local Economic Development as a Tool of Increasing the Competitiveness of the Territories under Conditions of Decentralization in Ukraine". *Strategies for sustainable socio-economic development and mechanisms their implementation in the global dimension*, vol. 3 (2019): 300-308. <https://dspace.kntu.kr.ua/server/api/core/bitstreams/484c6163-b459-4de4-a337-07381b1ad495/content>
- Trousdale, W. *Strategic Planning for Local Economic Development. The Manual*. Vol. I: Concepts & Process. UNHabitat and Ecoplan International Inc., 2003.
- Wiewel, W., Teitz, M., and Gilot, R. "The Economic Development of Neighborhoods and Localities". In *Theories of Local Economic Development. Perspectives from Across the Disciplines*, 16-25. Sage Publications, 2011.