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V. N. KARAZIN KHARKIV NATIONAL UNIVERSITY

**MANAGING THE INTERACTION
OF STAKEHOLDERS IN ENSURING
SUSTAINABLE DEVELOPMENT
OF TERRITORIES**

Collective monograph

Edited by Viktoriia TRETYAK

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In the monograph, within the framework of the research work "Managing contradictions of interests of stakeholders in ensuring sustainable development of territories", the authors present new results that relate to extremely urgent issues of reducing gaps in interests of stakeholders in the system of sustainable development of territories.

The monograph is structured in three areas, which deal with highlighting the essence of the problem. The main results of the study relate to the following aspects of interaction of stakeholders in ensuring sustainable development of territories: the capital of stakeholders in the system of socio-economic development; the results of a survey of stakeholders of the corporate sector on the impact of European integration on sustainable territorial development; inclusive and sustainable growth; the impact of innovation on the development of social infrastructure of territories; key provisions of state regulation of infrastructure development in united territorial communities; budget resources as a factor of ensuring financial independence and development of the region; the stakeholder approach to the security of territorial business processes; the role of the stakeholder approach in ensuring sustainable social development of rural areas.

The research is fundamental, based on a broad analysis of materials and sources, and contains modern, original ideas.

The publication will be useful for scientists, teachers, public administration specialists, local authorities, non-governmental organizations, economists and individuals interested in coordinating the interests of stakeholders in ensuring sustainable development of territories.

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FOREWORD

The monograph is focused on topical issues of organizing interaction between stakeholders to ensure sustainable development of territories.

The implementation of the state policy of regional development provides for continuation of decentralization, transfer of a significant part of resources and responsibilities from executive authorities to local territorial communities. This policy is based on the provisions of the European Charter of local self-government and the best international standards of public relations. The reform also provides for distribution of subventions from the state budget to local budgets for implementation of measures for the socio-economic development of certain territories. In this regard, there is a need to justify priority goals and objectives in ensuring sustainable development of territories, identify groups of stakeholders, the mechanism and directions for continuous support for constructive interaction between stakeholders.

The monograph deals with summarizing the existing and defining new scientific and practical prerequisites for the socio-economic development of Ukraine, which should contribute to the development of territories, accelerate reforms in the field of Health, Education, Culture, Social Services and other sectors of the economy.

The basis for the research work was the investigation of the works of well-known leading domestic and foreign scientists-economists, legislative and regulatory acts of Ukraine, the National Economic Strategy 2030, the National Strategy for Creating a Barrier-free Space in Ukraine 2030, the Strategy for the Development of Innovation Activities 2030, the results of the 22nd Summit Ukraine – EU on close partnership and identification of priority areas of integration based on the association agreement between Ukraine and the EU, the Concept of Implementation of State Policy in the Field of Development of Socially Responsible Business in Ukraine 2030, the Development Strategy of the Kharkiv Region 2021–2027, official statistical materials, etc.

The authors hope that the monograph will attract attention of a wide range of scientists and practitioners.

SECTION 1

THEORETICAL AND METHODOLOGICAL FUNDAMENTALS OF THE FORMATION OF A STAKEHOLDER APPROACH IN ENSURING TERRITORIAL DEVELOPMENT

1.1. STAKEHOLDER CAPITAL IN THE SYSTEM OF SOCIO-ECONOMIC DEVELOPMENT

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The work is devoted to the study of the element composition of stakeholder capital. Analyzing and systematizing works of many scientists, the authors revealed the features of customer orientation as a new paradigm of doing business, which allows companies to strengthen their competitive position and gain additional benefits. The main thesis of the work is the expediency of coordinated, based on the principles of marketing, management of stakeholders of the company interests in order to increase their corporate reputation and efficiency of business processes, that aggregate stakeholder capital. To substantiate the relevance of the topic, the data that characterize the impact of the company's corporate reputation on consumers, potential employees, investors and the public is presented. The results of the research that characterize the management's assessment of pressure from different groups of stakeholders are also presented. The paper proposes a model of organization of management of the company's relations with stakeholders, which provides for the coordinated development of CSR programs, processes of interaction with stakeholders and corporate

branding. The essence of modern cluster theory and the specifics of regional innovation clusters as complex adaptive systems was studied, the paper reveals the features of the cluster as an innovation ecosystem, including their role in geographical and functional distribution of production, integration of national exporters into global value chains, bridging communication gaps and developing collaboration among economic agents. The authors highlight the central place of clusters among different types of business networks and their advantages as new basic chains of modern production landscape. The dependence of innovative possibilities of clusters on network synergistic effects that arise during the collaboration of their participants on the principles of the triple helix was substantiated. Conclusions were made on the policy to support cluster development, including policy in Ukraine.

Problem statement

Improving the quality of socio-economic processes management and the management of companies that implement them, requires close attention to the interests of all actors – individuals and legal entities. At the same time, these interests lie in the plane of both direct economic benefits and in the field of increasing stability of the company, strengthening its social responsibility, development of human capital of the company and those groups that it affects. Modern management theory requires constant improvement of the mechanism taking into account interests of all actors of socio-economic activities for more efficient use of resources, better satisfaction of requests and needs of different categories producers and consumers of goods and services. The solution of this problem in modern conditions is achieved on the basis of stakeholder theory, which is actively used in various areas of corporate governance. It is based on relationship approach, which considers as sources of competitive advantage of the company's effective models of relations with consumers, suppliers, investors, staff and other stakeholders, mechanisms for sharing and using knowledge, creating consumer value. Describing current trends in the economy, F. Kotler noted that in modern markets, competition is not so high between companies as between business systems as a whole (Kotler & Keller, 2009). Business systems are the chain of interactions with external and internal environment entities, that allow to implement business processes and meet the needs of the market.

The author of the theory of stakeholders in the scientific literature is R. Freeman. Later that theory was developed in the works of foreign scientists I. Ansoff, K. Ackerman, D. Wood, A. Carroll, M. Kramer, P. Kotler, R. Mitchell, M. Porter, M. Schwartz and others. As for the Ukrainian economics, concerning the transition process and the objective necessity of establishing a new system of relations that is based on the principles of corporate governance, since the end of the 90's years the question of interactions with stakeholders was studied by the researches such as B. Baydenko, I. Baryshevska, L. Gatsenko, G. Klimova, A. Korabakhina, G. Piskurska, Y. Romanenko, N. Savitska, N. Selezneva and others.

However, scientific publications do not consider the problems of interaction between companies and stakeholders systematically: existing concepts are based on different or partially different assumptions (relationship marketing, stakeholder management, corporate social responsibility), or limited to individual stakeholder groups (CRM-marketing, management supply chain, HR-marketing, etc.). Although the processes of interaction with individual stakeholder groups can be studied independently, in the context of the business as a whole, stakeholder interaction management should be considered taking into account the company's strategic goals, priorities and interaction of different stakeholder groups with usage of new marketing opportunities.

Customer orientation as a new paradigm of doing business

The beginning of the 1990s is associated with a large-scale transformation of all spheres of life, including business, resulting in changes in the conceptualization of goals, values and principles of companies. The new era in business development is called the "era of transcendence" (spirituality, meaningfulness) (Gorelik, 2016), which is characterized by companies going beyond traditional goal – maximizing profits and setting new goals – achieving social well-being on the path of sustainable civilization. The activities of such companies are based on the fact that all their stakeholders are considered as a single system of interconnected elements due to common interests. None of the stakeholder groups can be considered as the main one. The key to the success of each of the participants in the company's stakeholder system is the joint success of all stakeholders without exception. Many studies have shown that customers are less and less interested in buying new things and are increasingly looking to get real pleasure from their lives. Of course, business leaders are also influenced by this trend. This thesis

is about how the first companies appeared, whose visions and goals differed from the usual and clear ones, such as making as much money as possible. For example, former Timberland CEO Jeffrey Swartz said that his organization's mission was to "make the world a better place" (Sisodia et al., 2007). However, this approach does not mean that the company sacrifices its profits. On the contrary, combining a more "humane" mission with managerial skills that enables businesses to work more efficiently means benefiting all stakeholders: from customers to employees, suppliers, shareholders.

In nowadays world, when markets are no longer growing so fast and new consumers are not constantly appearing, companies are forced to fight for every customer. It is believed that maintenance of an existing consumer is five times cheaper than attracting a new one. Companies that are busy building sustainable competitive positions, are increasingly moving away from the current sales performance and seek to develop long-term cooperation with key market participants and especially customers. Close interaction with clients requires coordination of goals, plans and business processes of partners, as well as establishment and maintenance of stable relationships, both at the organizational level and at the level of personal contacts. Consolidation of the company's competitive position involves the development of partnership system that allows to create a process of formation and distribution of values more efficiently. This is due to the increasing popularity of relationship marketing, which classifies and analyzes relationships with customers, as well as provides tools for managing them.

Economic globalization and increasingly close integration of Ukraine in the world economic community determines the urgency of finding sources of competitive advantage that would be stable and difficult to reproduce. In this context, customer orientation and building a system of partnerships is one of the most promising areas of research and management. Despite gradual propagation of key management practices, one of the most difficult problems for the existing market players and new ones – is integration into the current system of potential consumer of goods and services interrelations. Rapid acceleration of all market processes, quick change of technology platforms and increasing uncertainty in the company's environment make the customer focus on the main source of competitive advantage and value creation. In such circumstances, the company's progress success in the competition depends not only on its own resources and competencies, but on the system of interaction with a customer.

According to the authors, that system of relations is well described by the concept of stakeholder capital – a form of company relations with employees, other companies, government institutions and organizations of various forms of ownership, which focus on public values of human development, and at the same time ensure sustainable development. Such relationships have been revealed in a wide range of studies through the categories of marketing relationships, corporate social responsibility, customer-oriented approach and other forms of maintaining the company's reputation characteristics. At the same time, it is a comprehensive consideration of stakeholder capital: which focuses on the systematization of communication tools and grouping of the company's stakeholders as the basis for the formation of stable foundations of socio-economic development.

The need to study the problem of customer orientation was first emphasized in the mid of 1950s within the concept of market orientation (P. Drucker, J. McKitterick, T. Levitt). Developing the provisions of this concept, H. Barksdale, B. Darden, R. Heath, R. Lash, K. McNamara assessed the level of practical use of market orientation in the company. A. Felton, R. Lear, F. Webster studied the factors and the level of their influence on the concept of market orientation implementation in the company.

The first stage of the study of market orientation dates back to the early 1990s (J. Narver, S. Slater, A. Kohli, R. Deshpande). At this time, meaningful models of the company's market orientation were proposed, as well as approaches to their measurement. In the works of this period, customer orientation is considered and studied as the most important element of market orientation of the company. The second stage of growing interest in the study of customer orientation emerged at the beginning of the XXI century. During this period, customer orientation finally stood out from the concept of market orientation as an independent area of research. A number of researchers (J. Shet, P. Engario and others) raise questions about the design and forms of customer orientation in emerging markets. In their point of view, in emerging markets, companies should be more conducive to market development (customer training) rather than serving existing needs (customer focus).

Ukrainian researchers are also increasingly turning to the subject of customer orientation (E. Semernikova, K. Kharsky, V. Busarkina, V. Loshkov, A. Rusanova, B. Ryzhkovsky, P. Cherkashin, D. Khlebovich), considering the customers' behavior, strategic aspects of customer flow management, interaction of innovative companies with customers.

However, there are still many open questions both in theory and in the development of specific technologies for establishing relationships with customers, evaluating their effectiveness.

Research on customer orientation has developed in several main areas: personal orientation of employees to the customer (Saxe & Weitz, 1982), client organizations (Shapiro, 1988) and customer orientation intercompany structures (Jüttner et al., 2007). The recent studies of this issue and the first attempts to form measurement tools are related to the analysis of the sales staff work. Attempts have been made to assess how the performance of an individual employee affects the level of customer satisfaction (Saxe & Weitz, 1982). Saxe and Weitz proposed one of the first tools to assess the impact of employee behavior on sales performance. The authors considered the problems of finding the most effective combination of task orientation (sales) and customer orientation in the work of a front office employee. This approach is based on the concept of service marketing, which emphasizes the role of employees in shaping the value of the service, which is perceived by the customer (Bateson, 1992). The results of many studies emphasize the importance of focusing on solving customer problems in sales (Jackson, 1985). In addition, the authors emphasize the important role of company employees who interact directly with customers in the development of new products (Joshi, 2010).

In general, the idea of targeting the client has been proposed as interpretation of customer guidance at the organization level (Shapiro, 1988). In addition, elements of market orientation in the field of internal organizational processes are identified: it is collection and analysis of customer information, dissemination of data in organization and implementation of feedback – responding to customer needs (Kohli et al., 1993). Further research in this area has demonstrated the impact of the level of customer orientation on the company's performance (Deshpande & Farley, 1998). If we consider the concept of customer orientation at a higher level of aggregation, the relationship between the determinants of customer orientation and the company's results can be presented in the form of a diagram (Fig. 1.1.1).

The research results show that company's customer orientation, its ability effectively collect and process data from customers and apply the acquired knowledge further in competition has a positive effect on company's performance. The research revealed the relationship between customer orientation and financial results of the company (revenues, profits, profit margins, costs control and overall financial

stability). Market indicators such as brand success, sales growth, product quality and the results of bringing new products to market also depend on customer focus. Stability of the company as a management system, ability to survive in the market, proactively respond to competitive challenges and rationally manage resources is also associated with customer orientation. In addition, the ability to effectively collect and use information about clients allows the company to follow key internal and external stakeholders interests.

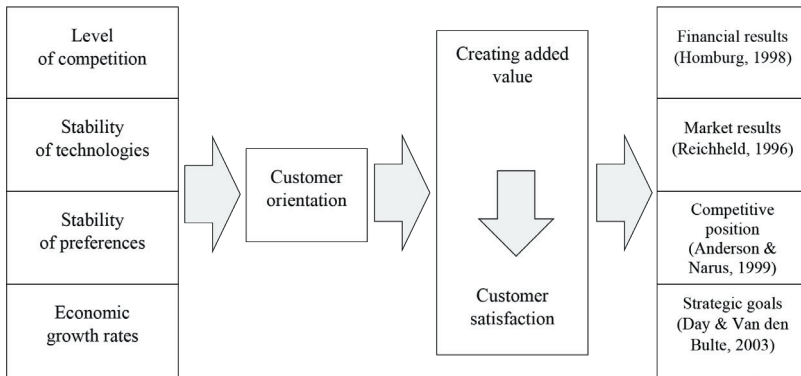


Fig. 1.1.1. Influence of customer orientation on the company's results
Source: compiled by the authors

Nowadays, the concept of economy of impressions of Joseph Pine and James Gilmore (Pine & Gilmore, 2013) is actively spreading, that is the result of economic evolution from agricultural to industrial economy and, most recently, the service economy. As far as society has consistently moved from an agricultural economy to an industrial one and then to a post-industrial or service economy, the supply of value has also changed.

According to J. Pine and J. Gilmore, impression is the fourth economic proposition, which is as strictly different from services as services from goods. When a person buys an impression, he pays for unforgettable moments of his life, prepared and "directed" (as in a play) by the company, that is, for their own feelings and sensations.

The focus of the impression economy is unique consumer experience and impressions, and the main task is to turn consumer from a simple consumer into a supporter of a company as loyal to it as it is possible.

To be successful, modern companies must offer consumers not just a product, but a meeting needs concept of means that is different from

competitors (Zhukova & Chugunova, 2016). That, in turn, requires effective involvement of internal and external resources. An important factor that contributes to the goals of attracting and developing the necessary resources and the organization of mutually beneficial cooperation with the external and internal environment is corporate reputation.

The importance of reputation of companies for building relationships with different target audiences is confirmed by empirical research. Table 1.1.1 illustrates survey data on describing the impact of reputation (measuring point scale – from 0 to 100) in relation to its stakeholders conducted of Reputation Institute 2018 (Fombrun et al., 2018).

Table 1.1.1. Assessment of the company's reputation impact on its stakeholders

Questions to respondents	Respondents' assessments				
	0–39	40–59	60–69	70–79	80+
Would buy a product	16%	31%	41%	55%	64%
Would recommend the product	13%	28%	38%	50%	59%
Would be glad to see the company's enterprises on the territory of the place of residence	16%	30%	39%	47%	50%
Would be happy to work in the company	16%	30%	37%	42%	47%
Would invest in the company	13%	25%	31%	33%	35%

Source: Reputation Institute

The results of the study show that companies whose reputation receives high marks provide willingness to buy and recommend their products, consider them as a desirable place of work and an object for investment, as well as positive attitude to enterprises of such companies to operate in the territory respondents.

Thus, in modern conditions, companies need not only focus on market needs, but also take into account the interests of major groups of stakeholders (investors, owners, suppliers, distributors, employees, the public, etc.) – thereby forming stakeholder capital. Understanding these interests and increasing the capital of relations in cooperation with them helps to improve their market position.

In modern conditions, market competition develops not only at the level of individual companies, but between business networks and value chains (Hunt, 1997). Such competition at the network level implies that network participants should join their forces to meet the target market needs, as the success of the entire network is based on its ability to understand and serve a particular market (Elg, 2007). In the framework

of dual interaction, the seller creates value for the consumer in two ways (Narver et al., 2004): by increasing the level of gain relative to the level of costs; by reducing costs relative to the existing level of profit.

Stakeholder approach in the management system of the organization

The stakeholder approach of the end of the XX century till nowadays is characterized by increased interaction in the direction of balancing the interests of the company with stakeholders. According to this approach, companies can be more profitable through dialogue, built as a result of cooperation with their partners, taking into account their needs in decision-making. Nowadays, more and more companies understand interaction with stakeholders as a tool to strengthen the focus of strategic decisions on stability and sustainability. The stakeholder model is focused on creating value for stakeholders, expanding the platform of value creation and balancing multiple interests of stakeholders as a condition for choosing strategic initiatives. However, the company's stakeholder network does not have a clear definition, as "there are always one more stakeholder than you know, and those you know have at least one more need than you now know" (Gilb, 2007).

The principle of balancing the interests of participants in corporate relations is one of the main theses in the theory of corporate governance. However, the concept of balance of interests in science is insufficiently studied and still causes discussion, both in academia and among practitioners. The issue of ensuring the balance of interests of stakeholders is reduced to the following main areas: identifying the interests of all stakeholders; assessment of interests according to the criteria of strength of influence on the company; compliance with its strategic goal; the value of the resource that the company receives in exchange for satisfaction of interests; directly the process of organizing interaction; assessment of effectiveness of interaction with stakeholders; development of methodological tools to ensure these processes.

Confirmation of relevance of this process was development of the Stakeholder Interaction Standard (AA 1000 SES) (AccountAbility, 2015) – a publicly available regulatory framework for planning, use, evaluation, information and non-financial audit of stakeholder interaction in reporting process for commercial, nonprofit organizations and authorities. It highlights three levels of interaction with stakeholders: interaction to reduce severity of the problem, which is the result of pressure and has a local effect; systematic interaction to manage risks

and improve understanding of stakeholder expectations; comprehensive strategic cooperation to ensure sustainable competitiveness. Each stage reflects defined goals of interaction with stakeholders. The standard defines rules and principles of work with stakeholders, contains requirements for their quality involvement, provides recommendations for improving interaction.

It should be considered the management survey results of 60 Ukrainian companies conducted in 2020 (CSR Ukraine, 2020). Traditionally, the most important stakeholders of the company are consumers, because they are their main source of income. At the same time, respondents indicated a significant dependence of their companies on other groups of stakeholders (Table 1.1.2).

Table 1.1.2. Importance of different stakeholder groups for Ukrainian companies

Stakeholders	Those who influence, % of the number of respondents	Those affected, % of the number of respondents
Employees	96,6	94,8
Local community	82,8	77,6
Consumers	69,0	77,6
Suppliers and business partners	60,3	72,4
Owners and investors	51,7	48,3

Source: CSR Ukraine

The results of this study can be partly explained by underestimation of management of Ukrainian companies of the importance of stakeholder capital for business sustainability, as well as still insufficiently high market demand. At the same time, they characterize the fact that management of companies feels pressure from various stakeholder groups, especially employees and local population.

A similar picture can be admitted to the results of a similar study among managers of European companies (CSR Europe, 2020) (Table 1.1.3).

Table 1.1.3. Importance for business of different groups of stakeholders in European countries

Stakeholders	Share of companies affected by stakeholders, %
Local community	48
Consumers	44
Employees	38

Stakeholders	Share of companies affected by stakeholders, %
Suppliers	28
Authorities	23
Financial institutions	17
Shareholders	15

Source: CSR Europe

Thus, it can be stated that there is a general trend, which indicates that management of companies feels dependence of competitiveness of business on satisfaction of various interests associated with its operation.

Considering international practice of organizing interaction with stakeholders, it is appropriate to note its similarity with the Ukrainian. Let's conduct a comparative analysis of two models.

To organize interaction between the company and its stakeholders in foreign countries, it is customary to carry out the procedure of separation of stakeholders and their impact on the company which includes several stages:

1. Conducting a brainstorming session, which lists all parties who feel impact of the company's performance, who influence or have power over it, are interested in the success or failure of the interaction.
2. Ranking the examined subjects in terms of their interest in the work of companies and power over it (Fig. 1.1.2).

Level of influence	High	Maintaining satisfaction "CONSULTANT"	Close control and involvement of "PARTNERS"
	Low	Monitoring, low power on "TEMPORARY WORKERS"	Full information on the activity "SUPPORT"
		Low	High
Level of importance			

Fig. 1.1.2. Matrix image of the stakeholder map Source: CIPS, 2020

Thus, the company forms an idea with whom and how to interact with stakeholders. For example, individuals in the "partners" quadrant will be benchmarks in making key and operational decisions. Those who are in quadrant "consultants" – second most important interested parties with whom it is necessary to coordinate action on only important strategic decisions. Representatives of the "support" quadrant are characterized by low inclusion, but high informativeness. Their support must be secured for the future, despite the lack of participation of this group

in any projects of the company. The fourth most important group of “temporary workers” is characterized by absence of the need to involve in the activities of the company, awareness, consulting.

3. Gathering information about stakeholders to improve interaction.

In Ukraine, to regulate interaction with the company’s stakeholders, it is necessary to go through the following stages:

- ♦ Determining the initial state of the stakeholder management system (SSM), namely its presence / absence in the company.

- ♦ Isolation of stakeholders. A detailed list of stakeholders for the planning period is compiled. Additional information is collected, on the basis of which the group of stakeholders is grouped and their list is formed.

- ♦ Classification and typology of interested parties.

- ✦ close circle of stakeholders who have a direct impact on the company.

- ✦ long circle of stakeholders who have an indirect influence on the company.

- ♦ Analysis and positioning of stakeholders by ranking on such grounds as importance to the company and impact on the success of its business.

- ♦ Systematization of expectations and generalization of interests of stakeholders of the company.

In the comparative analysis of stakeholders maps (Furta & Solomatina, 2010), it is possible to find the following trend: in foreign countries more work is done with key stakeholders. In Ukraine and the CIS countries, they are also trying to cover participants of the far circle to a greater extent.

The process of developing a system of interaction between the company and stakeholders includes the following stages:

- ♦ assessment of the current situation in the regions of the company’s presence, in the framework of its impact on stakeholders in social, environmental and economic aspects, as well as assessment of the company’s compliance with the expectations of stakeholders;

- ♦ conducting consultations with stakeholders;

- ♦ assessment of the maturity of the system of interaction with stakeholders and development of local communities;

- ♦ development of recommendations for improving system of interaction with stakeholders and development of local communities;

- ♦ development of key documents aimed at systematizing activities and ensuring control of expenditures in the field of interaction with stakeholders and development of local communities.

The current stage of economic development is characterized by rethinking of the paradigm of capitalism, resulting in transformation of market relations, business environment and human in the context of search for value orientation: from material well-being to trust and joy for sustainable development. In such conditions, the processes of managing their relational capital and adapting to changing environmental conditions become a priority in activities of companies. This becomes a key guideline for business operation. Nowadays, no one doubts that the key factor in maintaining the company's competitive position is to take into account in the process of managing the interests of all stakeholders that are interested in the results of its operation. The experience of leading companies shows that the use of the concept of stakeholders in management and business practice gives companies special qualities. It turns their activities into entrepreneurial, active, innovation-oriented, which uses direct and indirect factors to achieve success, that allows them to exist in the market for a long time (theoretically indefinitely), holding competitive positions.

The existence of a of stakeholder capital development system covers all areas of the economic environment and provides creation of favorable conditions to support cooperation not only at the company level but also in measuring inter-entity communication and state territorial development policy (Fig. 1.1.3). Each of the selected levels involves the use of a set of tools to support interstakeholder interaction.

To improve organization of the company's relationship management with consumers and other stakeholders, it seems appropriate to build a system that supports development and implementation of stakeholder capital. It must provide:

- ♦ unity of decisions made in the framework of the company's corporate strategy, stakeholder management, development of CSR programs, formation and development of the corporate brand;
- ♦ relationship of the company levels of management in organization of interaction with stakeholders;
- ♦ relationship of functional services in the work with stakeholders, participation of marketing services in activities of departments related to interaction with stakeholders and formation of the company's corporate reputation;
- ♦ relationship of the company's plans and procedures relating to external interactions;
- ♦ responsibility for implementation of the company's relations with stakeholders.

It can be offered the following model of such system (Fig. 1.1.4).

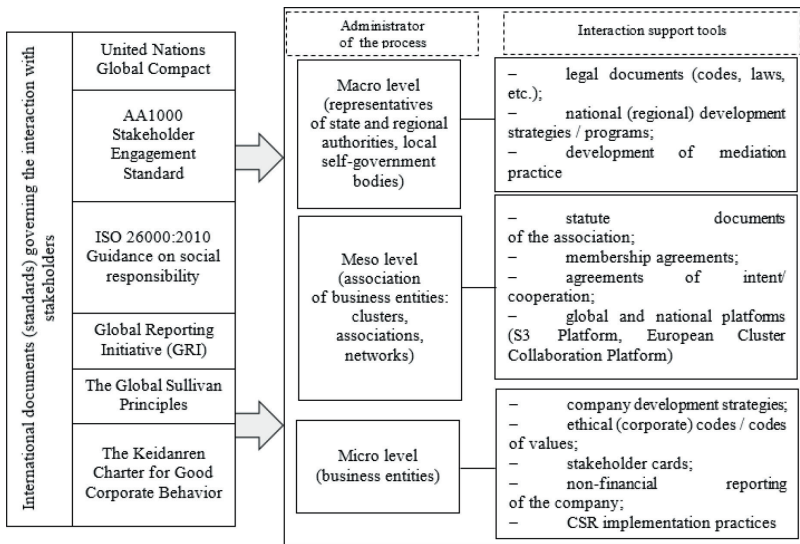


Fig. 1.1.3. Conceptual approach to the development of stakeholder capital at different levels of the company

Source: compiled by the authors

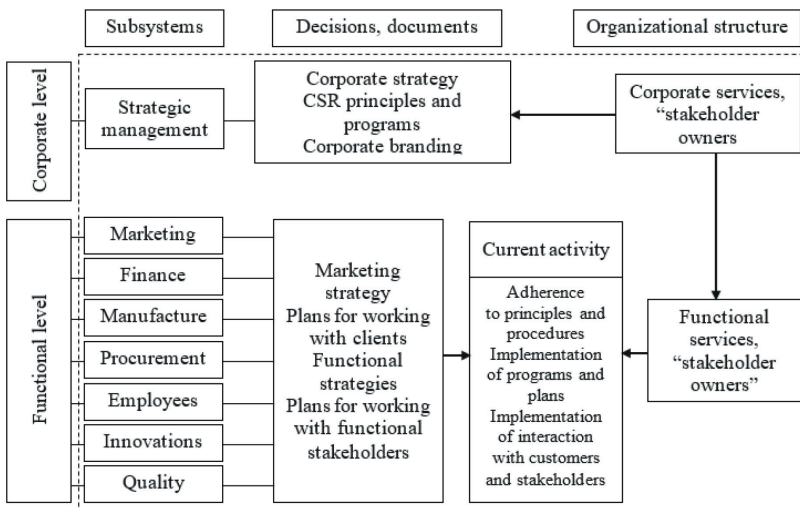


Fig. 1.1.4. Stakeholder capital management model

Source: compiled by the authors

The most important decisions related to interaction with stakeholders should be produced at the corporate level of the company. At the same time, when developing a corporate strategy, it is appropriate to take into account both the market situation and the interests of stakeholders, as well as the possibility of attracting new strategic partners.

At the functional level of the company, implemented strategies allow to achieve corporate goals and programs. In the course of this activity, functional departments should adhere to the principles chosen by the company, as well as to promote implementation of policies aimed on target groups of stakeholders.

In the process of developing the company's corporate strategy in implementing this approach, in addition to traditional stages of this process, it is appropriate to make several procedures related to identifying needs and interests of stakeholders, assessing the potential, most important areas of cooperation and contradictions.

Summarizing the results of the comparative analysis, several conclusions could be drawn. Firstly, large companies are focused only on the near circle of stakeholders, due to the company's resource base, which gives independence from the far circle of stakeholders. Secondly, SMEs do not always focus on key competitive advantages to work with stakeholders, as this requires a developed corporate governance system. Thirdly, some very large companies do not display information about stockholders and work with them in their social reports. Such companies usually have several business units, which makes it difficult to work with stakeholders and they are forced to focus on only four of their groups: the state, competitors, customers, employees. Fourth, the main and most important stakeholder in the inner circle is the state.

It should be noted that an important area of work with stakeholders, related to assessing the effectiveness of interaction with them, remains not provided methodically. That is why, the topic of developing organizational and methodological tools for assessing the effectiveness of interaction is relevant for development and promising in terms of obtaining a scientific result.

Clusters as special innovation ecosystems

In world theory and practice the concept of clusters started gaining popularity a quarter of a century ago, reflecting growing interest of scientists, politicians and business managers both in the phenomenon of clusters and in their benefits in achieving more dynamic economic

growth. The beginning of its origin is considered to be the publication in 1990 of M. Porter's famous book "Competitive Advantage of Nations" (Porter, 1990), where he formulated the term "production cluster", considering it as a group of companies in related industries with common channels of communication.

Representatives of evolutionary theory proved that quantitative results and dynamics of economic activity of clusters depend on three qualitative parameters that affect the efficiency of interaction of cluster firms (Iammarino & McCann, 2006; Menzel & Fornahl, 2010). The first parameter is the heterogeneity (degree of diversity) of participants, which affects diversity of knowledge generated in the cluster, and its adaptability to changes in environment; the second is the development of network connections of participants (with each other and with external partners), which allows the cluster to improve the model of its evolution and successfully update its specialisation; the third is the quality of institutional environment in local economy, which affects emergence and further successful growth of new networks and clusters. It is commonly known that development of institutional relations and communication networks in Silicon Valley (USA) was a decisive factor in its unique success (Saxenian, 1994).

Cluster formations are a demonstration of value added formation at the expense of stakeholder capital. Drivers of economic growth in clusters are the effects of knowledge transfer or externalities that occur not only within industries (Marshall externalities inherent in traditional agglomerations), but also between related industries (externalities that cause diversification of production) presented in the cluster (Neffke et al., 2011). Particular importance should overflow effects of implicit knowledge (tacit knowledge), circulating within the partner network, particularly between members of the cluster (that Marshall described as "a special atmosphere").

According to complexity theory, complex dynamical systems include heteroarchic and heterogeneous network communities that consist of autonomous but functionally related agents and have a set of specific features that are characteristic of ecosystems (OECD, 2017). Their most important features: non-determinism (emergence) of behavior, reliance on feedback, ability to self-organization and self-development (without the participation of the management center), adaptability to unexpected changes in the environment, fractal recurrence (self-similarity at any scale), holistic nature and synergy (Smorodinskaya, 2017).

Accordingly, it is logically to analyze modern clusters from the standpoint of complexity theory, since they have similar features as

innovation ecosystems (Russell & Smorodinskaya, 2018; Quadrio Curzio & Fortis, 2002). From these positions, it is obvious that the development of real clusters occurs endogenously – due to internal structural transformations (self-renewals) arising in the course of network interaction of their participants, and the results of such development will always be greater than the sum of the individual results of the participants' activities. In addition, participants in real clusters always adapt to each other through feedback, that is, they act interactively, taking into account the behavior of other participants. This allows cluster companies to optimize their solutions and operating parameters flexibly and, as a result, improve aggregated parameters of the entire ecosystem development as a whole.

Nowadays, clusters operate in open global competition and constantly changing market demands with customized products. That encourages them constantly improve their production capabilities based on innovation and gaining joint smart specialization, that is, to produce something unique in terms of quality, cost or special properties. Therefore, cluster firms turn out to be more specialized, more productive, and more innovative than companies outside the clusters (Litzel, 2017), and the clusters themselves become export-oriented structures that act as local nodes of global chains (Fig. 1.1.5).

To identify the specifics of clusters as innovation ecosystems, it is necessary to define their place in modern world of business networks that form such ecosystems.

Business networks, uniting legally independent agents, can arise both on the basis of value chains and on the basis of industrial agglomerations. But in both cases, the source of economic activity here are not individual players, but the ecosystems of their relatively stable networks – homogeneous, multilateral and regularly repeated contacts. In other words, agents are united in networks and develop an ecosystem of connections in order to achieve goals that each of them is not able to achieve.

Various typological criteria for network analysis can be found in evolutionary and innovation literature, including the nature of the institutional relationships of their participants (Bergenholtz & Waldstrøm, 2011). Indeed, as follows from the theory of complexity, the more complex configuration of connections and the pattern of interactions between network participants, are the higher its innovative potential and efficiency of functioning (Ivanova & Leydesdorff, 2014). According to this criteria (dependence of the innovative potential of the network on the pattern of interactions of its participants) there are three types of structures

in modern business networks – cooperative networks, collaborative networks and triple helix collaborative networks (Fig. 1.1.6).

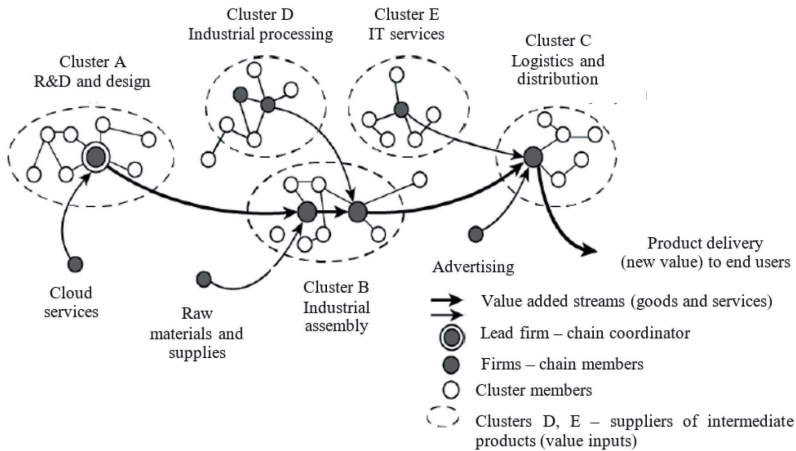


Fig. 1.1.5. Organization of the global value chain (standard scheme)
Source: Smorodinskaya & Katukov, 2017

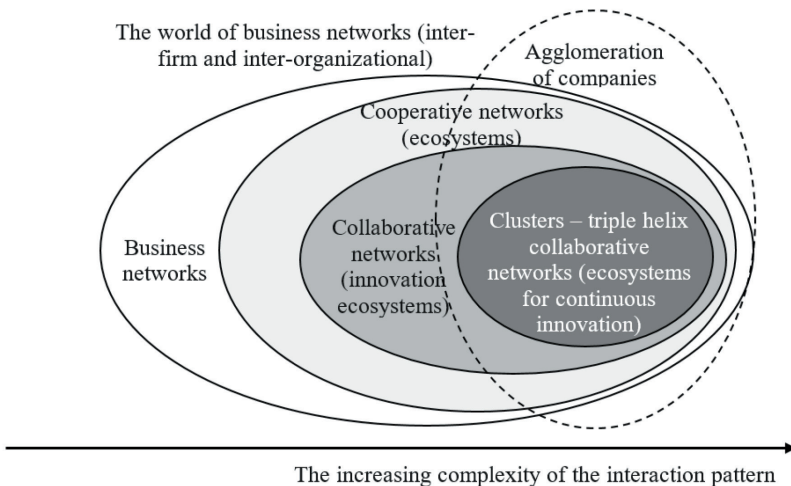


Fig. 1.1.6. The place of innovation clusters in the world of business networks
Source: Russell & Smorodinskaya, 2018

Cooperative networks include a wide variety of business networks, where agents form a relatively stable ecosystem of interactive connections based on soft coordination of actions, but not necessarily on joint commitments or joint actions plans. Such networks create a favorable environment for formation of clusters and other innovative partnerships. However, they can maintain a fairly low level of organizational complexity and, as a result, could be limited only by supporting or indirect role in stimulating innovative development of a given territory.

Cooperative network contains a subset of collaborative networks with a more advanced and complex pattern of internal interactions. Typically, such networks are described in literature as collaborative innovation networks, which emphasize their relationship with the network model of innovation. The concept of collaboration (translating “work together”) reflects the highest form of interactive cooperation, the participants of which not only exchange knowledge and resources, but are also involved in a dynamic process of continuous approvals, taking into account feedback. During these communications, they develop a common identity (the formation of an integrated and institutionalized business community), shared rules of the game (joint obligations) and mechanisms for joint creation of new goods, that is, they jointly plan, implement and update a program of collective action aimed on the achieving a common goals (Putnik & Cruz-Cunha, 2008). It is collective innovative activity or collaboration of agents (and not just coordination of their individual actions) that leads to formation of innovative ecosystems, directly calculated for joint creation of innovations.

Recent studies on innovation ecosystems (Russell & Smorodinskaya, 2018; Ritala & Almpnanopoulou, 2017; Tsujimoto et al., 2018) identified them with complex dynamic structures that arise from collaboration of a significant number of autonomous (not controlled by any higher authority), but functionally interdependent players with complementary competencies and resources, and the result of combining these assets, leading to formation of new goods. As it was noted earlier, ecosystems formed on the basis of agglomerations are strictly different in their externalities and innovative capabilities from geographically distributed ecosystems formed on the basis of value chains.

Collaborative networks based on agglomerations contain a subset with an even more complex interaction pattern, where collaboration is built on the principles of a triple helix. Triple helix collaborative networks include at least three functionally different types of economic agents, usually representing a private sector (business), a knowledge sector

(universities and research centers) and a public sector (different levels of government, government agencies). These three players are involved in the process of co-evolution, bringing together and intertwining their functional areas, which creates stable interdependencies and incentives for continuous innovation activity (Leydesdorff, 2010). In ecosystems focused on continuous innovation, firms and organizations acquire the greatest dynamism and level of innovation, while the results of knowledge exchange and co-creation of innovations are maximized (Carayannis & Campbell, 2009). Therefore, such ecosystems are becoming a new standard way of organizing economic activities, necessary for countries and territories to adapt to a non-linear environment and move to innovative development.

In world practice, triple helix business networks are most widespread in the form of innovation clusters. According to the cluster literature (Sölvell, 2009; Ketels, 2013; Porter & Ketels, 2009; Lindqvist, 2009; Ketels, & Memedovic, 2008), among the various types of networks there are innovative clusters that have reached the maturity stage that generate the effects of continuous productivity growth based on continuous innovation. At the same time, they are the most convenient mechanism for diffusion of innovations across economy. That is why cluster literature classifies as true clusters only those that realize the triple helix advantages. What matters here is not only the territorial proximity of agents, leading to agglomeration effects of cost reduction, but above all their functional interdependence and complementarity, leading to the network effects of increasing innovative activity (Sölvell, 2009). On the contrary, business networks that are unable to achieve the aggregate effects of continuous productivity growth are considered only nominal similarities of clusters.

In other words, innovative capabilities of clusters are determined not by their belonging to high-tech sectors, but by special synergistic effects achieved in the ecosystem that they form. This ecosystem is a complex interweaving of functional relationships formed by a wide range of autonomous but economically connected partners of different profiles (Fig. 1.1.7).

Although the composition of cluster members varies (depending on the stage of their life cycle and specifics of economic environment in a given region), each mature cluster relies on a certain critical mass of agents in terms of number and diversity. It is believed that in order to achieve synergistic effects, there should be at least 50 and no more than 200 companies in a cluster (European Committee of the Regions, 2011).

And in terms of diversity-based effects, three categories of agents form a critical mass (Lindqvist et al., 2013).

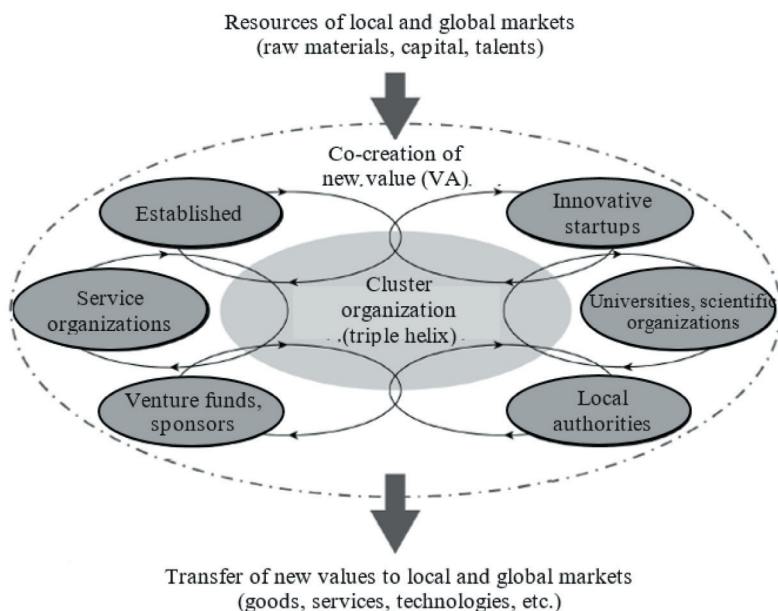


Fig. 1.1.7. Ecosystem of the innovation cluster
Source: Napier & Kethelz, 2014

Firstly, triple helix representatives: companies, universities (research centers) and government structures located in close geographic proximity (according to the OECD, within a radius of no more than 200 km) (OECD, 2013). Government agencies can participate in a cluster as sponsors, venture capitalists, consultants or co-coordinators of cluster development.

Secondly, it is a specialized cluster organization – an internal network that additionally unites representatives of three sectors and other key cluster members on the basis of membership (unlike free joining of agents to an open cluster network, such membership is not automatic and involves regular contributions). A cluster organization gives an institutional format, provides with a platform for development of collaboration and coordinates its own development on the basis of collective self-government, creating a favorable environment for growth of mutual trust and accumulation of social capital.

Thirdly, these are various investors and sponsors – private, state or international.

Generalization of the above-mentioned sources of cluster literature allows us to conclude that the following synergistic effects were achieved in mature innovation clusters:

- ♦ amplification of all known cost-saving effects arising from co-location of agents;

- ♦ reducing all types of risks and making the cluster adaptable to unpredictable changes in the globalized environment;

- ♦ overcoming technological traps. During collaboration process each pair of players representing the links of the spiral (state – business, business – science, science – state) brings their development trajectories closer together based on previously established technologies, but every third player corrects this convergence, directing the entire ecosystem towards further technological updates. That allows cluster firms to upgrade their technology base and expand planning horizons;

- ♦ formation of the regime of innovative growth (continuity of innovations). Complementary connection in the course of heterogeneous assets and competencies collaboration (like assembling a puzzle) and rapid rearrangement of these resources in a variety of creative combinations allow the cluster members to create new products jointly, take part at any risky business projects, constantly optimize strategy and tactics for new market demands, renew their competitive opportunities to take part in any value chains. The effects of collective action achieved in this case multiply productivity of the existing factors of production use;

- ♦ ability for self-development based on endogenous sources. Collaboration leads to increase in knowledge and common-pool resources, which can be used by both entrenched and re-joining the ecosystem agents, including the disposal of social capital resources accumulated during communication (Sölvell & Williams, 2013). Accordingly, the more complex the collaboration pattern, the more powerful the ecosystem resources. Continuous rearrangement of these resources and the rapid reconfiguration of links give the cluster dynamic stability: new sources of growth appear due to internal structural and balancing opportunities that arise in the ecosystem during collaboration;

- ♦ growth pole effect. By discarding network connections leading to startups, spin-offs and new inter-firm alliances, clusters facilitate the flow of knowledge, technological innovation and innovative business practices into the surrounding regional economy, which dramatically improves its competitive and productive capabilities.

Along with the triple helix effects, stability of cluster self-development is supported by formation in its ecosystem of a number of dynamic, constantly changing balances. The key is not only the balance between specialization and diversity, but also the balance between cooperation and competition. Entering into cooperation along the lines of some business projects, cluster firms simultaneously compete along the lines of others (with each other and with external agents), which helps to attract the most competitive players into the cluster and push out ineffective ones from it. As a result, special hybrid relations of cooperation emerge between cluster members (Porter, 1998), which are characteristic of the knowledge economy.

Thus, the world of networks that form ecosystems is much broader than collaborative networks that make up innovation ecosystems, and the networks, in turn, are much broader than more complex variety represented by innovation clusters. As a special innovation ecosystem, cluster is an open community of autonomous, geographically close and functionally diverse partners, which has dynamic stability in a nonlinear environment, forms unique network mechanisms of an innovative growth model, and has a joint development project implemented in a collective action mode. At the aggregate level, national economies are also acquiring similar advantages as they move to a hierarchical, cluster-network organization (Russell & Smorodinskaya, 2018).

Implementation of the long-term cluster development strategy, as well as current plans of collective action, relies on a unique combination of two interrelated formats of relations: the production format, which involves joint implementation of specific business projects by cluster members, and the social one, which involves purposeful development of collaboration on the principles of the triple helix. Moreover, success of the first format largely depends on the second one.

Within the production format, cluster firms build vertical and horizontal interactions based on market contracts to co-create a specific product or service. The market logic of cost savings facilitates vertical grouping of firms by stages of production and, at the same time, development of horizontal industry ties at each level of the product chain (transfer of certain types of activities to outsourcing, generation of spinoffs, allocation of non-core assets, etc.).

Within the social format, cluster members support each other as partners in collaboration, developing horizontal network interactions based on relational contracts which is a system of long-term agreements on general rules of the game and principles of behavior based on high mutual trust. Agreements ultimately concern the development of joint

strategies for cluster development and a range of complementary obligations for their implementation, which implies interactive coordination of current individual decisions and actions of participants. For the first time, this complex dynamic set of relations spontaneously was developed in Silicon Valley by the mid-1990s (Saxenian, 1994), and nowadays it is purposefully supported in most of the successful innovation clusters in the world.

The social format of a cluster project is associated with the specific management functions of the cluster organization. First of all, an initial task of the project initiators is to transform the local agglomeration of companies into a real cluster, that is, into an effective and innovation-oriented network community, which is achieved by building mutual trust and skills of co-production in a collaboration format. Recent empirical studies (Calignano et al., 2018; Turkina, E. et al., 2019) confirm the important role of such initiatives in developing networking and stimulating the flow of knowledge between members of a cluster group. Secondly, as soon as the triple helix configuration is made, the key meaning is to maintain stability of this interactions pattern between three players. Thirdly, a fundamental role is played by continuous deepening of collaboration relations between all cluster members by eliminating interpersonal barriers and overcoming communication gaps. All this work is described in literature as a “bridge building” and is carried out by two institutions created by a cluster organization – the strategic project management team (cluster governance) and an operational management group (cluster management).

Since communication gaps impede continuity of innovation process, the cluster literature equates them with innovation gaps. There are seven types of such gaps, divided into two groups (Sölvell & Williams, 2013):

- ♦ five gaps in internal environment of a cluster: business – science; business – education; business – financial institutions; business – state (including administrating bodies and other state structures, for example, development institutions); business – business (for example, breaks in relationship of small firms with large ones among national companies or divisions of global ones);

- ♦ two gaps in relationship of a cluster with external environment: cluster – cluster; business – global market (global chains).

Conclusions

Increasing competition in business, globalization of the world economy, emergence of new concepts that improve the quality of the

workforce (quality management, knowledge management, management of key professional competencies) leads to changes in building relationships with customers. It is natural for specific forms of ensuring stability of companies and businesses to emerge. In environment where technological leadership is no longer an absolute criterion for market dominance, the role of the company's network relationships both with internal and external environment is growing. That is why allocation of stakeholder capital and purposeful management of relevant communication channels can be considered one of the key prerequisites for sustainable development. For example, orientation of an organization becomes one of the main factors of competitiveness. It is not sufficient to produce goods or provide services of good quality for generating competitive advantage, it is important to establish and maintain long-term relationships, both with internal and external clients.

In such conditions, interaction with stakeholders becomes an integral part of the company's management. They are able to provide real support to companies, but are also able to create obstacles for effective functioning. Moreover, such obstacles may arise as a result of irrational interactions establishment or interaction dishonesty of partners, and through refusal of interaction and desire for isolation.

Work with stakeholders is an independent direction, which should find its place in the company's management system, in particular, in budget planning tools. It is appropriate to allocate an independent stakeholder budget within the operating budget. The formation of such budget allows to harmonize the interests of all stakeholders. Organizationally, this process is ensured by separating the financial structure of the company with the appropriate center of financial responsibility, which is guided by the planned indicators for the types and areas of work to reconcile the interests of stakeholders. Variability of stakeholder budget formation for different types of business structures, variability of powers of the manager responsible for the budget, as well as the structure of budget indicators, their time scale, the algorithm of the stakeholder budget implementation process and control over the spending of its funds are very important.

The stakeholder concept requires an integrated vision and systematic interpretation of the company's internal and external processes. Acquisition of such qualities is possible only in the formation of "entrepreneurial mentality" in companies of various forms and spheres of activity, spreading of entrepreneurial approach to all subsystems of the organization, as well as understanding the need and feasibility of targeted funding for economic and social interests of structures.

The analysis of peculiarities of regional innovation clusters functioning demonstrates the level of organizational complexity and functional advantages of those structures that are gradually being promoted to the key role of links in the new production landscape. Regardless of different dynamics in the countries all over the world, movement in this direction (as well as the development of network processes itself) is a global trend dictated by the objective course of technological progress, digital revolution and global competition. As evidenced by the theory that has been considered, the regional clusters that correspond to the parameters of complex dynamic systems are necessary for both developed and developing countries to maintain sustainable growth in a nonlinear environment and transition to a knowledge economy.

Synergistic effects achieved in clusters with a triple helix pattern, and, accordingly, in an economy with a formalized cluster-network landscape, are related to strengthening of all known agglomerative externalities, adaptability of economic agents and their communities to unpredictable changes in the markets, overcoming the systemic dependence on the previous technological trajectory, formation of mechanisms for collective self-government without the participation of the governing center and, most importantly, increasing productivity and dynamic sustainability based on continuous innovation.

Successful clusters capable of generating such effects and spreading growth impulses to the surrounding area are complex self-developing systems that take advantage of the diversity factor and creating innovations network model in a mode of collective action. At the same time, they are complex partnership projects, where legally autonomous agents are constantly deepening this regime, relying on joint initiatives, high mutual trust and long-term relationship contracts. Finally, they are industrial agglomerations with smart specialization, designed to attract global investors to the region and involve them through the export of added value into modern system of international division of labor. The prospect of emergence and spread of such clusters in the national economy requires not as much the selective encouragement of certain types of agglomerations as a systemic improvement of the institutional and business environment in comparison with legacy of the industrial era.

Indeed, the triple helix principle has been integrated into the cluster programs of many developed and developing economies, including Ukraine, – in the form of priority support for those production alliances involving representatives of business, science and the state. However, in order to achieve the effects of continuous innovation activity and, as a consequence,

the effects of sustainable growth, it is required not only the formal presence of three sectors representatives in the cluster, but a special pattern and level of development of their network interactions. Therefore, government support for clusters is successful and achieves its macroeconomic goals only in those countries where it is accompanied by targeted stimulation of both inter-firm competition and horizontal network ties and collaboration mechanisms. Otherwise, attempts to copy even the best examples of global cluster practice, is not the right way for building the next “silicon valleys” by the state, and would not lead to an increase in economics innovative activity, but turn into forcing business to unite artificially into certain groups that are only nominal similarities of cluster networks.

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1.2. INTERVIEW OF THE FIRST-LEVEL CORPORATE SECTOR STAKEHOLDERS ON EUROINTEGRATION IMPACT ON THE SUSTAINABLE TERRITORIAL DEVELOPMENT

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The article contains analysis of the interview of first-level corporate stakeholders of Ukraine and the European Union. The personal interviewers' opinion on the Ukraine eurointegration's impact on business, market conditions, and territorial development is revealed.

The main risks and opportunities for the corporate sector and territorial development have been identified. Differences between the Ukrainian and European stakeholder-corporations' expectations have been identified. The Ukrainian and European corporate sectors behavior model is outlined.

Factors that may make Ukrainian and European corporations to change the existing business strategy have been uncovered. The flexible Ukraine corporate sector Eurointegration mechanism development is suggested.

Problem statement

At the present stage of Ukrainian economy development, especially in the European integration context, the issue of effective individual economic sectors integration becomes relevant. One of them is the corporate sector.

One of the most powerful drivers of the territory development is the presence and well-being of corporate enterprises in these territories (Van de Waal & Thijssens, 2020).

However, in the European integration context, a new type of interaction of first-level corporate sector stakeholders is emerging. Within the group of stakeholders called “Corporations” there are two subgroups: Ukrainian corporations and EU corporations.

At the same time, this leads to the formation of a number of new stakeholder relationships. Thus, the relationship between Ukrainian corporations and EU corporations that is most interesting from the studying stakeholder interaction point of view, because they have interests of the same nature, the same level of influence and the same intensity. That is why the most destructive conflicts and multiplications with the highest synergistic effect can occur in the interaction of these stakeholders’ groups.

In addition, Ukrainian and European corporations have different resource and management background, which reduces the predictability of their interaction (Boronos et al., 2020).

It should be noted, that the corporate sector is quite diversified, depending on industry, sectors of economic activities, location, served area, company age, management structure and so on. This leads to a disproportionate level of development of certain components of the corporate sector of Ukraine.

That is why the issue of defining the strategies of both Ukrainian and European corporations in the case of Ukraine European integration, of uncovering factors that may cause changes in strategy becomes relevant, of highlighting stakeholder’s general expectations about changes in markets conditions (Pipchenko et al., 2019).

Interviews of Ukrainian and European corporation were conducted to achieve the goal. A sample of 2,000 respondents (1,000 European corporations (Opencorporates, 2021) and 1,000 Ukrainian corporations (the Ministry of Digital Transformation of Ukraine, 2021) was formed. The following criteria were met for the relevance of the results:

- ♦ The number of companies in one Sector of economic activities within each group should not exceed 6.5%.
- ♦ The size of companies for the employees’ number should be evenly distributed. The share of each group (more than 20,000, up to 1000, up to 20,000, up to 500, up to 5000) should be in the range of 10% to 30%.
- ♦ The share of respondents in one group for Area served (Country, Local, Region, Worldwide) should not be less than 10%.

Two separate questionnaires were created for European and Ukrainian companies. Each questionnaire contains the following blocks:

1. Information block.

2. Metadata or Company info (same for both questionnaires).
3. Assessment Market conditions changing due to joining Ukraine into the EU (same for both questionnaires).
 - a) impact on the Ukrainian market
 - b) impact on the EU market
4. Evaluation of Business performance changing due to joining Ukraine into the EU (Different depending on the questionnaire) (Solarino & Aguinis, 2020).

Influence of the Ukraine Eurointegration on the Ukrainian and EU markets conditions

The interview lasted for 2.5 months during which 886 relevant responses were collected. 652 from the European sample and 234 from the Ukrainian. That is, the number of European corporations that participated in the survey is almost 2.8 times higher than the number of Ukrainian companies. This indicates a much higher social activity of EU corporations compared to Ukrainian corporations. To ensure the research results comparison representativeness, the relative and average values of the answers were used instead of the absolute ones.

The profile of respondents regarding the preconditions for cooperation between Ukrainian and European corporations is very similar (Fig. 1.2.1). About 45% of respondents do not have experience of interaction between Ukraine and the EU. The last 55% of both Ukrainian and European corporations-respondents have experience of cooperation in the following directions:

- ◆ buy goods – about 14%;
- ◆ buy services (including outstaffing) – about 14%;
- ◆ sell goods – about 19%
- ◆ sell services (including outstaffing) – about 8%

In order to identify expectations regarding the Ukraine Eurointegration impact on the Ukrainian market conditions (Fig. 1.2.2), an assessment was made on a 10-point scale, where 0 – no impact, and 10 – maximum impact.

The average assessment of the Ukraine Eurointegration impact on the Ukrainian market conditions in Ukrainian and European respondents is almost the same, and is 5.2 and 5.17, respectively. The largest number of answers was accounted for by 6 points (16.2% and 14.4%, respectively) and 9 points (13.7% and 10.3%, respectively).

The opinions of European and Ukrainian corporations agree on the expected intensity and quality of this impact as well (Fig. 1.2.3).

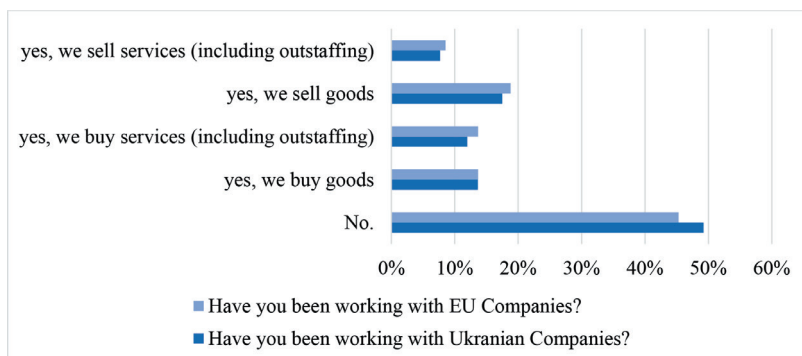


Fig. 1.2.1. The cooperation background of Ukrainian and European corporations

Source: built by author based on Harvey, 2010; Ma, Seidl, & McNulty 2020; Ministry of Digital Transformation of Ukraine, 2021; Opencorporates, 2021; Solarino & Aguinis, 2020; Welch & Piekkari, 2006

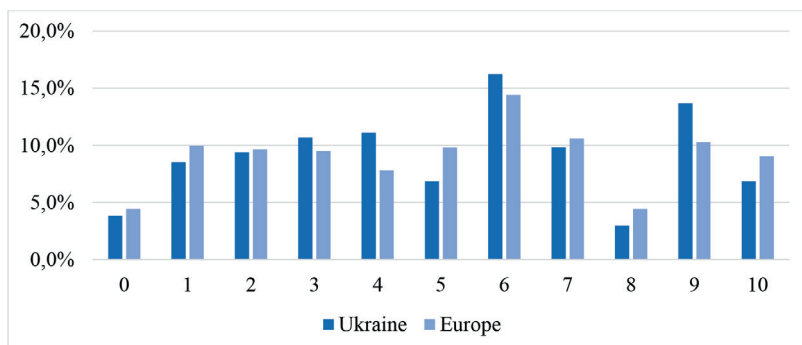


Fig. 1.2.2. Ukrainian and European corporations' opinion on the Ukraine Eurointegration impact on the Ukrainian market conditions

Source: built by author based on Harvey, 2010; Ma, Seidl, & McNulty 2020; Ministry of Digital Transformation of Ukraine, 2021; Opencorporates, 2021; Solarino & Aguinis, 2020; Welch & Piekkari, 2006

About 23% of respondents in both groups believe that the impact will be positive. Just like about 23% of respondents in both groups believe that the impact will be negative (destructive). The remaining 54% of respondents in both groups believe that the impact will be absent or neutral, i.e., market conditions will be pretty much the same.

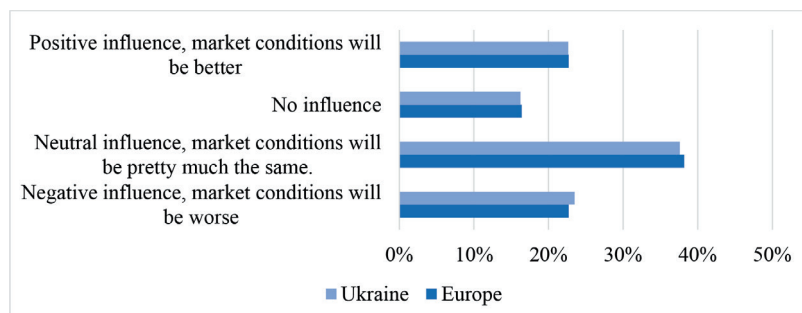


Fig. 1.2.3. Ukrainian and European corporations' Opinion on the Ukraine Eurointegration impact intensity on the Ukrainian market conditions

Source: built by author based on Harvey, 2010; Ma, Seidl, & McNulty 2020; Ministry of Digital Transformation of Ukraine, 2021; Opencorporates, 2021; Solarino & Aguinis, 2020; Welch & Piekkari, 2006

At the same time, opinions on the Ukraine Eurointegration impact on the EU market conditions (Fig. 1.2.4) differ significantly.

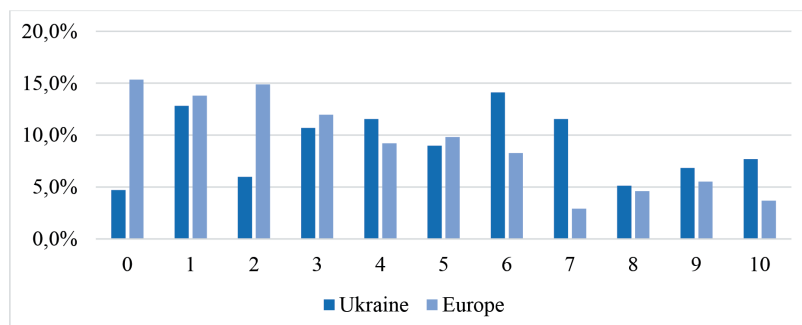


Fig. 1.2.4. Ukrainian and European corporations' opinion on the Ukraine Eurointegration impact on the EU market conditions

Source: built by author based on Harvey, 2010; Ma, Seidl, & McNulty 2020; Ministry of Digital Transformation of Ukraine, 2021; Opencorporates, 2021; Solarino & Aguinis, 2020; Welch & Piekkari, 2006

The average score among the Ukrainian group of respondents is 4.93. The score of 6 points (14.1%) is most often chosen. However, the Ukraine Eurointegration impact on EU market conditions is rated much lower by European corporations. The average is 3.59. Most often, the answers contain scores of 0,1,2,3 points, which in total make up 56% of all answers.

The Ukrainian group of respondent corporations believes that the European market is also undergoing changes, as is the Ukrainian one. On the contrary, European companies believe that the changes will be twice less than in the Ukrainian market conditions.

Opinions of European and Ukrainian corporations differ on the expected intensity and quality of influence as well (Fig. 1.2.5).

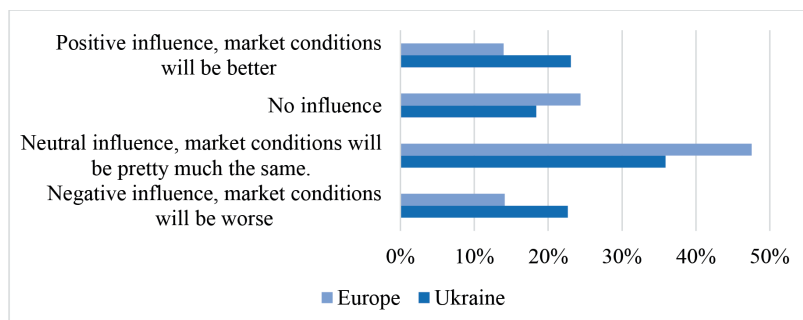


Fig. 1.2.5. Ukrainian and European corporations' opinion on the Ukraine Eurointegration impact intensity on the EU market conditions

Source: built by author based on Harvey, 2010; Ma, Seidl, & McNulty 2020; Ministry of Digital Transformation of Ukraine, 2021; Opencorporates, 2021; Solarino & Aguinis, 2020; Welch & Piekkari, 2006

72% of European respondents believe that the EU market will either not change or the changes will be neutral and will not cause significant changes in market conditions. The last 28% of European respondents are equally divided, 14% believe that change will be positive and 14% believe that change will be destructive. These sentiments are due to two factors:

- ♦ the EU market is much larger than the Ukrainian one;
- ♦ the EU market is a more stable system;
- ♦ the EU market has a background of integration in the past, which

is why the reaction is expected and predictable.

The Ukrainian group of respondents is more radical. Only 54% believe that the changes will be neutral or not at all. The remaining 46% also shared equally, 23% believe that change will be positive and 23% believe that change will be destructive.

In order to more accurately assess the directions and quality of the impact, both groups of respondents were asked to evaluate certain statements about them. Figure 1.2.6 shows an assessment of the number of Ukrainian goods that will be promoted to the EU market.

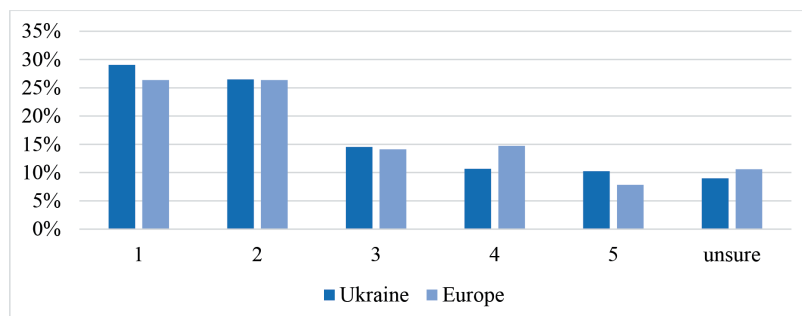


Fig. 1.2.6. Probability assessment of qualitative changes due to the European integration of Ukraine. Change: "The number of Ukrainian goods on the EU market will be more"

Source: built by author based on Harvey, 2010; Ma, Seidl, & McNulty 2020; Ministry of Digital Transformation of Ukraine, 2021; Opencorporates, 2021; Solarino & Aguinis, 2020; Welch & Piekkari, 2006

Both groups of respondents agreed on this point. more than 50% of respondents in both groups believe that the number of Ukrainian goods on the EU market will not increase and only 10% (in both groups) that it will happen. The average score for this indicator is about 2.4 points in both groups.

At the same time, respondents from the Ukrainian and European groups have different views on the opposite situation, the increase in the number of European goods on the Ukrainian market (Fig. 1.2.7).

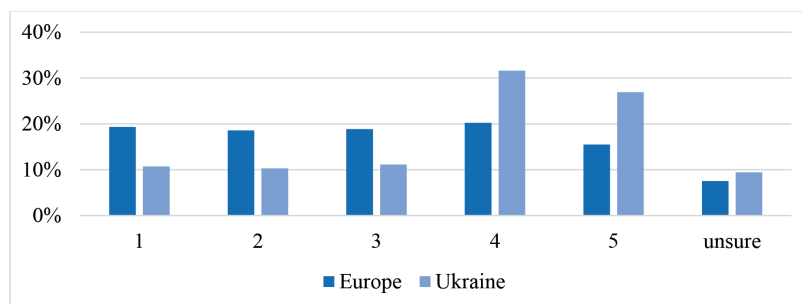


Fig. 1.2.7. Probability assessment of qualitative changes due to the European integration of Ukraine. Change: "The number of European goods on the Ukrainian market will be more"

Source: built by author based on Harvey, 2010; Ma, Seidl, & McNulty 2020; Ministry of Digital Transformation of Ukraine, 2021; Opencorporates, 2021; Solarino & Aguinis, 2020; Welch & Piekkari, 2006

European companies within their group have different views. Thus, the distribution of scores is almost uniform, i.e., each mark received approximately 19% of the vote.

Interestingly, most companies that have chosen a score of 4 or 5 (maximum score) are representatives of three sectors of economic activity:

- ♦ Agriculture, Forestry, Fishery;
- ♦ Manufacturing of food, beverages and tobacco;
- ♦ Chemical industry.

Also, most of these companies have serves area on country, all over EU, and worldwide levels. The average score for this indicator is about 3 points EU group.

Ukrainian respondents are more radical on this question. Almost 60% of Ukrainian corporations believe that the number of European goods on the Ukrainian market will increase significantly. The average score for this indicator is about 3.5 points in Ukrainian group.

Let's look at Figure 8 and analyze Respondents' opinions on the quality of Ukrainian goods.

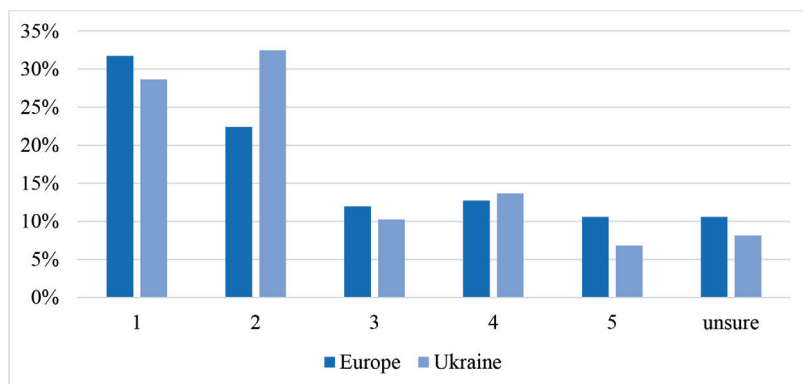


Fig. 1.2.8. Assertion assessments comparison. Assertion: "Ukrainian goods are of the same quality as European ones"

Source: built by author based on Harvey, 2010; Ma, Seidl, & McNulty 2020; Ministry of Digital Transformation of Ukraine, 2021; Opencorporates, 2021; Solarino & Aguinis, 2020; Welch & Piekkari, 2006

Both European and Ukrainian respondents answered the questions identically. They believe the Ukrainian goods quality level is significantly lower than European ones. The average score on this indicator is

about 2.4 points in Europe and 2.3 in Ukraine. Only 23% of European corporations and 21% of Ukrainian ones agreed with assertion that Ukrainian goods are of the same quality as European ones.

Let's evaluate the development of Ukrainian services in the EU market (Fig. 1.2.9).

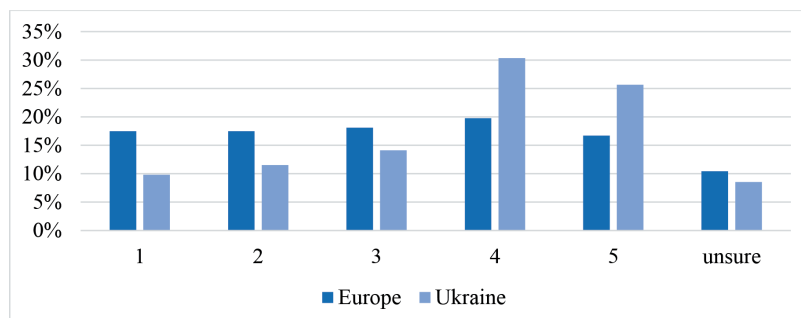


Fig. 1.2.9. Probability assessment of qualitative changes due to the European integration of Ukraine. Change: "The number of Ukrainian Services on the EU market will be more"

Source: built by author based on Harvey, 2010; Ma, Seidl, & McNulty 2020; Ministry of Digital Transformation of Ukraine, 2021; Opencorporates, 2021; Solarino & Aguinis, 2020; Welch & Piekkari, 2006

The opinion of European respondents on this issue are quite different. In fact, each option received an average of about 18%. The average score for this indicator is 3.

As for the Ukrainian group, the average score is 3.5. The majority of respondents (56%) have positive views on the Ukrainian services development in the European market.

Consider the respondents' opinion on, but already European services in the Ukrainian market (Fig. 1.2.10).

The average score in the group of European respondents is 2.5. 51% believe that the number of European goods on the Ukrainian market will not increase, and 25% predict that the number of European goods on the Ukrainian market will increase significantly.

Assessing the answers of the Ukrainian respondents, the situation is the opposite. Ukrainian representatives (56%) believe that in the future the number of European services will grow in the domestic market.

Let's continue the analysis of the quality of services provided by Ukrainian companies (Fig. 1.2.11).

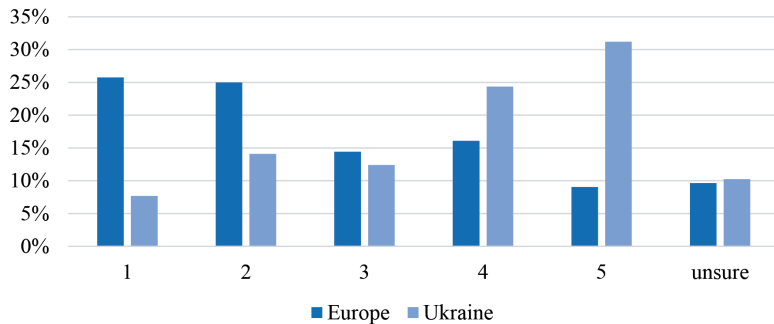


Fig. 1.2.10. Probability assessment of qualitative changes due to the European integration of Ukraine. Change: “The number of European Services on the Ukrainian market will be more”

Source: built by author based on Harvey, 2010; Ma, Seidl, & McNulty 2020; Ministry of Digital Transformation of Ukraine, 2021; Opencorporates, 2021; Solarino & Aguinis, 2020; Welch & Piekkari, 2006

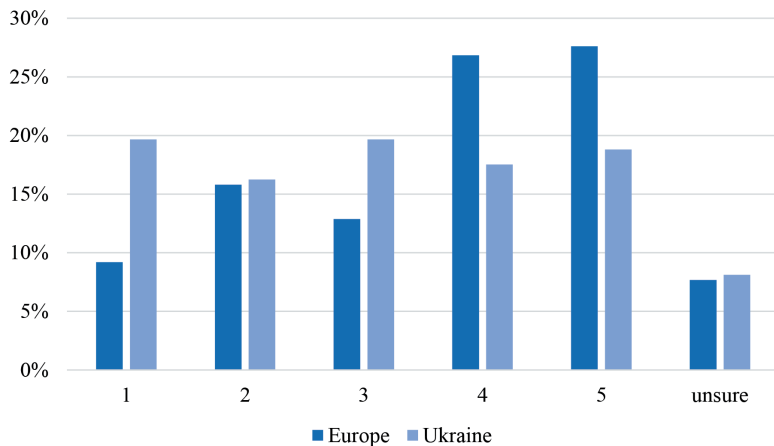


Fig. 1.2.11. Assertion assessments comparison. Assertion: “Ukrainian services are of the same quality as European ones”

Source: built by author based on Harvey, 2010; Ma, Seidl, & McNulty 2020; Ministry of Digital Transformation of Ukraine, 2021; Opencorporates, 2021; Solarino & Aguinis, 2020; Welch & Piekkari, 2006

Assessing the answers of European respondents, we can note the positive view on the quality of Ukrainian services. Thus, 54% of

respondents note the level of services of Ukrainian companies identical to European ones (marks 4 and 5), only a quarter of respondents do not agree with this (marks 1 and 2). The average score for the group is 3.5.

As for the answers of Ukrainian respondents, the situation is quite ambiguous. The answers were evenly distributed and in fact each assessment was supported by about 18% of respondents. The average score is 2.2. That is, our companies more strictly assess the quality of their own services.

The impact of Ukraine's European integration on the amount of labor costs in the EU (Fig. 1.2.12).

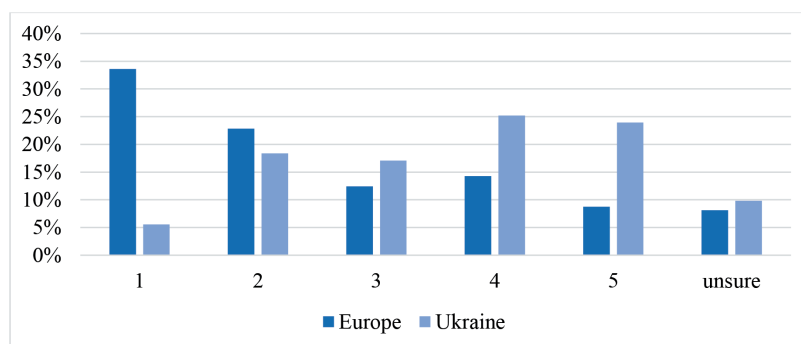


Fig. 1.2.12. Probability assessment of qualitative changes due to the European integration of Ukraine. Change: "Ukrainian specialists will reduce the labor cost in the EU"

Source: built by author based on Harvey, 2010; Ma, Seidl, & McNulty 2020; Ministry of Digital Transformation of Ukraine, 2021; Opencorporates, 2021; Solarino & Aguinis, 2020; Welch & Piekkari, 2006

About 56% of European respondents believe that Ukrainian experts will not reduce the cost of labor. At the same time, the opinion of the Ukrainian side is opposite. 49% of Ukrainian respondents believe that the cost will decrease significantly.

Let's analyze the opinion on the qualification and education level of Ukrainian specialists (Fig. 1.2.13).

European respondents were evenly divided on this issue. Thus, each estimate receives about 18%. This means that European companies see the knowledge and qualifications of Ukrainians differently. The average score for the group is 3. However, the average score among EU companies that previously worked with Ukrainians is 3.95.

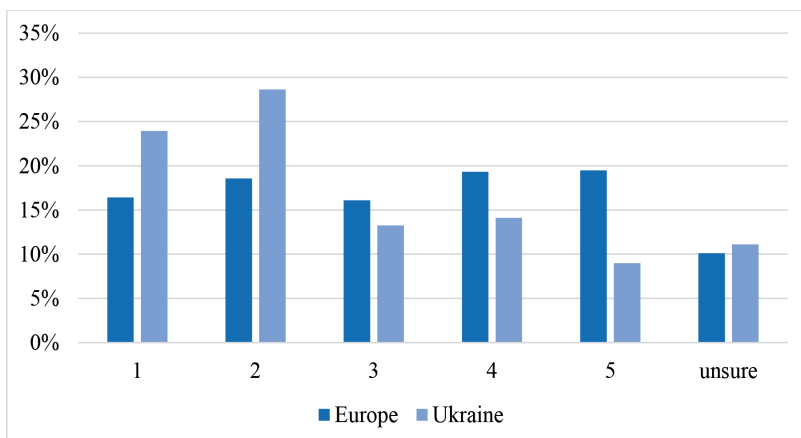


Fig. 1.2.13. Assertion assessments comparison. Assertion: “Ukrainians have the same qualifications and education as people from EU”

Source: built by author based on Harvey, 2010; Ma, Seidl, & McNulty 2020; Ministry of Digital Transformation of Ukraine, 2021; Opencorporates, 2021; Solarino & Aguinis, 2020; Welch & Piekkari, 2006

Ukrainian respondents in most cases disagreed with this statement (53%) and believe that the level of European and Ukrainian specialists is different. The average score in the group is 2.5.

Whether Ukrainian specialists have the knowledge and education to work in European companies can be assessed on the basis of Fig. 1.2.14.

According to this statement, the opinion of European and Ukrainian respondents was close. The average score in the European group is 2.9 and in the Ukrainian one is 3.1. Each mark for both groups quite similar and averagely is 18–19%.

35% of EU corporations and 40% of Ukrainian ones believe that the Ukrainians could work in the EU companies without any problems.

Such tendencies intensify the negative trend towards emigration of Ukrainian specialists abroad. This has a negative impact on the development of the corporate sector as well as the territories.

Let's move on to the issues of expansion and entry into the European market of Ukrainian companies and vice versa (Fig. 1.2.15 and Fig. 1.2.16).

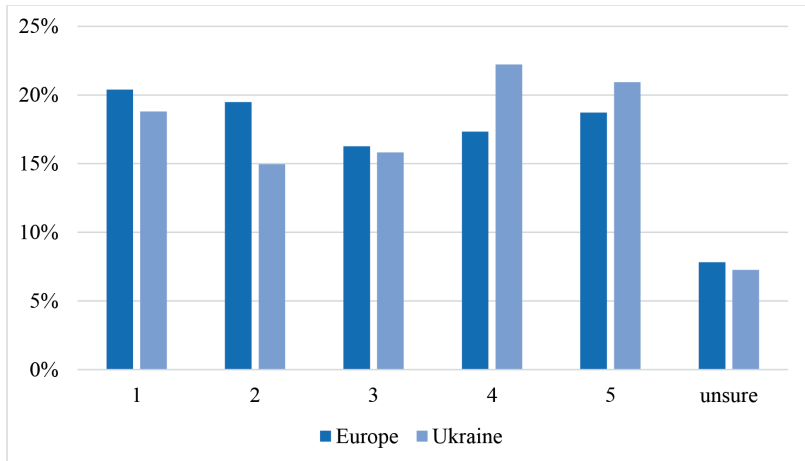


Fig. 1.2.14. Assertion assessments comparison. Assertion: "Ukrainians have sufficient qualifications and education to work in EU companies"
 Source: built by author based on Harvey, 2010; Ma, Seidl, & McNulty 2020; Ministry of Digital Transformation of Ukraine, 2021; Opencorporates, 2021; Solarino & Aguinis, 2020; Welch & Piekkari, 2006

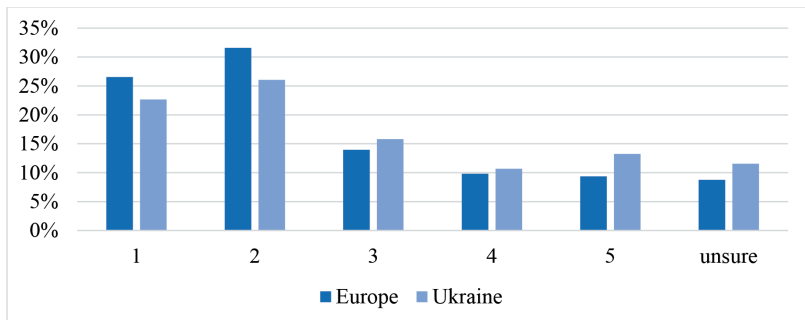


Fig. 1.2.15. Probability assessment of qualitative changes due to the European integration of Ukraine. Change: "Many Ukrainian companies will enter the EU market"
 Source: built by author based on Harvey, 2010; Ma, Seidl, & McNulty 2020; Ministry of Digital Transformation of Ukraine, 2021; Opencorporates, 2021; Solarino & Aguinis, 2020; Welch & Piekkari, 2006

Both European (59%) and Ukrainian (49%) companies do not agree that many Ukrainian companies will enter EU market after Ukraine

Eurointegration. The average score for the European group is 2.4 for the Ukrainian 2.6

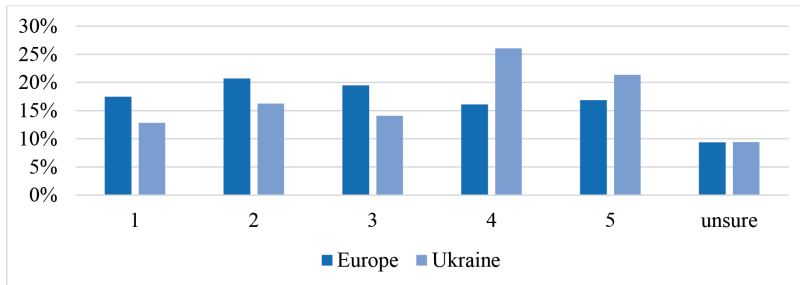


Fig. 1.2.16. Probability assessment of qualitative changes due to the European integration of Ukraine. Change:

“Many European companies will enter the Ukrainian market”

Source: built by author based on Harvey, 2010; Ma, Seidl, & McNulty 2020; Ministry of Digital Transformation of Ukraine, 2021; Opencorporates, 2021; Solarino & Aguinis, 2020; Welch & Piekkari, 2006

Considering the opposite situation, the opinions of European respondents in this statement diverged and averaged 18% for each assessment. In turn, almost half of Ukrainian respondents (47%) believe that European companies will enter the domestic market.

This demonstrates the first fear of Ukrainian companies of the need to compete with European companies in their market.

Whether EU corporations will relocate manufacturing/ R&D centers to Ukraine or not can be determined by analyzing Fig. 1.2.17.

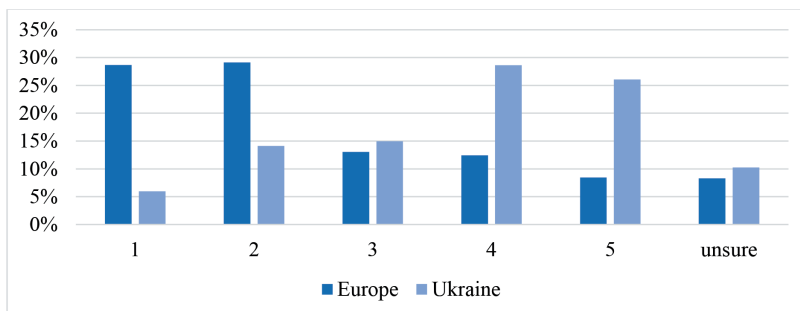


Fig. 1.2.17. Probability assessment of qualitative changes due to the European integration of Ukraine. Change: “Many European companies will relocate manufacturing/ R&D centers to Ukraine”

Source: built by author based on Harvey, 2010; Ma, Seidl, & McNulty 2020; Ministry of Digital Transformation of Ukraine, 2021; Opencorporates, 2021; Solarino & Aguinis, 2020; Welch & Piekkari, 2006

The opinion of European and Ukrainian respondents is radically different. European companies (58%) believe that Ukrainian territories are not attractive for the transfer of RND centers. Only 8% are sure that many European companies will relocate manufacturing / R&D centers to Ukraine. The average score for the group is 2.4.

At the same time, Ukrainian companies in most cases (55%) believe many European companies will relocate manufacturing / R&D centers to Ukraine. The average score for the group is 3.6.

Next step is to analyze the competitiveness of Ukrainian companies against European ones (Fig. 1.2.18).

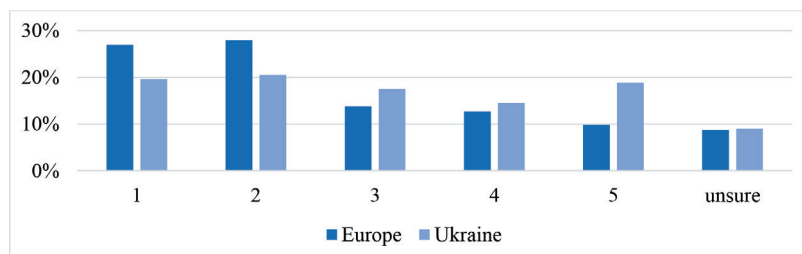


Fig. 1.2.18. Assertion assessments comparison. Assertion: "Ukrainian companies can compete with European ones"

Source: built by author based on Harvey, 2010; Ma, Seidl, & McNulty 2020; Ministry of Digital Transformation of Ukraine, 2021; Opencorporates, 2021; Solarino & Aguinis, 2020; Welch & Piekkari, 2006

Based on the results of the survey, more than 55% of European respondent corporations do not consider Ukrainian companies to be quite competitive and 10% believe the opposite. Average score for the European group is 2.5

The opinion of the Ukrainian group is ambiguous and the results indicate an even distribution of respondents for each mark, the average percentage for each is about 18%. The average score for Ukrainian group is 2.9.

Let's move on to the analysis of the issue of cooperation between the European and Ukrainian corporations (Fig. 1.2.19), as well as the risk of M&A and investments (Fig. 20), the opinions are different.

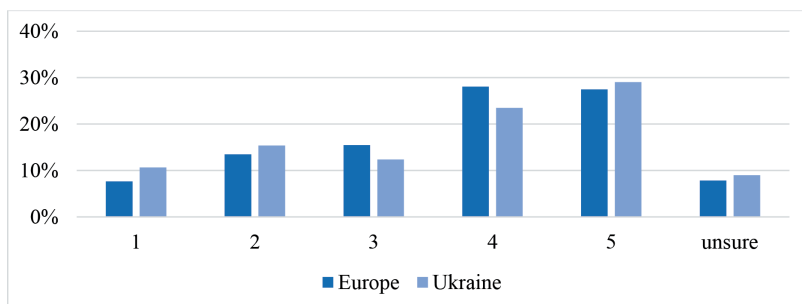


Fig. 1.2.19. Probability assessment of qualitative changes due to the European integration of Ukraine. Change: "Ukrainian and European companies will have a great cooperation opportunity"

Source: built by author based on Harvey, 2010; Ma, Seidl, & McNulty 2020; Ministry of Digital Transformation of Ukraine, 2021; Opencorporates, 2021; Solarino & Aguinis, 2020; Welch & Piekkari, 2006

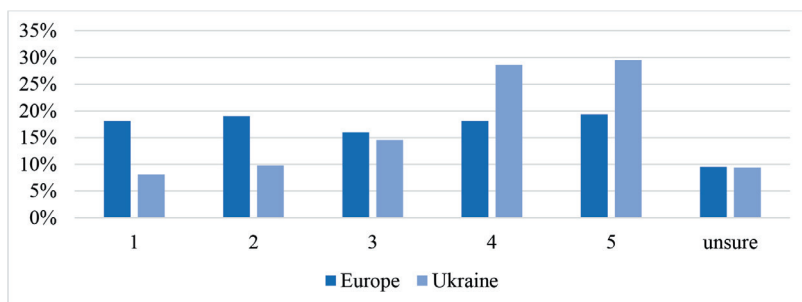


Fig. 1.2.20. Probability assessment of qualitative changes due to the European integration of Ukraine. Change: "Ukrainian companies will become an investment or M&A object from the European ones"

Source: built by author based on Harvey, 2010; Ma, Seidl, & McNulty 2020; Ministry of Digital Transformation of Ukraine, 2021; Opencorporates, 2021; Solarino & Aguinis, 2020; Welch & Piekkari, 2006

Both Ukrainian and European companies are ready to cooperate. The opinion of both parties is the same, so in Europe 56% of respondents were in favor of cooperation, in Ukraine 53% of respondents were also in favor of cooperation. The average score on both sides is 3.5.

European respondents could not unambiguously answer this statement, so their opinion was divided. About 18% falls on each mark.

On the other hand, Ukrainian respondents (58%), in most cases, believe that they can be of interest to European corporations and can be the object of investment or merger. The average score on the Ukrainian side is 3.7, and on the European side is 3.

Influence the Ukraine Eurointegration on the Ukrainian and EU Business

Consider Figure 1.2.21 and analyze the impact of Ukraine's European integration on Ukrainian and European business. The scoring was performed on a 10-point scale, where 0 – no impact, and 10 – maximum impact.

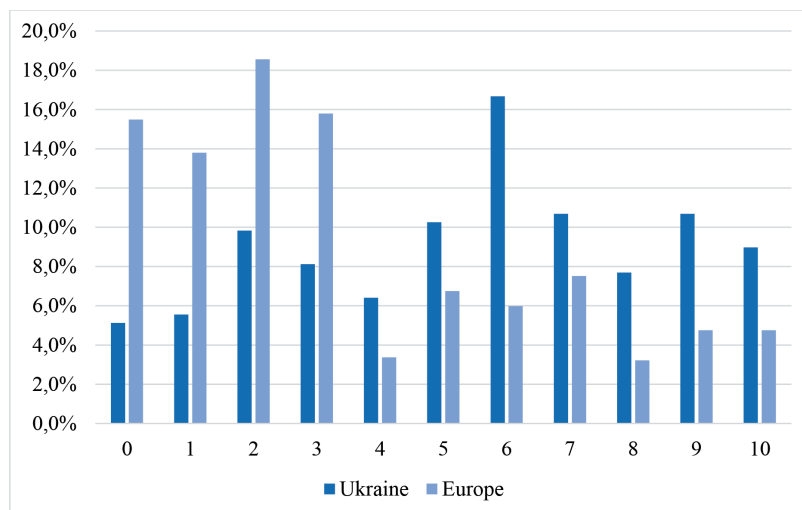


Fig. 1.2.21. Ukrainian and European corporations' opinion on the Ukraine Eurointegration impact on their business.

Source: created by the author based on own interview of on their business

Analyzing Fig. 21, it should be noted that the views of the two groups of respondents, Ukrainian and European, are quite different.

56% of Ukrainian respondents (scores from 6 to 10) are believe that Ukraine's European integration will significantly affect their business. 17% of respondents preferred a score of 6 (most popular mark). The average score for the group was 5.5.

As for European respondents, 64% believe that Ukraine's European integration will have a little influence on their activities and will not bring much change to their corporations. The average score in the group is 3.5.

Let's consider the intensity and quality of the impact of Ukrainian integration on the businesses of Europe and Ukraine (Fig. 1.2.22).

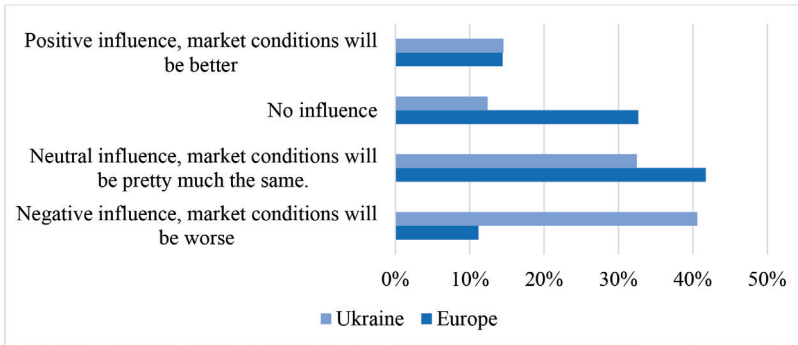


Fig. 1.2.22. Ukrainian and European corporations' Opinion on the Ukraine Eurointegration impact intensity on their business

Source: built by author based on Harvey, 2010; Ma, Seidl, & McNulty 2020; Ministry of Digital Transformation of Ukraine, 2021; Opencorporates, 2021; Solarino & Aguinis, 2020; Welch & Piekkari, 2006

75% of European respondents believe that the impact will either not be (33%) or it will be neutral. That is, according to European companies, Ukraine's European integration will not affect their business and their benefits.

As for Ukrainian respondents, about 41% believe that European integration has a negative impact, 32% believe that the impact will be neutral, and only 15% believe that European integration has a positive impact on their business.

In general, the mood of European corporations is quite neutral, while Ukrainian corporations see significant risks to their business and are seriously wary of the European integration process.

Influence of the Ukraine Eurointegration on the Ukrainian Corporations

In order to better understand the realities of Ukrainian corporations, a set of questions was developed to help understand the Ukraine Eurointegration Influence on the Ukrainian Corporations in more detail. Also, these issues should identify key factors and conditions that may change the business strategy of individual Ukrainian companies.

Consider the issue of expectations of Ukrainian corporations from European integration (Fig. 1.2.23).

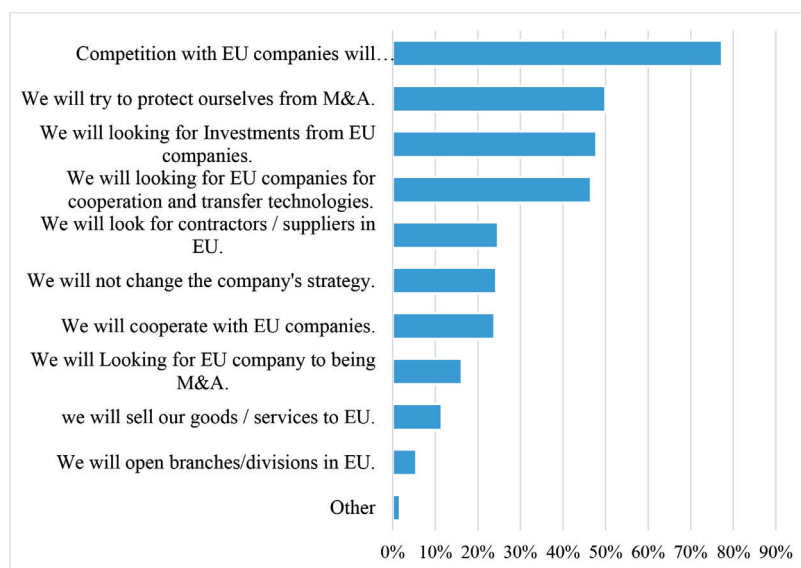


Fig. 1.2.23. Ukrainian Corporations expectation from Ukraine Eurointegration

Source: built by author based on Harvey, 2010; Ma, Seidl, & McNulty 2020; Ministry of Digital Transformation of Ukraine, 2021; Opencorporates, 2021; Solarino & Aguinis, 2020; Welch & Piekkari, 2006

77% of Ukrainian respondents expect from Ukrainian European integration that there will be increased competition with EU companies and 47% will look for EU companies for cooperation and technology transfer. Interestingly, 48% of companies said they would try to protect themselves from mergers and acquisitions by EU corporations. At the same time, 47% said they would look for investment opportunities from EU companies. The investment process is usually one of the first stages of an acquisition. That is why these two facts may have a negative synergistic effect against the independence of Ukrainian corporations.

Only 11.5% of respondents will try to enter the European market, of which 76% already have experience working with European companies.

23% of Ukrainian companies will try to reach cooperation with European companies. 24.4% of respondents do not plan to change the company's strategy. This structure of responses assures of a rather negative opinion of Ukrainian companies in European integration.

What exactly will make Ukrainian Corporations enter the European is shown in Fig. 1.2.24.

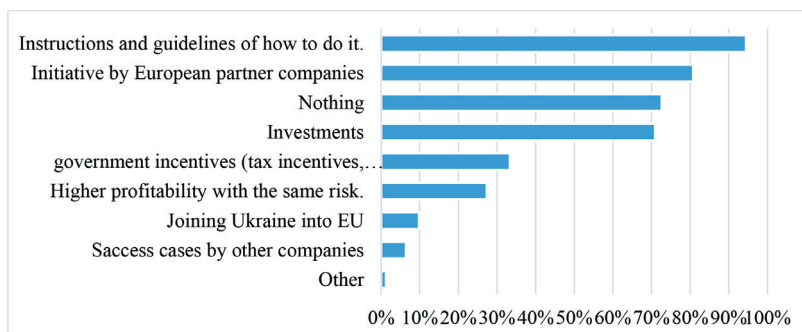


Fig. 1.2.24. Factors that will make

Ukrainian Corporations enter the European Market

Source: built by author based on Harvey, 2010; Ma, Seidl, & McNulty 2020; Ministry of Digital Transformation of Ukraine, 2021; Opencorporates, 2021; Solarino & Aguinis, 2020; Welch & Piekkari, 2006

94% of Ukrainian companies say that they need some kind of advice, instructions and guidelines on how to do it, 81% wait the initiative of European partner companies, and 71% prefer to be invested. 73% say that nothing will make them enter EU Market. Let's move on to the factors that will make Ukraine corporations to cooperate with EU companies (Fig. 1.2.25).



Fig. 1.2.25. Factors that will make

Ukrainian Corporations cooperate with EU companies

Source: built by author based on Harvey, 2010; Ma, Seidl, & McNulty 2020; Ministry of Digital Transformation of Ukraine, 2021; Opencorporates, 2021; Solarino & Aguinis, 2020; Welch & Piekkari, 2006

One of the most important factors supported by 86.3% of respondents is the opportunity to earn additional income, 61.1% chose the opportunity to strengthen their market position and 51.3% consider the initiative of partner companies from the EU to be an important factor.

Based on Fig. 1.2.26, we can determine what will make Ukrainian corporations to agree to mergers and acquisitions by EU companies.

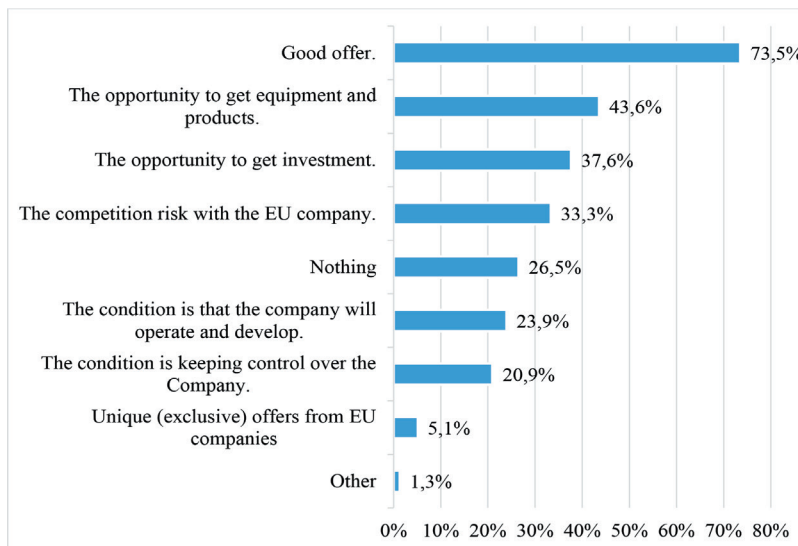


Fig. 1.2.26. Factors that will make

Ukrainian Corporations agree to M&A by EU companies

Source: built by author based on Harvey, 2010; Ma, Seidl, & McNulty 2020; Ministry of Digital Transformation of Ukraine, 2021; Opencorporates, 2021; Solarino & Aguinis, 2020; Welch & Piekkari, 2006

Firstly, it is a good offer (73.5%), secondly, the opportunity to get equipment and products (43.6%), as well as the opportunity to get investment (37.6%) and the risk of competition with the EU company (33.3%). Almost 24% will agree to the M&A, provided that the company will exist and develop, as well as 21% will agree to the M&A in condition of maintaining operational control over the company.

Only 26.5% of companies will not agree to a merger or acquisition under any circumstances. this is a worrying situation for the corporate sector of Ukraine and the Ukrainian economy as a whole. This risk requires further analysis and identification of mitigation pathways.

Let's analyze the opinion of Ukrainian corporations about their competitiveness against the EU corporations (Fig. 1.2.27).

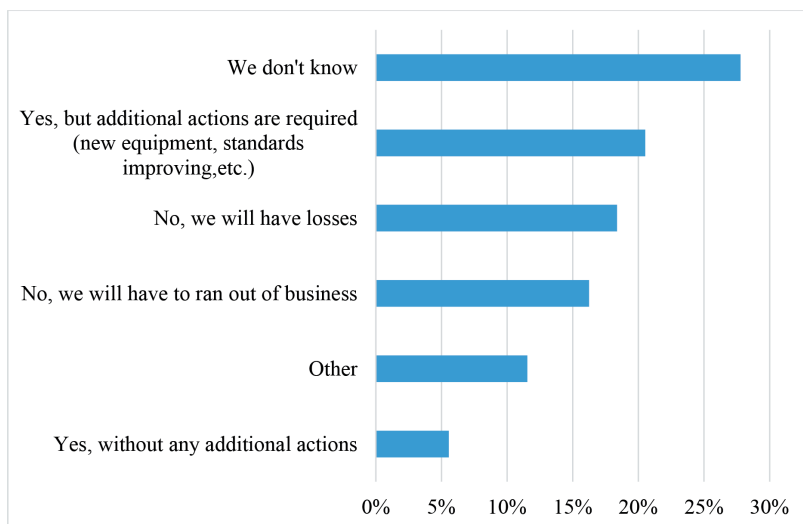


Fig. 1.2.27. Ukrainian Corporations opinion about their competitiveness against to EU corporations

Source: built by author based on Harvey, 2010; Ma, Seidl, & McNulty 2020; Ministry of Digital Transformation of Ukraine, 2021; Opencorporates, 2021; Solarino & Aguinis, 2020; Welch & Piekkari, 2006

28% of respondents do not know whether they are competitive compared to European companies, 21% believe that they can be competitive with additional changes, such as new equipment, introduction of new technologies or standards, and more. However, 18% believe they are suffering significant losses and 16% fear they will have to close their businesses. Only 6% of corporations believe that they will be able to compete with European companies, among these 6% about 92% have worked with EU companies.

Influence the Ukraine Eurointegration on the EU Corporations

The European integration of Ukraine's corporate sector is influenced by two key first-level stakeholders: European corporations and Ukrainian corporations. It is the identity or discrepancy in the vision of certain processes that determines the actual level of risk or opportunity. Yes,

there may be a situation where Ukrainian companies expect an increase in investment from EU companies, and at the same time, European companies do not plan to do so. That is why, in order to identify real risks and opportunities, the views of both stakeholders must coincide. To better understand the realities of EU corporations, a set of questions was developed. Also, these issues should identify key factors and conditions that may change the business strategy of individual EU companies.

Consider what are the expectations of EU corporations from the European integration of Ukraine (Fig. 1.2.28).



Fig. 1.2.28. EU Corporations expectation from Ukraine Eurointegration

Source: built by author based on Harvey, 2010; Ma, Seidl, & McNulty 2020; Ministry of Digital Transformation of Ukraine, 2021; Opencorporates, 2021; Solarino & Aguinis, 2020; Welch & Piekkari, 2006

81.1% of European respondents will not change the company's strategy due to Ukraine's European integration, 21.5% believe that competition with Ukrainian companies will increase, 20.2% are going to look for contractors / suppliers in Ukraine. In addition, 18.7% will cooperate with Ukrainian companies and 17.9% want to sell their goods / services to Ukraine.

Less than 5% of EU companies plan M&A of Ukrainian companies, and about 4% are going to open departments in Ukraine.

About 10% of EU companies plan to hire Ukrainians, which will increase the number of personnel from Ukraine. As noted above, such a risk is also expressed by Ukrainian companies, and it will have a significant impact on the development of Ukrainian territories.

Based on Fig. 1.2.29, we can say what factors will make EU corporations to open branches / divisions in Ukraine.

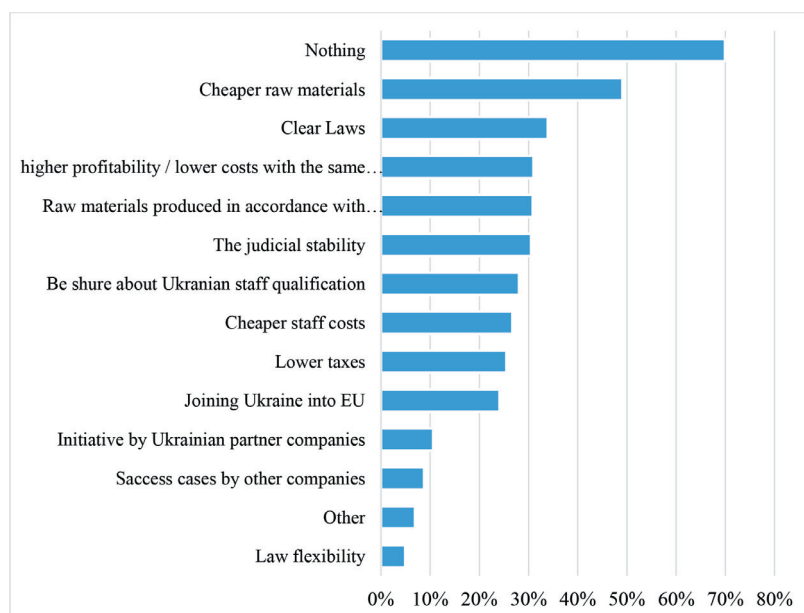


Fig. 1.2.29. Factors that will make

EU corporations open branches/divisions in Ukraine

Source: built by author based on Harvey, 2010; Ma, Seidl, & McNulty 2020; Ministry of Digital Transformation of Ukraine, 2021; Opencorporates, 2021; Solarino & Aguinis, 2020; Welch & Piekkari, 2006

In 70% of cases, nothing will make them to open branches in Ukraine, 49% will open branches if there are cheap raw materials and 34% will open their branch in Ukraine if there are clear laws.

25%–31% – chose such factors as higher profitability, lower taxes, judicial stability, raw materials produced in accordance with ISO / EN standards, cheaper staff costs, confidence in the qualifications of Ukrainian staff.

Let's move on to the factors that will make EU corporations to cooperate with Ukrainian companies (Fig. 1.2.30).

96% of respondents noted one of the important factors is higher profitability / lower costs with the same risk. Between 55% and 80%, such factors as clear laws, the initiative by Ukrainian partner companies, CSR and the joint use of world values by Ukrainian companies and the success cases by other companies. Other factors are less important.

Consider the factors that will make EU corporations to invest in Ukrainian or M&A the Ukrainian companies (Fig. 1.2.31).

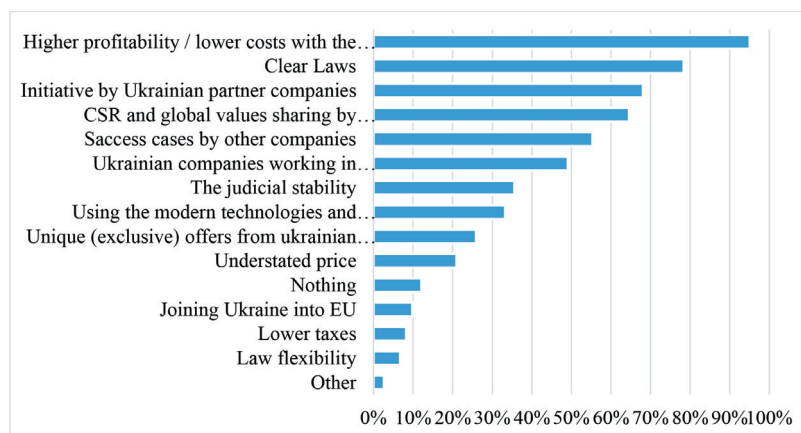


Fig. 1.2.30. Factors that will make

EU corporations cooperate with Ukrainian companies

Source: built by author based on Harvey, 2010; Ma, Seidl, & McNulty 2020; Ministry of Digital Transformation of Ukraine, 2021; Opencorporates, 2021; Solarino & Aguinis, 2020; Welch & Piekkari, 2006

51% believe that nothing will make them to invest or merge Ukrainian companies, 49% prefer judicial stability, 46% have chosen clear laws, 44% consider higher profitability / lower costs with the same risk to be an important factor and 43% invest if they get ownership to the lands. Other factors were less important for European respondents. Let's analyze the factors that may make EU corporations to hire Ukrainians (Fig. 1.2.32)

Only 18% of EU companies will hire Ukrainians solely for their skills and knowledge. 9% – will hire less qualified Ukrainians at a lower labor cost. 36% will agree to hire Ukrainians on the condition of competitive skills at a lower labor cost. Only 10% of EU corporations will not hire Ukrainians in any case.

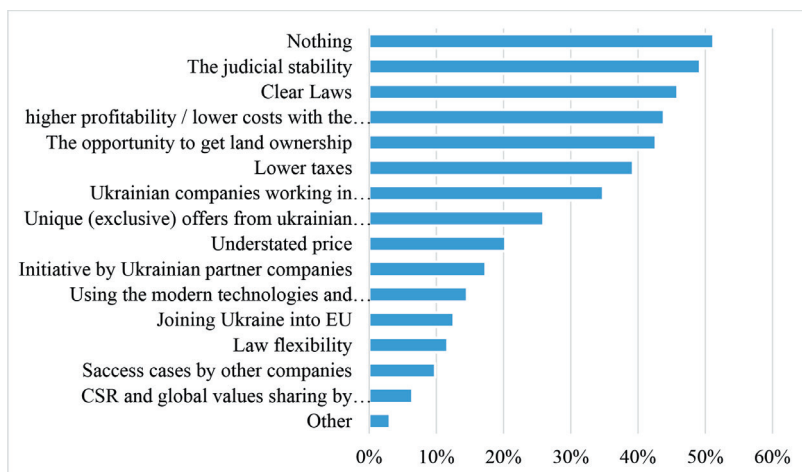


Fig. 1.2.31. Factors that will make

EU corporations invest or M&A into Ukrainian companies

Source: built by author based on Harvey, 2010; Ma, Seidl, & McNulty 2020; Ministry of Digital Transformation of Ukraine, 2021; Opencorporates, 2021; Solarino & Aguinis, 2020; Welch & Piekkari, 2006

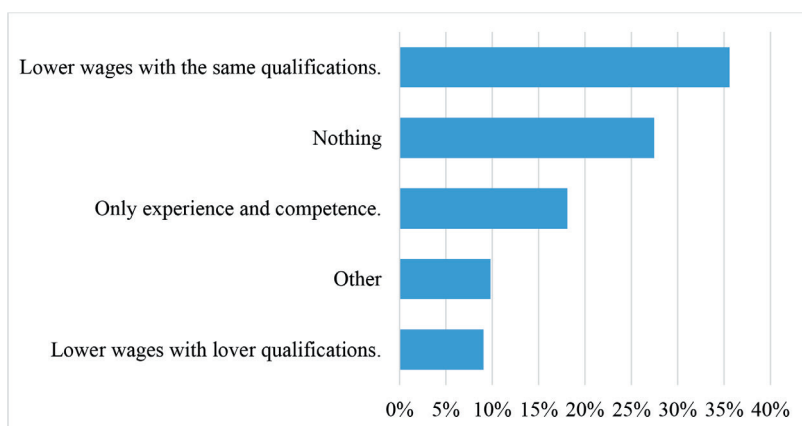


Fig. 1.2.32. Factors that will make EU corporations hire Ukrainians

Source: built by author based on Harvey, 2010; Ma, Seidl, & McNulty 2020; Ministry of Digital Transformation of Ukraine, 2021; Opencorporates, 2021; Solarino & Aguinis, 2020; Welch & Piekkari, 2006

Conclusions

Based on the survey data of the corporate sectors of Ukraine and Europe, the following conclusions can be drawn. Ukraine's European integration resonates more with groups of respondents from Ukraine. Ukrainian corporations are very concerned about this. The following risks can be noted:

- ♦ strengthening competition in the Ukrainian market (both in the commodity and in the service market);
- ♦ mergers and acquisitions of Ukrainian companies;
- ♦ weakening of market positions of Ukrainian companies;
- ♦ bankruptcy of Ukrainian companies;
- ♦ loss of ownership of land (in favor of European corporations);
- ♦ outflow of personnel to Europe.

Most of these risks are real and are confirmed by the answers of the European group of respondents (to some extent). These risks are also taken by European respondents, but their intensity is much lower.

Most Ukrainian companies that see the benefits of European integration already have experience working with foreign companies while others fear this process. On the other hand, European companies with experience of working with Ukrainian ones note the lack of change. However, companies, EU companies that have no experience working with Ukrainian corporations (people) see new opportunities. That is why it is predicted that the interest of European companies in the Ukrainian market will increase, while Ukrainian companies will take a defense position. That is why the question of finding opportunities for each individual Ukrainian corporation becomes relevant.

The European group of respondents does not consider Ukraine's European integration as a turning point. This vision is confirmed by previous experience of European integration of other countries (Misztal, 2013). In addition, European corporations see a number of opportunities for their business from this.

To ensure the most effective European integration in terms of security of the Ukrainian corporate sector, the economy of Ukraine and the development of certain Ukrainian territories, it is necessary to review the existing mechanism of European integration. Moreover, it is necessary to introduce joint and several liability of all stakeholders.

Another growth point is the preparation of Ukraine's corporate sector for European integration under the new mechanism.

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**1.3. INCLUSIVE AND SUSTAINABLE GROWTH:
FACTORS, STAKEHOLDERS, PROBLEMS AND SOLUTIONS**

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The conducted research allowed us to define the concepts of “inclusivity” and “sustainability” at both the national level and at the enterprise level. Within the framework of the work, indicators and methods for measuring the level of inclusiveness for the national economy and for business were described. In order to eliminate the barriers identified on the basis of the analysis for the implementation of sustainable and inclusive activities of the enterprise, solutions based on a scientific approach and effective collaboration were proposed.

Problem statement

The problem of “inclusivity” is gradually moving from the macro level to the level of enterprises and households. If initially “inclusivity” was considered as a global problem that requires coordinated actions of national governments, the development of national development strategies, the creation and implementation of international projects, then at the present stage the issue of involvement is becoming increasingly relevant for business and individual citizens. This is due to the fact that inclusive growth is closely related to labor productivity, income distribution, professional skills, education level, and the sustainability of production technologies. The concept of “inclusivity” defines the creation of not only economic, but also social value. “Inclusivity” is a multicomponent, multidimensional and multifactorial phenomenon. In order to show the role of “inclusivity” not only for national economic development, but also for business and individual citizens, indicators measuring the level of inclusivity and the problems of inclusive development were studied. Based on the analysis, ways to overcome barriers to inclusive growth were proposed, taking into account the national and entrepreneurial context of enterprise development. Since different terms were used in the study, a preliminary contextual analysis was carried out, as a result of which the main definitions of the work were systematized in table 1.

Table 1.3.1. Terms and definitions

Terms	Definitions
Inclusivity	FOR THE ECONOMY: a parameter of the national economy, which is determined by the scale of implementation of measures aimed at combating poverty in all its forms and reducing poverty within the country. FOR BUSINESS: taking into account the interests of the maximum possible number of stakeholders, as well as ensuring equal opportunities for business entities to carry out professional and entrepreneurial activities
Inclusive growth	FOR THE ECONOMY: a progressive movement towards an economy with high employment, ensuring economic, social and territorial cohesion. Inclusive growth means empowering people through high levels of employment, investment in skills, fighting poverty and modernizing labor markets, vocational training and social protection systems to help people anticipate and manage change, as well as build a cohesive society. It is also important that the benefits of economic growth extend to all regions, thereby strengthening territorial cohesion. FOR BUSINESS: strengthening public relations and public influence of the enterprise based on the implementation of the principles of sustainable development
Sustainable development	FOR THE ECONOMY: transformative change by working to ensure that all students acquire the skills and knowledge necessary to become responsible, environmentally oriented citizens of the global world, to develop science, technology and innovation to develop sustainable solutions in the field of climate change mitigation and other global environmental changes and adaptation to them, to expand access to ICTs to promote socio-economic development and to ensure that culture is integrated into sustainable development strategies so that they are relevant, effective and adapted to local conditions. FOR BUSINESS: transformative changes to ensure that employees acquire the skills and knowledge necessary for the development of innovation activity, the development of sustainable solutions in the field of climate change mitigation and adaptation to them so that they are relevant, effective and adapted to local conditions.
Sustainable growth	FOR THE ECONOMY: socio-economic transformations aimed at promoting a more resource-efficient, environmentally friendly and competitive economy. FOR BUSINESS: improving the economic performance of the enterprise through the implementation of sustainable solutions in the field of climate change mitigation and adaptation to them so that they are relevant, effective and adapted to local conditions.
Smart growth	FOR THE ECONOMY: a progressive movement towards an economy based on knowledge and innovation. This requires improving the quality of education, increasing the effectiveness of research, encouraging innovation, making full use of information and communication technologies and ensuring that innovative ideas can be turned into new products and services that create growth, quality jobs and help solve social problems. But to succeed, this must be combined with entrepreneurship, finance and an emphasis on user needs and market opportunities. FOR BUSINESS: a positive change in the key economic indicators of the enterprise by improving the efficiency of research, encouraging innovation, making full use of information and communication technologies and ensuring that innovative ideas can be turned into new products and services that help solve social problems.

Terms	Definitions
Poverty	Poverty entails more than a lack of income and productive resources to ensure a sustainable livelihood. Its manifestations include hunger and malnutrition, limited access to education and other basic services, social discrimination and exclusion, as well as lack of participation in the decision-making process.

Source: built by thr author based on Cedefop, OECD, 2015; Demirel et al., 2019; Joynal Abdin, 2014; UN, 2020; von Schönfeld & Ferreira, 2021

Inclusiveness at the national level: Inclusive Development Index and the key problems

In the world practice, a comprehensive indicator – the Inclusive Development Index (IDI) was developed to measure the national level of inclusiveness. The index consists of three main elements, each of which is calculated on the basis of international statistical and economic indicators (table 1.3.2).

Table 1.3.2. Inclusive Development Index (IDI)

GROWTH & DEVELOPMENT	GDP PER CAPITA
	LABOUR PRODUCTIVITY (it is the basis of wages, which, in turn, makes up the vast majority of household income)
	HEALTHY LIFE EXPECTANCY (an indicator of the quality of life)
	EMPLOYMENT (an indirect indicator of the breadth of economic opportunities and, ultimately, the security of the family)
INCLUSION	NET INCOME GINI (the standard international measure of inequality)
	POVERTY RATE (a measure of the extent to which progress occurs at the bottom of the income scale)
	WEALTH GINI (measure of wealth concentration)
	MEDIAN INCOME (indicator of the breadth of progress in improving the standard of living)
INTERGENERATIONAL EQUITY & SUSTAINABILITY	ADJUSTED NET SAVINGS (the true level of savings in the economy, taking into account investments in human capital, the depletion of natural resources and compensation for damage caused by environmental pollution)
	CARBON INTENSITY (climate change impact indicator)

	PUBLIC DEBT (the share of GDP, which roughly illustrates the scale of borrowing)
	DEPENDENCY RATIO (the ratio of retirees and young people (under the age of 15) and the working-age population, which is also a leading indicator of the likely future pressure on the country's finances)

Source: built by the author

Let's consider the role of each of the indicators in forming a general idea of inclusivity:

1. GDP PER CAPITA shows how high the productive power of the country's economy is. The higher the GDP per capita, the more the economic potential is realized, the higher the potential involvement of various business entities in various types of entrepreneurial activity. GDP per capita is used for measurements at the national and international level.

2. LABOR PRODUCTIVITY determines the degree of involvement of each employee in the production process, as well as the degree of realization of personal professional and entrepreneurial potential within the framework of useful economic activity. Labor productivity can be used for measurements both at the national level and at the level of individual enterprises.

3. HEALTHY LIFE EXPECTATION characterizes not only the quality of life, but also the human potential of the country's economy, opportunities for long-term entrepreneurial activity and participation in creating social value. Healthy life expectation is used for measurements at the national and international level.

4. EMPLOYMENT directly illustrates the degree of involvement of citizens in production activities. The higher the level of employment, the more people participate in the creation of products and services, having the opportunity to ensure economic security for themselves and their families. Employment is used for measurements at the national and international level.

5. NET INCOME GINI shows the uniformity of income distribution in society and indirectly determines the equality of opportunities for the development and use of professional skills within the framework of useful production activities and the creation of products and services. Net Income Gini is associated with the level of education, educational opportunities for citizens of the country. The higher the Net Income Gini, the fewer people can be actively involved in production activities due to the lack of necessary skills, as well as opportunities to develop them. Net Income Gini is used for measurements at the national and international level.

6. **POVERTY RATE** is defined as the share of the poor population in the total population and thus shows how many people cannot be involved in production activities without being able to fully meet basic human needs. The higher the poverty rate, the lower the level of inclusiveness of the economy. The poverty rate is used for measurements at the national and international level.

7. **WEALTH GINI** rises with increasing the concentration of wealth and thereby determining a lower level of inclusiveness of the economy. The indicator is estimated this way because the more income is concentrated among a smaller number of the population, the fewer opportunities for participation in active productive activities remain for the majority of the population due to the low level of personal economic security, lack of opportunities to obtain the necessary professional skills. Wealth Gini is used for measurements at the national and international level.

8. **MEDIAN INCOME**, similar to GDP per capita, shows how high the productive power of the country's economy is. The higher the median income, the higher the level of inclusiveness of the economy. Median income is used for measurements at the national and international level.

9. **ADJUSTED NET SAVINGS** characterizes the extent to which the economy independently provides its own economic security. Thus, the higher the adjusted net savings, the less the burden on future generations of people, the more opportunities for young people to show their personal qualities to participate in production activities. A higher level of savings determines a higher level of inclusiveness of the economy. At the same time, adjusted net savings is mainly used for measurements at the national and international level.

10. **CARBON INTENSITY** characterizes the level of environmental burden on future generations. The higher the carbon intensity, the more efforts will need to be made by the younger generation to obtain a similar production effect, taking into account the need to implement the costs of compensation for environmental damage. The increased complexity of involvement in economic activity and obtaining a positive economic effect causes a decrease in the level of inclusiveness of the economy. Note that carbon intensity can be used for measurements both at the national level and at the level of individual enterprises.

11. **PUBLIC DEBT** determines the financial burden on future generations and, similarly, carbon intensity adds difficulties to the younger generation to obtain an equivalent production effect, taking into account the need to implement costs to reduce the financial burden. Higher values of public debt mean a decrease in the inclusiveness of

the economy. Unlike carbon intensity, public debt is mainly used for measurements at the national and international level.

12. DEPENDENCY RATIO, as well as public debt, determines the future financial pressure on young people and the number of dependents that falls on one working person. The more dependents, the less resources are used for personal growth, the less each person participates in the production process. An increase in the dependency ratio means a decrease in the level of inclusiveness. The dependency ratio is used for measurements at the national and international level.

It follows from the description of the Inclusive Development Index indicators that only labor productivity and carbon intensity can be used to characterize inclusiveness at the level of studying the business environment. All other parameters assess the level of inclusive development mainly at the national level. Based on the values of these parameters, Ukraine ranks 47th in the Inclusive Development Index (IDI) rating, having scored significantly less points than five years ago (table 1.3.3).

Table 1.3.3. Inclusive Development Index (IDI) in Ukraine

	Indicator	Data	Points from 1 to 5
GROWTH & DEVELOPMENT	GDP PER CAPITA, \$	2824	3
	LABOUR PRODUCTIVITY, \$	17157	3
	HEALTHY LIFE EXPECTANCY, YRS	64.1	3
	EMPLOYMENT, %	55.0	2
INCLUSION	NET INCOME GINI	25.5	5
	POVERTY RATE, %	0.1	5
	WEALTH GINI	91.7	1
	MEDIAN INCOME, \$	11.4	4
INTERGENERATIONAL EQUITY & SUSTAINABILITY	ADJUSTED NET SAVINGS, %	-0.5	1
	CARBON INTENSITY, KG PER \$ OF GDP	347.0	1
	PUBLIC DEBT, %	80.1	1
	DEPENDENCY RATIO, %	43.3	5

Source: Jha, 2018; European Commission, 2020; IMF, 2020; UNDP, 2017

According to table 1.3.3, the most positive trends are that Ukraine has a low dependency ratio, a low level of inequality in income distribution, and a low level of poverty. Positive trends are supported by an education system with high enrollment rates and fair results for students at all socio-economic levels. The middle class remains large, and good health care and unemployment benefits help Ukraine to take the first place in its income

group for social protection. At the same time, there are many problematic weaknesses, namely, a low level of employment, a high concentration of wealth, as well as a high degree of pressure on future generations (lack of net savings, a high level of public debt, a high level of production intensity and environmental stress). Priorities should include improving professional training, reducing the administrative burden on the creation of new enterprises, and expanding financing for entrepreneurs.

Thus, inclusive economic growth is based on the strengthening of high-quality entrepreneurial activity. High-quality inclusive-oriented entrepreneurship is understood as the activity of creating products and services based on the principles of: 1) providing maximum opportunities for work and professional development; 2) maximum involvement of people in production activities. Thus, the key issues of inclusive growth, both at the national level and at the enterprise level, are the expansion of access to productive resources and opportunities for education and the development of necessary working skills. Inclusive economic growth, on the one hand, is ensured by increasing the productivity of workers, and on the other hand, by the effective distribution of benefits in society (Fig. 1.3.1) (ILO and OCED, 2015).

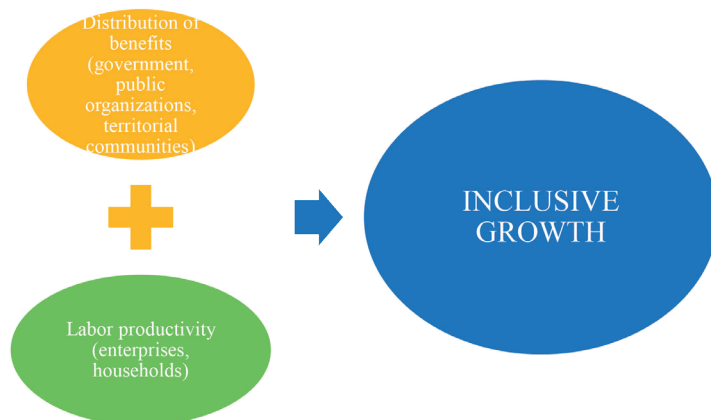


Fig. 1.3.1. Influencers of inclusive growth

Source: built by the author

The main influencers and at the same time stakeholders of inclusive growth are the government, enterprises, public organizations, territorial communities, and households. From the point of view of income distribution, inequality in income, economic opportunities, and the

level of education leads to a decrease in labor productivity in general, and at the micro level. In turn, low productivity determines low wages and corresponds to a small number of dependents that each working person can support. As a result, a small number of dependents, on the one hand, means a greater number of people involved in the production process, and on the other hand, a lower level of income in conditions of increased competition in the labor market. International organizations, based on the methodology of calculating the Inclusive Development Index, adhere to the second point of view, associating a decrease in productivity with a decrease in the level of inclusiveness of the economy. According to the OECD, the solution to this contradiction is to provide opportunities for all people to acquire the necessary skills and realize their production potential. At the same time, enterprises play a crucial role in ensuring productivity growth by offering jobs, promoting the effective development and use of skills, as well as the development of knowledge and technology (OECD, 2016).

Thus, the key role in organizing the interaction of stakeholders in order to increase the level of inclusiveness of the economy passes to enterprises. Broad business opportunities, namely, access to the necessary information, open tools for data analysis, create the development of the field of information and communication technologies (ICT) (Fig. 1.3.2).



*Fig. 1.3.2. ICT and inclusive growth
Source: built by the author*

The use of ICT contributes to increasing labor productivity through rapid decision-making and the introduction of low-cost automated technologies. Faster decision-making saves time, optimizes business processes and thus contributes to increased labor productivity. Automation of production also creates an effect in the form of saving working time, optimizing business processes and, as a result, increasing labor productivity. At the same time, the adaptation of ICT within the enterprise creates a demand for qualified employees, as well as for specialists who are able to cope with non-standard tasks. A high professional qualification is determined mainly by the level of education. At the same time, the relationship is as follows: it takes more time, as well as financial support, to create a more highly qualified specialist. As a result, more highly skilled labor is usually rewarded with higher wages, due to which there is a difference in income between less and more skilled workers. Hence the problem of differences in access to tangible and intangible benefits, the problem of opportunities for education, maximum involvement in the production process.

As a result, education becomes a key area of interaction between the main stakeholders of inclusive growth, and a factor of distribution of benefits between generations and territories, and the basis for the implementation of the principles of sustainable growth. Regarding the interaction of stakeholders, we note that the main consumers, promoters, creators of educational products are not only governments, but also business structures, non-profit organizations, and households. Regarding sustainable development, education is one of the goals of the sustainable development strategy (GOAL 4: QUALITY EDUCATION). It should also be noted that there is a clear relationship between the strategy of sustainable development and inclusivity (Table 1.3.4).

Table 1.3.4. Compliance of Sustainable Development Goals and Inclusive Growth

Sustainable Development Goals (United Nations)	Inclusive growth
GOAL 1: NO POVERTY	Focus on fighting poverty
GOAL 2: ZERO HUNGER	
GOAL 3: GOOD HEALTH AND WELL-BEING	Ensuring a high level of well-being and access to quality health services for all
GOAL 4: QUALITY EDUCATION	Maximum involvement of all people in the production process, as well as opportunities for obtaining professional skills
GOAL 5: GENDER EQUALITY	Equal opportunities for everyone in the context of professional development and remuneration

Sustainable Development Goals (United Nations)	Inclusive growth
GOAL 6: CLEAN WATER AND SANITATION	
GOAL 7: AFFORDABLE AND CLEAN ENERGY	
GOAL 8: DECENT WORK AND ECONOMIC GROWTH	Maximum involvement of all business entities in the production of products and services, opportunities for professional growth and self-development
GOAL 9: INDUSTRY, INNOVATION, AND INFRASTRUCTURE	It is supposed to strengthen the involvement of all people in production activities through the creation and implementation of technical innovations
GOAL 10: REDUCED INEQUALITIES	Ensuring maximum opportunities and access for all to economic and non-economic benefits
GOAL 11: SUSTAINABLE CITIES AND COMMUNITIES	
GOAL 12: RESPONSIBLE CONSUMPTION AND PRODUCTION	
GOAL 13: CLIMATE ACTION	
GOAL 14: LIFE BELOW WATER	
GOAL 15: LIFE ON LAND	
GOAL 16: PEACE, JUSTICE AND STRONG INSTITUTIONS	Fair distribution of benefits in society
GOAL 17: PARTNERSHIPS	Active interaction of stakeholders to achieve maximum involvement of all business entities in business processes

Source: built by the author based on United Nations, 2020; World Economic Forum, 2017

We will consider education as a factor of fair distribution of benefits and, accordingly, a factor of inclusive growth in the following aspects:

1. The fairness of the distribution of benefits between generations. According to research, the low level of education of parents is highly likely to determine the low level of education of children. On average, in the OECD countries, children with low-educated parents are 15% likely to receive a higher education. But they are almost four times more likely (63%) to go to university if at least one of the parents has a higher education. Children with a more educated parent are 6 times less likely to drop out of school compared to children whose parents have a lower level of education (OECD, 2016). Thus, the level of education of parents largely determines the level of education of children. The level of education also determines the personal professional level and, as

a result, the share of benefits received by various business entities. The distribution of benefits, in turn, is a significant factor in inclusive growth, as mentioned above. As a result, the higher the correlation between the level of education of different generations, the greater the impact of education on inclusive growth.

2. The uniformity of the distribution of achievements in the field of healthcare. According to the research results, a low level of education with a high probability determines a low life expectancy. Thus, a twenty-five-year-old man with a low level of education can live at least 4 years less than a man with a higher education in all OECD countries. A person with a low level of education in the United States is likely to live 7 years less than a person with a higher education. In Sweden, this indicator is 6 years, and in Hungary-14 years (OECD, 2016). Thus, the level of education of parents largely determines the life expectancy. Life expectancy determines the shift of personal emphasis from professional development to health and family values. As shown above, the shorter the life expectancy, the lower the level of inclusiveness. As a result, the higher the correlation between the level of education and achievements in the field of health, the greater the impact of education on inclusive growth.

3. Spatial segregation – uneven access to services, which can undermine well-being (health, education, social ties). It is known that large cities attract highly qualified workers and the most productive firms. As a result, there are differences in income between urban and rural regions. For example, in many OECD countries, there are significant differences in regional income between urban and rural regions. People living in cities earn on average 18% more than residents of other localities, although these differences do not take into account differences in the cost of living, which can significantly change the picture (OECD, 2016). In the United States, Italy and Japan, the average income in the wealthiest megacities is almost twice as high as in ordinary cities. When inequality in a city is high, it can turn into a phenomenon known as spatial segregation. That is, the division of the city's territory into areas with the most developed system of social services and accommodation for the richest people, and into areas with cheap housing, high crime rates, and poor infrastructure. People living in disadvantaged areas often have access to low-quality public services that can undermine their well-being.

The different level of qualification of workers in rural areas and cities is determined by the different level of professional education. As shown above, higher qualifications mean higher wages, higher incomes, a greater share of economic benefits. The uneven distribution of economic

benefits reduces the level of inclusiveness of the economy and absorbs the potential for inclusive growth. The difference in education reinforces spatial segregation, which reduces opportunities for inclusive growth.

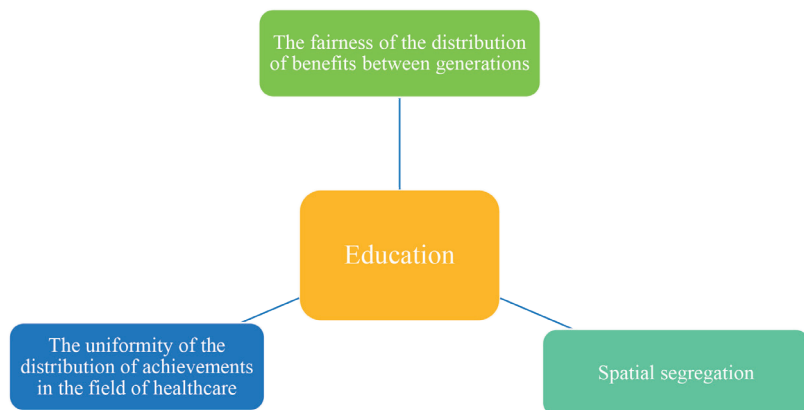


Fig. 1.3.3. Education and inclusive growth

Source: built by the author

As a result, since, firstly, various economic entities are involved in the field of education both at the macro and micro levels, and secondly, education largely determines the inclusiveness of the economy and business, it is in the field of education that the main emphasis of development strategies for the government, inclusive and sustainable solutions for business is shifting (Fig. 1.3.3).

Inclusivity for business: measurement, barriers to growth, solutions

As shown above, the emphasis on “inclusivity” and “inclusive growth” is increasingly shifting from the national level to the enterprise level. In this regard, we will consider approaches to measuring the level of inclusiveness for an enterprise, as well as the main problems and ways to solve them for business. Within the framework of McKinsey Digital Consumer Insights, the level of enterprise inclusivity was studied based on the analysis of employee reviews of the companies they work for made on public forums based in the United States during 2017–2019 (Dixon-Fyle et al., 2020). Using a natural language processing algorithm, the moods – positive, negative and neutral – in employee mentions of inclusivity and diversity were analyzed. 10–30 companies in each of the three industries: financial services, technology and healthcare (these

industries have the highest level of diversity of management teams) were studied. As key indicators of inclusivity, the following are considered:

1. Equality: fairness and transparency in promotion, remuneration and recruitment; equal access to sponsorship opportunities and other resources; equal support for staff retention, the introduction of analytical tools to increase transparency.

2. Openness: an organizational culture in which people treat each other with mutual respect and where they actively fight against bias, intimidation, discrimination and microaggression. In companies that adhere to openness, the working environment is favorable for discussion, feedback and risk-taking.

3. Affiliation: the result of the organization's demonstration of commitment to supporting the well-being and contribution of various employees. Leaders and managers strengthen the connection between all employees, creating a sense of community.

The study revealed a particularly high level of negative attitudes towards equality and equity of opportunities. Negative sentiments about equality ranged from 63 to 80 percent in different industries. The openness of the work environment, which includes bias and discrimination, was also a major concern, accounting for 38 to 56 percent of negative sentiment in various industries (Dixon-Fyle et al., 2020). The affiliation caused a general positive mood, but due to the relatively small number of mentions.

The next stage was the study of opportunities for inclusive business growth. Since inclusive and sustainable growth are closely intertwined, the object of study was selected sustainable and inclusive types of entrepreneurial activity (SIBA) within the enterprise. As a result of a study of more than 40 companies, the following barriers to SIBA were identified:

1. Lack of common vocabulary: SIBA is not a natural habitual business function. There is no generally accepted vocabulary that can cause a general conversation and collective participation of various groups of stakeholders and decision makers. The language of inclusive markets, sustainability, or shared value is still used mainly by non-profit organizations, consultants, and scientists; these terms have not been uniformly adopted by business. Enterprises rely more on the language of commercial viability (net present value, break-even level, return on investment). In many cases, the association of SIBA terms with non-profit organizations deters businesses from actively participating in SIBA.

2. Lack of strategic motivation: the business does not have a single motivation to participate in this kind of activity even within

the organization, which can lead to the loss of significant managerial support. Most motivations can be described as “defensive” (avoiding losses/reducing risk) or “maintaining” (staying competitive/keeping up). “Positive” motives (the desire for growth/new markets) were also often mentioned. Interestingly, risk avoidance, although not a desire for growth, will have greater power to support social investment, since its consequences are often easier to quantify. The goal of “strengthening competitive positions” is broad, has a long-term impact and is more difficult to directly link with SIBA.

3. Absence in the organizational structure: who should be engaged in SIBA – an enterprise, a corporate center, a special unit? Companies have not figured out how to effectively integrate inclusive and sustainable business practices into the organizational architecture. To create a viable, scalable practice, it is needed: different time horizons for planning; performance indicators; opportunities that may not be available in the organization; significant organizational changes; partnerships.

4. Local constraints: enterprises are limited by inadequate local infrastructure; problems in effectively combining and standardizing disparate suppliers. It is more productive for enterprises to work with local partners, governments and non-profit organizations. However, these local partners are moving slowly, and partnerships can be unreliable.

5. Difficulties in measuring the impact: About a quarter of respondents pointed to the problems of measuring the economic and social impact as a key obstacle. In the absence of reliable, widely applied development indicators, organizations are not able to properly manage SIBA and allocate budgets.

In order to overcome these barriers and develop SIBA, the following solutions were developed.

BARRIER 1: LACK OF COMMON VOCABULARY

Solution method:

1. Companies’ definition of sustainable and inclusive business activities (SIBA).

2. Comparison of definitions given by state institutions and non-profit organizations.

3. Improvement of such definitions for business:

- ♦ commercial viability;
- ♦ compliance with the main business strategy and/or the moral purpose of the business;
- ♦ scalability;
- ♦ models of cooperation;

- ♦ results: clear benefits for society and / or the environment.

BARRIER 2: LACK OF STRATEGIC MOTIVATION

Solution method: Clear formulation and informational promotion of current motives for SIBA, including them in the summary of business projects (table 1.3.5).

Table 1.3.5. SIBA motives and their promotion

Motivation	Partners	Events	Expected result
Maintaining the license to carry out activities	Government agencies	Adaptation of processing technologies in agriculture and manufacturing industry	Improving product quality/productivity
Reducing reputational damage	Specialized state and private agencies, consulting companies, mass media	Audit and/or certification; measurement and reporting of positive social and environmental impacts	Reducing the risk of loss of income due to reputational damage
Warning of future supply disruptions	Small farmers and entrepreneurs	Focusing the business model on finding suppliers among small firms; providing resources, loans to small firms to improve quality/profitability	Reducing the risk of future supply shortages and associated price increases due to growing demand for key products
Competition	-	Compliance with industry standards of transparency and certification	Maintaining a competitive position
Satisfaction of internal needs	Non-profit organizations	Creation of volunteer programs or business units of SIBA	Improving the key competencies of employees
Product differentiation	Specialized state and non-state agencies for standardization and certification of products	Compliance with higher standards; product certification	Increase profits by using a premium pricing strategy
Increasing revenue and customer loyalty	Communities and associations of potential consumers; specialized government agencies representing the interests of inclusive consumer groups	Development of new products and/or distribution models; demand generation; consumer education	Creating new revenue streams; opening access to new markets; increasing brand awareness and loyalty among customers in fast-growing markets

Source: built by the author

BARRIER 3: ABSENCE IN THE ORGANIZATIONAL STRUCTURE

Solution method: development of internal and external knowledge systems through the study of best practices, exchange of experience, strategic partnership and cooperation. The key activities aimed at overcoming this barrier are presented in table 6.

Table 1.3.6. Strategic directions for the development of the internal and external knowledge system

Strategic directions	Partners	Events	Expected result
Impact and effectiveness guidelines	Government, corporate stakeholders	Monitoring the activities of companies on the ground; coordination of simple, comparable indicators through round tables, blogs, forums	Establishing clear impact thresholds
Development of effective sets of tools private business, non-profit organizations, specialized agencies, stakeholder associations	Private business, non-profit organizations, specialized agencies, stakeholder associations	Informal exchange of knowledge through round tables, blogs, forums in real time in order to study the best industry practices, individual success stories, methods of evaluating and predicting effectiveness, methods of achieving results	Implementation of inclusive business models, as well as exploring opportunities for creating business value
"Space" for innovation	Private companies, consulting agencies	Develop clear decision-making rules, incentives, budgets and indicators for sustainable and inclusive business practices	Testing of "ambidextrous" models for creating new venture and innovation divisions within large operating organizations
Developing knowledge about SIBA	Donors and business associations	Analysis of companies' activities within the framework of SIBA innovations by such indicators as decision-making rights, reporting lines, financing, time horizons, success indicators (ROI calculation)	Setting goals and objectives for the development of a successful inclusive business

Source: built by the author

BARRIER 4: LOCAL RESTRICTIONS

Solution method: strategic and active partnership with governments and other institutions; development of solutions that create economic and political opportunities for all relevant stakeholders in the partnerships.

The analysis of the respondents' responses showed that the key partners in the implementation of the main SIBA activities are private companies, the state and local non-profit organizations (Table 1.3.7).

Table 1.3.7. Key SIBA partners

Partners	Government	Private business	Independent development organizations	Local non-profit and public organizations	Financial institutions
Events					
Consulting services	+		+	++	
Trainings and professional development	+	+	++	++	
Consumer education and demand generation	+	+		+	
Monitoring and measurement	+	+	+	++	
Logistics		++			
Deliveries	+	+	+	+	
Production processes		++			
Promotion/Sales		+			
Technologies		++			
Lending			+		+

* + the average level of partner involvement in SIBA events (7–12 responses from respondents)

++ high level of partner involvement in SIBA events (more than 12 responses from respondents)

Source: built by the author based on Chakravorti et al., 2014

BARRIER 5: DIFFICULTIES IN MEASURING THE IMPACT

Solution method: conducting scientific research and improving methods for measuring economic and social effects (Table 1.3.8).

Table 1.3.8. Measurement of social and business effect

Measurement direction	Methods of analysis (indicators)	Evaluation of the result
Social and business effect	<ul style="list-style-type: none"> - economic return from SIBA (the main factors that influenced the result); - internal assessment of the benefits of competing motivations by companies; - time horizons and investment expectations; - assessment of intangible assets (goodwill, brand value, employee retention/satisfaction), the dependence of this assessment on the industry/group of customers 	The development of an “evidence base” for evaluating the business justification of specific models will benefit companies, forming the advantages of resource allocation and management for SIBA as the leading indicators of economic efficiency
Approbation analysis	Conducting research to track the evolution of the language, the size and scope of activities, as well as key barriers to participation in SIBA over time. This study should be accompanied by regular briefings “on the situation on the ground”	Monitoring the evolution of companies’ thinking and activities in a sustainable and inclusive business space

Source: built by the author

Ensuring the inclusive growth of the enterprise is possible only on the basis of the interaction of business and the maximum number of stakeholders. This interaction contributes to the development of corporate social activities and forms the basis of the most important management innovations. Sustainable and inclusive business activities focus the company on achieving medium-term reputational effects, as well as on reducing the emphasis on short-term risk reduction, which in turn contributes to the implementation of the principles of sustainable development in the company’s activities and creates the basis for increasing the economic power of the enterprise (Glonti et al., 2020).

Conclusions

Inclusive, sustainable, smart growth are relevant strategies for both the national economy and individual enterprises. The Inclusive Development Index methodology allows to measure the level of inclusiveness of the national economy. Through the implementation of these measurements, weaknesses and problems were identified, the

solution of which is mainly in the field of entrepreneurial activity. At the same time, the key issues of inclusive growth both at the national level and at the enterprise level are the expansion of access to productive resources and opportunities for education and the acquisition of necessary professional skills. The main influencers and at the same time stakeholders of inclusive growth are the government, enterprises, public organizations, territorial communities, and households. The key role in organizing the interaction of stakeholders in order to increase the level of inclusiveness of the economy is moving to the micro level.

The innovative potential for business is created by the ICT sphere, which contributes to increasing labor productivity through rapid decision-making and the introduction of inexpensive automated technologies. Nevertheless, the need for highly qualified specialists for the implementation of technical innovations increases the differences in access to tangible and intangible benefits, creates the problem of providing opportunities for education, maximum involvement in the production process. As a result, education becomes a key area of interaction between the main stakeholders of inclusive growth, and a factor of distribution of benefits between generations and territories, and the basis for the implementation of the principles of sustainable growth. The barriers that stand in the way of SIBA development within enterprises are closely related to the field of education, namely, the lack of a common vocabulary, the lack of strategic motivation, the absence of an organizational structure, local restrictions and difficulties in measuring the impact. The key solutions to the issue of eliminating barriers lie in the partnership and associative interaction of the main stakeholders, as well as the implementation of joint consulting, educational, research activities.

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SECTION 2

PUBLIC-PRIVATE PARTNERSHIP AS A FACTOR OF SUSTAINABLE DEVELOPMENT OF TERRITORIAL INFRASTRUCTURE

2.1. IMPACT OF INNOVATIVE ACTIVITY ON THE DEVELOPMENT OF SOCIAL INFRASTRUCTURE OF TERRITORIES

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This section discusses approaches to defining the concept of “innovation potential”. The assessment of innovative activity in Ukraine in the international ratings of innovation capacity was carried out. The structure of creating innovative projects is analyzed and their special importance in managing the processes of innovative development of social infrastructure of territories is determined. The mechanism of state regulation of innovative processes in China is considered. The impact of innovative activity on the social development of territories is studied.

Problem statement

Social infrastructure as indicated in “Economic Encyclopedia” is “a complex of objects (enterprises, institutions, organizations and structures) that provide conditions for functioning of social production and life activity of the population, formation of a physically and intellectually developed, socially active individual” (Mochernyi, 2000). The main feature of making social infrastructure a separate subsystem of the economic complex refers to general conditions of social reproduction process, i.e., its functional purpose and complex internal structure: it contains parts, links, and objects. The basis for dividing social infrastructure into parts and links is the general functional purpose of

components in the process of social reproduction, that is, the orientation of objects and the creation of conditions for meeting a certain range of needs of society, population, and production.

To achieve the abovementioned, it is extremely important to create the foundations for the formation of an innovative society in Ukraine, which generally influences the recognition of key ways of further development of Ukrainian society. This problem is becoming particularly relevant as modern Ukrainian society is increasingly dependent on continuous and inevitable innovative progress as the dominant way of development. This happens because in modern times there is a struggle primarily not for the possession of material resources, but for the ability to be innovative. It is this ability that has become a certain indicator of the effectiveness of a modern organization within social systems at various levels, which allows them to survive and develop in the face of increasing rates of social changes, increased international and domestic competition. The source of competitive advantage is the ability of a particular society to generate rational ideas with high frequency and ensure the maximum rate of their implementation.

According to the law of Ukraine “On innovative activity”, the main principles of state innovative policy include: orientation to the innovative development of Ukrainian economy; determination of state priorities for innovative development (Law of Ukraine “On innovative activity”).

Innovations in social infrastructure increase the quality characteristics of the infrastructure itself, and through this, the quality of life, human capital, thus contributing to the innovative development of national economy.

Social infrastructure can create the basis for the effective functioning of both social production and the life of the population only on condition of applying the achievements of science and technology, i.e., constant introduction of innovations.

Scientific research in the context of forming an innovation economy belongs to such Ukrainian scientists as A. Amosha, V. Dykan, V. Kutsenko, N. Kraus, E. Libanova. However, there is still a controversy in scientific works around finding out the key requirements for managing the processes of innovative development of social infrastructure.

It should be noted that the low level of innovative activity of business entities working in the social sphere remains one of the most acute problems of territorial development in recent years. The problem is being complicated by moral aging of social and communal infrastructure of settlements. All the abovementioned indicates the relevance and necessity of this study.

Institutional, organizational, and economic prerequisites for effective innovative activities in Ukraine

According to the law of Ukraine “On innovative activity”, innovations are newly created (applied) and (or) improved competitive technologies, products, or services, as well as organizational and technical solutions of a production, administrative, commercial, or other nature that significantly improve the structure and quality of production and (or) a social sphere (Law of Ukraine “On innovative activity”).

The term innovation has two meanings:

- ♦ investment in the economy that ensures generational change of equipment and technologies;
- ♦ new equipment, technology that is the result of scientific and technological progress.

Innovative activity is an activity aimed at using and commercializing the results of scientific research and development and it determines the release of new competitive goods and services to the market (Law of Ukraine “On innovative activity”).

In order to implement effective innovative activities, the availability of innovation potential is an important issue. There are different approaches to defining the concept of innovation potential. We suggest considering the interpretation of “innovation potential” concept made by different scientists.

V. Burkinsky considers innovation potential as a set of personnel, scientific research, material, market, intellectual, information, financial resources (potentials) that are needed for innovation, that is, directly involved in the innovative process, the purpose of which is to meet the needs of the economy and society in new or improved types of products or services and increase the competitiveness of the region and the country as a whole (Burkynskyi, 2007).

A. V. Gryniyov formulates the concept of innovation potential as a set of all available tangible and intangible assets of an enterprise used in the process of innovative activity (Hrynov, 2003).

V. I. Zakharchenko reveals the concept of innovation potential as a generalizing characteristic of the level of scientific support for production, among them are science, equipment, technology, engineering, production experience, opportunities, and resources (including scientific and technical personnel) that are available to the enterprise to solve scientific and technical problems (Zakharchenko, 2012).

In the law of Ukraine “On priority areas of innovative activity in Ukraine”, innovation potential is defined as a set of scientific and technological, financial and economic, industrial, social, cultural and

educational opportunities of a country (industry, region, enterprise, etc.) necessary to ensure innovative development of the economy (Law of Ukraine “On priority areas of innovation in Ukraine”).

The development of innovation potential is not only a way of dynamic development and success, but also a means of ensuring the security and sovereignty of the state, its competitiveness in the modern world (Strategy for the development of innovation for the period up to 2030, 2019).

The Bloomberg Innovation Index shows how much countries are committed to new advances in various fields of science and its practical application in the lives of citizens. The rating of innovation economies is calculated on the basis of such indicators as the intensity of research and development, production of innovative services and goods, labor productivity, patent activity, etc. (International monetary fund).

The report “Global Innovation Index 2019” provides data on the innovative activities of 129 countries and territories in the world. 80 parameters used for the assessment provide a complete picture of innovative development, including an overview of the political situation, the condition of education, the level of infrastructure and business development. The top ten most innovative countries in the world also include: Finland, Denmark, Singapore, Germany, and Israel (fig.2.1.1).

In 2019, Ukraine lost four positions in the rating and took the 47th place being ahead of Georgia (48th place). In addition, Ukraine took the second place, losing to Vietnam, in the group of countries with below average income.

The basis of Ukrainian innovative competitiveness is human capital and research, as well as knowledge and results of scientific research. Their effective implementation is the main competitive advantage. However, in 2019, according to the Sub-Index “Human Capital and Research”, Ukraine lost eight more positions and took the 51st place. The reason for this was the reduction in spending on education as a percentage of GDP (22nd place in 2017, 26th place in 2018, 48th place in 2019) as well as spending on research and development as a percentage of GDP (54th place in 2017, 62nd place in 2018, 67th place in 2019).

According to the sub-index “Knowledge and Results of Scientific Research”, Ukraine takes a high 28th place in the overall rating, having lost one position compared to 2018. Among the strengths of this subindex, it is worth highlighting the following indicators: knowledge creation (17th place), the ratio of patents by origin to GDP at purchasing power parity (17th place), the ratio of utility models by origin to GDP at purchasing power parity (1st place), spending on computer software as a percentage of GDP (19th place), exports of ICT services as a percentage of total trade (11th place).

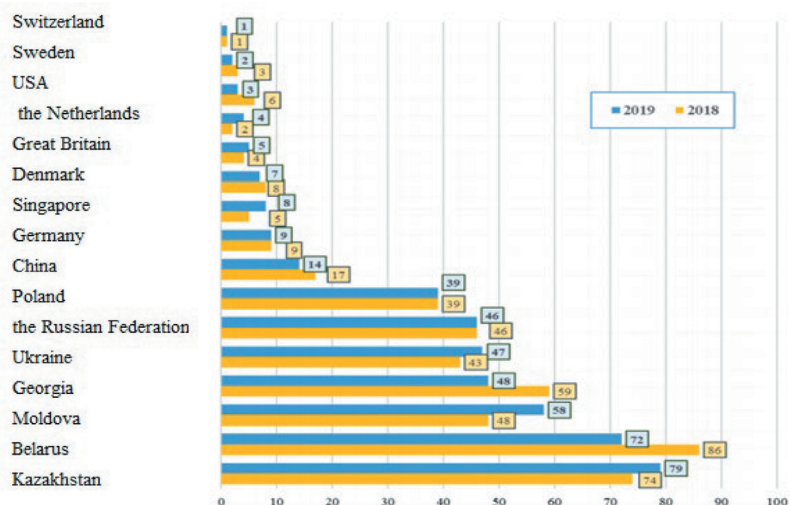


Fig. 2.1.1. Dynamics of the

Global Innovation Index by country for 2018–2019

Source: developed by the authors based on the Global Innovation Index 2018

In 2019, according to the sub-index “Institutions”, Ukraine significantly improved its position, taking the 96th place against 107th in 2018, including such indicators as political environment – 110th place (122nd place in 2018), regulatory environment – 78th place (78th place in 2018), and business environment – 99th place (100th place in 2018).

In terms of infrastructure development, Ukraine lost eight positions and ranks 97th in the rating. At the same time, the indicator “Environmental Sustainability” remains low and makes the 120th place, since Ukraine is on the 115th place in terms of “GDP per unit of Consumed Energy”.

Ukraine’s market performance is estimated at 43.3 points, which corresponds to the 90th place in the rating (89th place in 2018) (for loans – 91st place, investments – 115th place, trade and competition – 42nd place).

Ukraine ranks 47th in terms of assessment of business experience, (Ukraine takes the 45th place in terms of the number of employees occupied in intellectual labor, innovative relations – 55th, perception of knowledge – 73d).

And in the rating of innovation economies-2020, Ukraine lost three positions compared to the previous year, and took the 56th place out of 60. Top ten countries include Switzerland, Sweden, Israel, Finland, Denmark, the United States and France (The Global Innovation Index, 2019).

Analysis of the knowledge-intensive segment in Ukraine showed that in 2017–2018 this segment added 5.7% share to GDP which was almost the same (5.82% in 2015). At the same time, the share of the high-tech sector increased, while the middle high-tech sector, as well as the other three sectors (medium-tech, medium-low-tech, low-tech) decreased. In the world, however, this segment added 11.1% to global GDP in 2018, including the high-tech sector – 4%, the medium-high-tech sector – 7.1%. Among certain economic activities of knowledge-intensive segment, the highest growth in the contribution to GDP was observed in the service sector. This occurred at the expense of enterprises and organizations engaged in scientific research and computer programming as well as consulting and information services (Ukrinform).

Figure 2.1.2 shows the distribution of organizations that carried out research and development (R&D) by sector of activity in Ukraine in the period of 2010–2018.

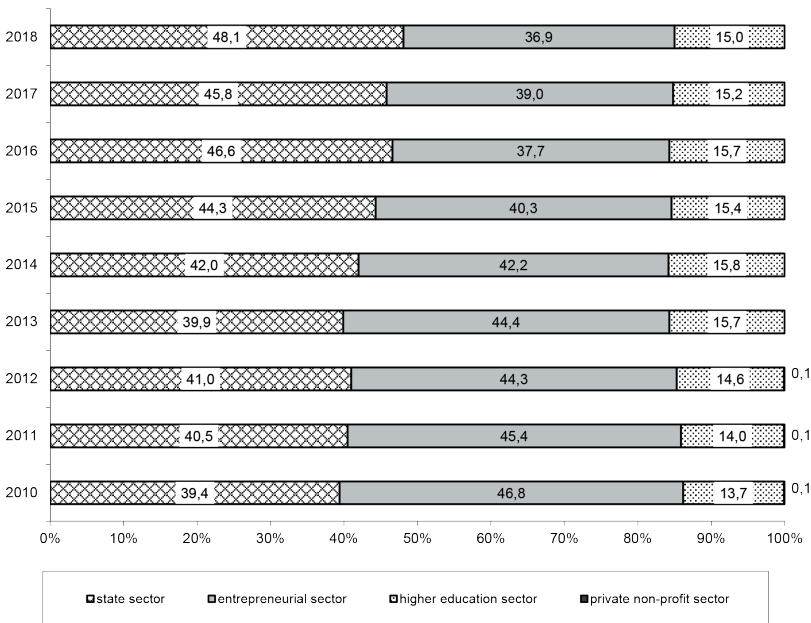


Fig. 2.1.2. Distribution of organizations that carried out research and development (R&D) by sector of activity, %
Source: developed by the authors based on the State statistics service of Ukraine

R&D results by types of economic activity that shape the state of social infrastructure of territories are presented in dynamics for 2017–2019 (Table 2.1.1).

*Table 1. Number of organizations that
carried out research, by type of economic activity*

	Number of R&D organizations by type of economic activity (units)	Code of NACE, Rev.2	2017	2018	2019
	Total		963	950	950
1.	Agriculture, forestry, and fisheries	A	14	15	7
2.	Processing industry	C	50	46	19
3.	Printing and reproduction of recorded media	18	1	1	1
4.	Production of chemicals and chemical products	20	–	1	1
5.	Production of basic pharmaceutical products and pharmaceuticals	21	4	3	1
6.	Metallurgy	24	1	1	–
7.	Production of fabricated metal products, except machinery and equipment	25	6	4	2
8.	Production of computers, electronic and optical products	26	11	11	4
9.	Production of electrical equipment	27	9	9	3
10.	Production of machinery and equipment, not included in other groups	28	11	10	3
11.	Production of motor vehicles, trailers, and semi-trailers	29	2	2	–
12.	Production of other vehicles	30	5	4	4
13.	Construction	F	1	1	1
14.	Wholesale and retail trade; repair of motor vehicles and motorcycles	G	3	2	1
15.	Transport, warehousing, postal and courier activities	H	–	1	1
16.	Information and telecommunications	J	3	1	1
17.	Real estate transactions	L	12	11	11
18.	Professional, scientific, and technical activities	M	687	687	773
19.	Activities in the sphere of architecture and engineering; technical tests and research	71	25	24	6
20.	Research and development	72	655	656	766

	Number of R&D organizations by type of economic activity (units)	Code of NACE, Rev.2	2017	2018	2019
21.	Research and experimental development in the sphere of natural and technical sciences	72.1	562	568	673
22.	Research and experimental development in the sphere of social sciences and humanities	72.2	93	88	93
23.	Advertising and market research	73	1	1	1
24.	Other professional, scientific, and technical activities	74	1	1	–

Source: developed by the authors based on the State statistics service of Ukraine

Statistical data show that the main directions of state innovation policy to increase the level of competitiveness of the economy should be as follows:

- ♦ stimulating innovative activity;
- ♦ conducting continuous monitoring of the state of innovative development of the economy, forecasting relevant trends;
- ♦ comparing the state of innovative development of the national economy with EU member states and other countries;

These measures will contribute to the transition to an investment and innovation model for the development of the state economy.

Innovative project as a form of targeted management of innovative activities

The strategic goal of developing the national economy of Ukraine is the formation of a highly developed socially oriented economy in Ukraine which is based on knowledge and innovation. The implementation of innovative projects has particular importance when managing the processes of innovative development of social infrastructure.

According to the law of Ukraine “On innovative activity”, an innovative project is a set of documents defining the procedure and set of all necessary measures (including investment) for the creation and implementation of an innovative product and (or) innovative products (Law of Ukraine “On innovative activity”).

Firstly, we suggest considering the definition of the “project” concept. There are a lot of approaches to defining this concept (Table 2.1.2)

Table 2. Interpretation of “the project” concept

Author / Source	Definition
British standard BS 6079-1: 2000	“A project can be defined as a unique set of coordinated activities, with definite starting and finishing points, undertaken by an individual or organization to meet specific objectives within defined schedule, cost and performance parameters.” (State Statistics Service of Ukraine).
Australian Institute of Project Management	“A project is a unique series of interrelated activities with defined start and end dates, designed to achieve a common and agreed objective.” (British Standard BS 6079-1:2000, 2015).
American Institute of Project Management	“A project is a temporary endeavor designed to produce a unique product, service.” (Australian Institute for Project management, 1996).
Martin P., Tate K. Project management	“A project is a temporary process, which has a clearly defined start and end time and the result of which is unique.” (A Guide to the Project management Body Knowledge, 2000).

Source: developed by the authors based on State Statistics Service of Ukraine; British Standard BS 6079-1:2000, 2015; Australian Institute for Project management, 1996; A Guide to the Project management Body Knowledge, 2000

Thus, projects may represent any activity that leads to certain changes and is aimed at obtaining a new result in conditions of limited material, time, or human resources.

Although projects are unique and extremely unpredictable, their standard structure consists of the same overall lifecycle structure, comprising the following steps:

- ♦ initiation stage: the start of a project;
- ♦ planning stage: organization and preparation;
- ♦ implementation stage: the implementation of a project;
- ♦ termination phase: closing the project.

The initiation stage is designed to define the project and give it a permit. The project manager takes this information and creates the Project charter. The Project charter gives a permit for a project and provides the main requirements for it (Martyn & Teit, 2006).

The purpose of the planning stage is to set out a detailed strategy how to implement the project and how to succeed. Project planning consists of two parts: strategic planning and implementation stage planning (What is project management).

At the implementation stage, decisions and measures defined at the planning stage are implemented. At this stage, the project manager has to control the project and avoid mistakes. This process is also called

monitoring and control. After receiving approval from the customer or interested party, the project moves on to the next stage. The termination phase is the last stage of any project, and this means the official closure of the project (What is project management).

The overall lifecycle structure usually shows the following characteristics: in the beginning, the level of costs and staffing is low and reaches a peak as work continues. It starts falling rapidly again as the project starts moving to its closure. The typical cost / staff curve does not apply to all projects. Providing basic resources at the beginning of the lifecycle requires significant costs. Risk and uncertainty reach their peak in the first stage of the project. These factors fall during the project lifecycle as decisions are made and results are achieved. The ability to influence the final product of the project without significantly affecting the cost is the highest at the beginning of the project and decreases as the project progresses to its completion (What is project management).

The concept of “innovative project” can be described as:

- ◆ a set of interrelated measures aimed at creating and distributing a new type of product or technology;
- ◆ a set of technical, organizational and planning, settlement and financial documentation necessary to ensure the innovation process in specific conditions;
- ◆ a system of actions within the framework of resource and time constraints that enable to materialize the results of scientific and technical activities, turning them into a qualitatively more advanced and competitive product, and bring them to the consumer;
- ◆ the full life cycle of a particular innovation, including all stages: from creation to operation in the form of an innovation.

Based on these characteristics, it can be determined that an innovative project is a system of interrelated goals and means of achieving them. It is a complex of research, development, production, organizational, financial, commercial and other activities, appropriately organized (linked by resources, deadlines and performers), issued by a set of project documentation. It should provide an effective solution to a specific scientific and technical issue (problem), expressed in quantitative indicators and leading to innovation.

The process of implementing innovative projects begins almost from the moment of creating an intelligent product (innovation), from which you still need to create an innovation, having passed a long way of:

- ◆ developments,
- ◆ design,

- ◆ protection of intellectual property,
- ◆ feasibility study of the project;
- ◆ business planning, resource search:
 - ✦ financial,
 - ✦ material,
 - ✦ human,
 - ✦ time,
- ◆ then search for an investor and conclude a cooperation agreement with them.

Next, it is necessary to ensure all stages of marketing, production preparation, production and sales of products, organizing a network of sales and service organizations, organizing financial flow control, social process management, risk management, etc.

Therefore, the creation of high-tech structures that can ensure the development of competitive products and attract investment in the implementation of promising innovative projects should become a priority state task. This, in turn, will create favorable conditions for the development of the social infrastructure of the territories.

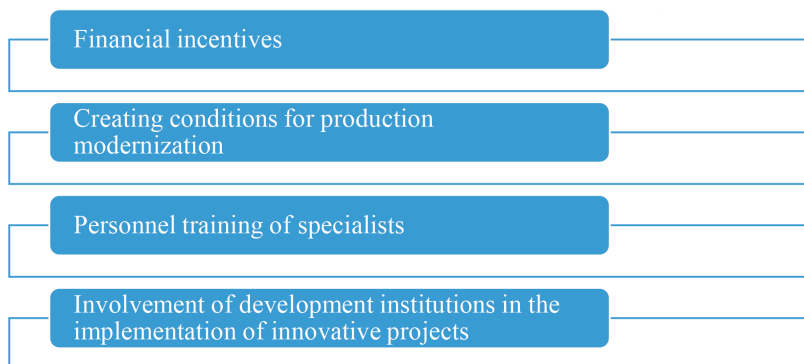
State support for innovative development should focus on creating an effective technology transfer system for timely commercialization of new products and establishing their distribution in the market. Special attention should be paid to the analysis of the main groups of factors that affect the creation of innovative infrastructure of territories (Table 2.1.3).

Table 2.1.3. Classification of the deterrent influence of groups of factors on the creation of innovative infrastructure of territories

№	Groups of factors	Characteristics of deterring features
1.	Economic	Lack of sufficient budget funds
2.	Technological	The breakdown of previously established industrial and economic cooperation in the main innovation clusters after privatization and structural changes in the national economy
3.	Organizational	Personal material interest of some management specialists in expanding the import of goods
4.	Information	Lack of reliable information about the availability of real and potential (possible) centers of innovative development at the sectoral and regional levels
5.	Personnel	Unbalanced industry and territorial characteristics of existing production and scientific and technical personnel for the innovation sector with a market need for innovative products

Source: built by authors based on Amosha, 2005

Consequently the activation of innovation activity requires defining state priorities of innovation activity and applying an integrated approach to the development of an innovative economy which will include (fig. 2.1.3):



*Fig. 2.1.3. Integrated approach
to the development of an innovative economy
Source: built by authors based on Amosha, 2005*

Research of state regulation for innovation processes in China

With the strengthening of China's economic power and the increasing competitiveness of Chinese enterprises, the topic of Chinese innovation has recently become very interesting.

China's economy has become an example of record growth over the years of reforms. GDP per capita in the country increased from 156 \$ in 1978, up to 10,276 \$ in 2019, or almost 66 times. China's share of global GDP increased from 1.08% in 1978 to 16% in 2019. The country's middle class accounted for more than 30% of the total population. China has also become the second largest economy in the world (China's GDP grew from 150 billion dollars in 1978 up to 14.4 trillion dollars in 2019), the largest industrial country (the value added in the Chinese manufacturing industry increased from 60 billion dollars in 1978 up to 4 trillion dollars in 2019), the largest country by trade in goods (the volume of Chinese trade in goods increased from 21 billion dollars in 1978 up to 4.62 trillion dollars in 2019), the largest country after foreign exchange reserves (the volume of gold and foreign exchange reserves increased from 170 million dollars in 1978 up to 60 billion dollars in 2019), the main stabilizer and driver of global economic growth (What is project management).

Due to the development of the Chinese economy and increased competition in the world, more and more attention is paid to the concept of “Chinese innovation”. Recently, foreign experts have been studying the benefits of Chinese innovations. Innovations are recognized as a key driving factor in the Chinese economy reaching a new level, conclusions are drawn regarding the model of Chinese innovation, and future trends are tracked in them. All this is of great importance in implementing the strategy of innovative development and creating a state with the strongest scientific and technical sphere in the world.

China has developed the “Fourteenth five-year plan of the People’s Republic of China for National Economic and Social Development”, which defines long-term goals until 2035 (Sankob & Landlun).

The strategic orientation is the formation of a new concept of development, deepening structural reforms in the field of supply, creating new demand through innovative high-quality supply.

The main goals of economic and social development in the period of the “14th five-year plan” are defined: new results in economic development; new steps in reform and openness; new improvements in social civilization; new progress in building an ecological civilization; new levels of life support and well-being of people; promotion to a new level of efficiency of national governance; as well as the preservation of innovative development and the comprehensive formation of new development benefits.

This indicates that the China adheres to the key positions of innovation in the overall modernization of the state; defining scientific and technical independence and independence as strategic support for national development; strengthening the state strategy of innovative development, improving the national innovation system and accelerating the creation of a high-tech state.

For this purpose, state bodies provide for the following:

- ♦ integrate and optimize the distribution of scientific and technological resources;
- ♦ promote optimization and integration of the innovation system, guided by national strategic needs and accelerate the creation of a strategic scientific and technical force under the leadership of the National Laboratory;
- ♦ strengthen original and leading scientific and Technological Research;
- ♦ develop and implement strategic research plans and research developments in the main key areas related to national security and overall development;

- ♦ persistently strengthen basic research, form and implement a ten-year action plan for basic research, and focus on deploying a number of research centers in fundamental disciplines;

- ♦ strengthen the driving force of Applied Research;
- ♦ create a great platform for scientific and technological innovation.

Also, the regulation of innovation processes in China provides for increasing the technological innovation potential of enterprises. In this direction, it is planned to:

- ♦ improve the market-oriented mechanism of technological innovation, strengthen the position of enterprises as pillars of innovation, promote the concentration of various innovative elements in enterprises and form a system of technological innovation with enterprises as the main body focused on the market and in other countries;

- ♦ deep integration of production, education, and research;
- ♦ encouraging companies to increase investment in research and development;

- ♦ improving the corporate system of innovative services.

Important steps on the part of the state should be:

- ♦ deepening the reform of the science and technology system;
- ♦ improving the national science and technology management system;
- ♦ optimizing the national science and technology planning system and working mechanism;

- ♦ promoting the integrated distribution of projects, bases, talents and funds in key areas;

- ♦ deepening the reform of the science and technology management system;

- ♦ improving intellectual property protection.

The implementation of these measures will allow China to accelerate the development of a modern production system, strengthen the foundations of the real economy, promote deep integration of advanced production and modern service industries, strengthen the supporting and leading role of infrastructure and build a real economy, technological innovations, modern finance and human resources.

Impact of innovative activities on the social development of territories

The need for changes aimed at ensuring the conditions for sustainable development of certain territories brings to the fore changes in social, economic and environmental areas that affect the structure of employment in the region, improving the standard of living of the population, developing education and medicine, service infrastructure, etc.

Social infrastructure determines the dominants of social development of the territory, but in the context of developing the sphere of innovation activity of territories.

Due to the complexity and variety of types of work in the process of creating innovations, high demands are placed on participants in innovation activities, that is, we are talking about the need to organize effective interaction of stakeholders for the successful implementation of all stages of the innovation process.

The modern English Dictionary defines stakeholders as “parties interested in the success of a project or plan, system or organization” (Xinhua News Agency). Regarding the interaction of stakeholders in the management of the processes of innovative development of social infrastructure, it is important to identify such a group of stakeholders as an innovation manager, who, in addition to traditional knowledge of economics, as well as in all functional sections of management, must have the basics of engineering, technical knowledge in the industry where innovation production is carried out, have knowledge of the basics of patenting, protecting and commercializing intellectual property.

It should also be noted that the main task of Public Administration bodies as key stakeholders on the part of the state that influence the integration processes that are currently taking place in the state is to mobilize efforts for the productive use, preservation and restoration of material and raw materials, demographic, labor, industrial, recreational and other potentials of the country's territorial formation. This should be facilitated by active innovation and investment activities of economic structures, rational territorial organization of the country's productive forces, and identification of priorities for the socio – economic development of territories. Special attention should be paid to those issues, the solution of which will most contribute to improving the quality of life and activities of Ukrainians. Here, the key role belongs to the social infrastructure, which contributes to the reproduction of the main productive force of society – man, his spiritual and physical development.

Social infrastructure includes integrated industries including:

- ♦ branches of social and household use:
- ♦ housing and communal services (housing, water supply and sewerage sub-sector, heat supply, electricity supply, gas supply), road facilities, passenger transport, hotel facilities, green facilities, landscaping and sanitary cleaning, outdoor lighting, anti-landslide system, funeral services;
- ♦ household service (enterprises, ateliers, workshops, laundries, dry cleaners, baths, showers, hairdressers, rental points, etc.); transport and

communication in the part related to public service (passenger transport, transport network, communication offices, telephone network);

- ♦ trade and restaurant management (shops, stalls, canteens, cafes, restaurants, grocery and clothing markets);

- ♦ branches of social and cultural purposes: education (preschool institutions, general education schools, colleges, lyceums, gymnasiums, vocational technical schools, higher educational institutions, research stations, research institutes);

- ♦ culture and art (palaces and cultural centers, theaters, museums, libraries, religious buildings, etc.);

- ♦ health and social security (outpatient clinics, hospitals, maternity hospitals, paramedic and midwifery centers, pharmacies, ambulance stations, boarding schools for the disabled and elderly);

- ♦ physical education, sports, tourism and recreation (gyms, sports grounds, stadiums, swimming pools, sanatoriums, boarding houses, rest homes, recreation centers, recreation camps, camp sites, etc.).

Thus, social infrastructure is a complex of enterprises, institutions, institutions, as well as individual services of economic activities aimed at meeting the vital needs of a person.

It is important to form an effective mechanism of public – private partnership for the implementation of socio-economic policy of the state, which will contribute to supporting innovative projects for the development of territorial infrastructure.

Public-private partnership should become an important factor in the formation of a sustainable socio – economic system of the state and will make it possible to implement the following (fig. 2.1.4.):

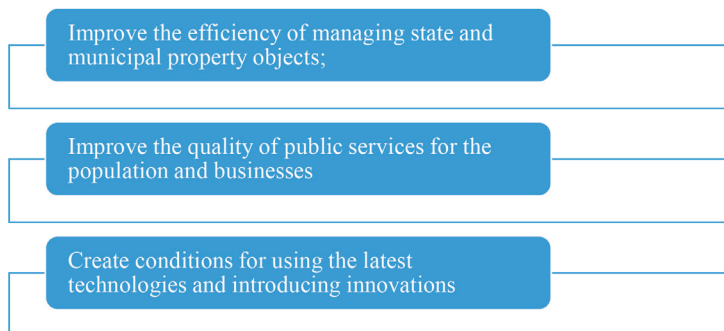


Fig. 2.1.4. Opportunities for public-private partnership

Source: built by the authors based on Law of Ukraine

«On Principles of State Regional Policy»

By developing innovation activities on their territory and contributing in every possible way to the scale of existing forces and means of its implementation, regions with relatively modest quantitative parameters and technical potential will actually be able to solve two fundamentally important tasks. First, these activities will create opportunities for the region to address the existing problems of social and economic development at a modern advanced level with the least investment of time and funds. Secondly, it itself will become a source of preservation, and in the future the emergence of new jobs in the field of Science and technology, reducing social tension, will make it possible to support previously existing scientific traditions and schools through the participation of talented young people in this process, that is, it will serve to solve a number of acute social and economic problems associated with difficulties and features of the modern period (Rundell, 2008).

Let us take the example of Kharkiv region of the relationship between the introduction of innovations and the social and economic development of territories.

The development strategy of Kharkiv region for 2021–2027 (Strategy Innovation and development) was developed in accordance with the current legislation: the law of Ukraine “On Stimulating Development of Regions” (8th of September, 2005, № 2850-IV), the law of Ukraine “On the basics of state regional policy” (5th of February, 2015, № 156-VII) (Law of Ukraine “On Stimulating the Development of Regions”).

One of the strategic development goals of Kharkiv region is to create an innovative and investment infrastructure. For the solution of which the operational goal was defined – institutional and infrastructural support of innovation and investment activities, the formation of a regional innovation system. This will enable (fig. 2.1.5.).

Another strategic goal is to create a competitive and smart specialized spatial economy with high added value. For the solution of which the operational goal was defined – to create an innovative and creative economy of medium and small cities in the region. This will enable to:

- ◆ create a creative industry (it technologies, contemporary art, etc.);
- ◆ increase investment attractiveness;
- ◆ develop industrial and social infrastructure;
- ◆ create small and medium-sized businesses using innovative technologies: processing of agricultural products and food production; wood processing; development of recreational and tourist activities; formation of a logistics system and various forms of trade;
- ◆ develop environmentally friendly modes of transport, including bicycle infrastructure and a network of gas stations for electric transport.

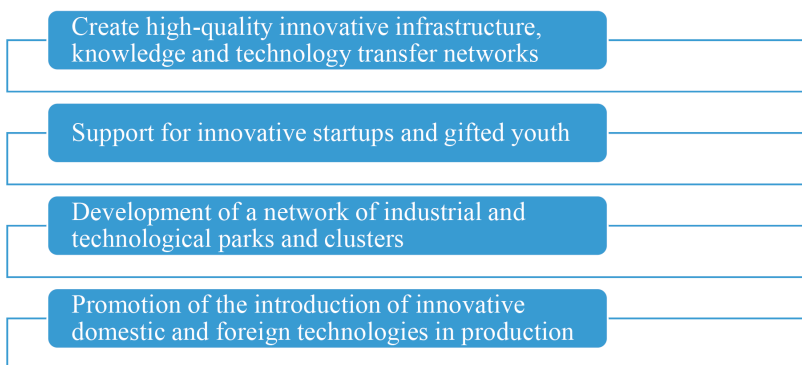


Fig. 2.1.5. Opportunities for the formation of a regional innovation system
Source: built by author based on Development Strategy of Kharkiv Region 2021–2027

Thus, innovations based on scientific achievements and high-tech solutions determine the socio-economic prospects of each individual region and the state as a whole. Accordingly, the success of Ukraine and its place in the global economy will directly depend on the level of development of domestic science and technology. Investments in the future of Ukraine are implemented through innovation policy measures, forming national competitive advantages and creating a reliable foundation for the modernization and integration of our country into the European and Global Knowledge space.

Conclusions

To build an innovative economy with developed entrepreneurship, innovation and high production productivity, the state innovation policy should focus on areas that correspond to the innovation process in Ukraine, taking into account the interests of all interested parties.

The mechanism for organizing state regulation of innovation development in certain territories should be aimed at the main groups of stakeholders in public-private partnership, which are public partners and private partners.

Currently, the main criteria for selecting innovative projects are:

- ♦ payback, profitability and other performance indicators; type and volume of innovative products for the project;
- ♦ creation of additional jobs at the enterprise where the innovative project is being implemented, or preservation of existing ones.

It is necessary to improve the criteria for selecting innovative projects for the development of social infrastructure, namely, to apply such criteria as compliance of the innovation project with the main high-tech directions of development of the Ukrainian economy; priority in financing innovative projects should be given to small and medium-sized businesses.

To sum up we note that the implementation of the mechanism for system managing the processes of developing social infrastructure of territories can be achieved by implementing the state strategy for developing innovation activities, regional priority areas based on smart specialization approaches, creating favorable conditions for bringing innovations to commercial use.

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2.2. PUBLIC-PRIVATE PARTNERSHIP AS A FORM OF INTERACTION OF STAKEHOLDERS IN ENSURING SUSTAINABLE DEVELOPMENT OF HEALTH CARE SYSTEM

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The study researches the possibilities of using PPP to improve the health care system of the local level. The private sector, with its own business approaches and pragmatism, can be useful in this matter. It can provide an investments, skilled employees and improve service in general in public and municipal hospitals.

The private sector can be useful in quickly mobilizing resources in response to the nowadays challenges: it does not need a lot of agreements and procedures to allocate funds and start a new type of activity, private capital is more mobile and flexible. Naturally, it is aimed at making a profit and the public partner must take care of the social and other goals&

Problem statement

he development of the Ukrainian healthcare system is one of the priority directions of state policy. At the same time, there are certain problems in this area, on the solution of which the ongoing reforms are focused. The goal of the latter is to attract investment in the healthcare

sector, to make it self-sufficient. The existing problem on the one hand of free health care and on the other hand of paid drugs and private financing of treatment at the expense of patients makes the system unstable, the population's access to health services is unequal, and the entities that provide such services are dependent on government policies that were ineffective before the reform.

Attraction of investments in the field of health care, renewal of means of production, attraction of highly qualified specialists is the goal of the changes being made. However, the state cannot always effectively cope with the challenges posed by time. In addition, the healthcare sector is becoming attractive to private capital, which responds more quickly to external environment changes. PPP can become an effective tool for solving many problems of the industry: from raising funds for the purchase of expensive equipment to ensuring the remuneration of professionals and the level of service that patients require.

The private sector is able more effectively solve business problems and optimize spent resources, reorient enterprises and institutions, which generally leads to a faster response to environmental changes. Opening access to the private sector to the opportunity to provide health care services, imposing certain social obligations, which, in principle, are now borne by business, can have a good effect of ensuring public access to services in this area, reducing inequality in access to it, regardless of social status and geographic location. Therefore, studies of possible models for creating a PPP and ways of interaction between the private sector and the state through PPP is relevant.

Public-private partnership: definition and its essence

The term “public-private partnership” (PPP) does not have a single legal meaning and can be used to describe a wide range of different activities in which the public and private sectors work together to some extent. PPPs are a variety of contractual relationships where both parties share rights and responsibilities during the contract term (Carty&Veceric, 2018). Different forms of PPP may exist with different combinations of public and private sector financing and the impact of risk on the project. Different mechanisms often reflect different levels of risk-sharing, and the role of the private party depends on the sector and the nature of the market.

The authorities can initiate the process of partnership with the private sector in the following cases (Boardman&Vining, 2020; Fabozzi, 2017):

- ◆ when services or projects cannot be provided (implemented) only with the use of financial resources of the authority;

- ♦ when the participation of a private partner will improve the quality of services;
- ♦ when the participation of a private partner will accelerate the implementation of the project or the start of services;
- ♦ when there is an initiative from service users to attract a private partner;
- ♦ when there is an opportunity for competition between potential partners;
- ♦ when there is a possibility of simple measurement of the result and set the cost of services;
- ♦ when can reimburse the cost of the implemented project or newly created services through the payment mechanism by users;
- ♦ when the project or new services are innovative;
- ♦ when there is the experience of a partnership between the authority and the private sector;
- ♦ when as a result of the partnership, there is an opportunity to accelerate the community's economic development (territory, region).

Although the concept of public-private partnership is no longer new, it emerged in 1997 with the publication of a report by a group gathered around Neil Kinnock on the financing of trans-European transport network projects private-public partnerships (Maistro, 2016). The concept of public-private partnership is a form of “cooperation between public authorities and the private sector, as well as between non-governmental organizations, associations or entrepreneurial companies, respectively”.

Public-private partnership is essentially a form of procurement. Unlike traditional contracting methods for new construction, in which individual functions are distributed and procured through separate proposals, PPP is a single private organization, usually a consortium of private companies, assuming responsibility and financial responsibility for all or a significant number of functions on the project. When transferring the responsibility and risk of several project elements to a private partner, the project sponsor is released from control over procurement. The private partner gets the opportunity to receive financial income that corresponds to the risks he has assumed (Renda&Schrefler, 2015; Ribault, 2016; Ricci & MacDonald, 2018; Torres & Pina, 2016).

It is believed that the scientific paradigm of the category of “public-private partnership” (hereinafter – PPP) is in its infancy. At the same time, public-private partnership is not a new invention of today. Thus, cooperation between the public and private sectors to create, provide and manage infrastructure, especially transport, has a long tradition

in many countries worldwide. The history of successful public-private partnership projects in Brazil, Spain, Italy, France, Canada, Mexico, the United States, and many other countries is several centuries old (Zaloznova et al., 2016).

Formed the theory of this phenomenon in the middle of the XIX century. And the beginning of its active use in practice occurred only in the 90s of the last century. However, today among scientists, there is no unity in the interpretation of the concept itself. In the scientific literature, various terms denote this form of interaction between government and business: “public-private partnership,” “public-private partnership,” “private finance initiative.” Thus, following international standards, in this area and the practice of the world’s leading economies, abroad the etymology of “Public-Private Partnership” is associated with the English word “public” (public, public, state) and understand many interrelated public institutions that exercise power and influence both indirectly and directly on the public life of the country. In fact, public authorities and local self-government bodies, powerful public organizations, and charitable foundations often act as a public partners in foreign practice. In the United Kingdom, both the term PPP and the terms Private Finance Initiative (PFI) and Public Investment Partnerships (PIP) are used simultaneously (United Nations Economic Commission for Europe, 2019).

The concept of “public-private partnership” is most often used in the works of Ukrainian scholars, which corresponds to the modern tendency to combine the concepts of “state” and “municipal” into the concept of “public.” Firstly, this is because, in countries where civil society institutions are underdeveloped, partnership proposals tend to come from public authorities or local governments. Under such conditions, the term “public-private partnership” more clearly reflects the state’s leading role. Secondly, such an initiative is more clearly perceived by the Ukrainian public. And third, the meaning of the concept of “public-private partnership” is defined and enshrined in the Law of Ukraine “On State-Private Partnership” (On State-Private Partnership: Law of Ukraine, 2010). Simultaneously, as I. Zapatrina notes, the public interest is one of the main signs that indicate the possibility of identifying the project with PPP. The protection of public interests should be the basis for decision-making by the relevant executive state bodies (Zapatrina, 2018). In general, the PPP stipulates that the state invites business structures to participate in implementing socially important projects and programs.

Different variations in the name of the same mechanism make it difficult to form a general concept of PPP and exchange experiences in

this area. However, despite the different definitions, they all reveal the essence of public-private partnerships based on the sharing of resources for the implementation of joint projects to achieve the parties' targets. Accordingly, we can speak of a certain dialectical connection of many categories, which reveals the essence of public-private partnership as a category of public administration.

In result, we can say that public-private partnership is the interaction, the interinfluence of two or more participants, among which there are state and local authorities and self-government, on the one hand, with private legal entities and individuals, on the other hand, to achieve goals by unity of production factors of all process parties.

The best way to protect stakeholders and their interests is to have contracts and use tenders that should be structured so that the criteria for achieving the goals are clearly stated. To preserve the interests of the private sector, what is needed to achieve the goal must be contracted.

This is reflected in the following principles of formation and development of public-private partnership in the world:

- ♦ priority of public interests. The state is the customer of the project and determines the basic rules of interaction with business;
- ♦ effective distribution of risks between the parties. The risk must be passed on to the party that can manage it more effectively;
- ♦ political support of the state, which means the existence of a clear public policy, which is the basis for resolving all controversial issues that arise during the implementation of public-private partnership projects;
- ♦ principles of transparency, according to which the society, to meet the needs of which the actions of partners are aimed, has access to information about their activities;
- ♦ partnership, equal nature of relations between the parties.

As a result it is formed conditions of creation public-private partnership that are basis for features of PPP

- ♦ common interest of participants;
- ♦ the presence of the institutional component of cooperation – the agreement;
- ♦ exchange of resources between participants;
- ♦ limited to certain spheres of interaction;
- ♦ partnership and in some way orderly nature of relations of participants, based on parity of rights and responsibilities of participants;
- ♦ the presence of a culture of consensus.

The necessity for PPP is due to the mismatch of growing needs in public services with the resource capabilities of the state to meet them.

In Ukraine, PPPs in modern forms have been introduced relatively recently. Most PPP projects are common in electricity, transport, water supply development.

We can identify the following main economic reasons for the introduction of PPP in countries:

- ♦ infrastructure deficit;
- ♦ budget deficit;
- ♦ problems of public investment efficiency

Thus, the mechanism of public-private partnership is to create a partnership on a contractual basis without creating a legal entity on an equal basis, where the state provides access to certain resources, and the private partner provides other factors of production for profit and social effects according to partners' goals.

The mechanism of formation of public-private partnership is based, being with interests of participants and a society in a legal field of the country in which it is created for achievement of the set purposes during a certain period and transformation of this partnership in initial certain times.

The mechanism of formation of public-private partnership is based on the interests of participants and a society in a legal field of the country in which it is created for achievement of the set purposes during a certain period and transformation of this partnership in certain conditions aroused.

The reasons for the creation of PPP cause the formation of the mechanism of its action, and interested participants form the objectives of the PPP. In the same time the differences in the legislation of different countries affect the differences in the creation of public-private partnership.

The economic mechanism of public-private partnership is formed based on the institutional basis of the relationship between the state and the private sector within the PPP; separation of public and private sector ownership; the distribution of functions, rights, responsibilities, and risks between the state and the private sector in the implementation of the PPP project.

The public sector of the economy in PPP projects may be represented by central, regional, and local executive bodies, depending on the project's scale. The private sector is one or more private economic agents. In certain cases, third parties may be involved in preparing and implementing PPP projects: scientists, experts, creditors, suppliers, auditors, etc.

The economic mechanism and core models of public-private partnership

The state in PPP projects must, firstly, play the role of creator of fair “rules of the game” (legislative), secondly – an objective arbiter (control and audit role), monitoring compliance with the rules of each party, thirdly, the role of a specific business partner who wants to receive various preferences from cooperation with private business. At present, however, Ukrainian private business, for reasons that depend on the state, plays a passive participant’s role completely dependent on it. In reality, a strong and long-term partnership is possible only if the equivalent mutual benefit is observed (Fig. 2.2.1).

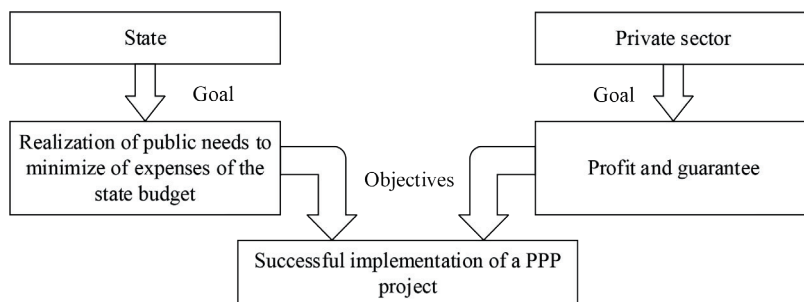


Figure 2.2.1. Targets of the economic mechanism of public-private partnership

Source: built by the authors based on Hodge&Greve, 2017; Iyer&Sagheer, 2010

The state, being the personification, expression, and implementer of society’s needs and interests, has certain resources: tangible, intangible; production, financial, etc. Quite often, there is a situation when the public sector cannot realize society’s interests due to a lack of certain types of resources and/or due to their irrational use. Simultaneously, the private sector has resources that the state does not have and has the tools to use them more efficiently. The need to combine public and private sector resources and use them is another reason for the emergence of PPPs. Simultaneously, the interests of already specific economic entities – the state and the private entrepreneur – are beginning to play an important role (Dewatripont, 2016; Hodge & Greve, 2017).

The development of the partnership between the state and business is conditioned by the following circumstances: the state does not

have enough funds to modernize, maintain and expand state-owned infrastructure, many states have reduced the degree of state intervention in the economy in recent years; private business, not the state, has always been considered the more efficient owner. Besides, the private owner has a certain economic interest – to make a profit and gain a competitive advantage through the development of such economic niches, which before were either not represented on the market or were in the state's exclusive possession (Hodge & Greve, 2017). Almost all researchers emphasize (and we agree with this conclusion) that one of the important tasks within the PPP is to reconcile the participants' interests, which would allow each of them to realize their own needs with minimal losses and benefits (Iyer & Sagheer, 2010; Joshi, 2015; Koroliuk, 2018).

As the PPP develops, an increasing number of entities are represented by specialized consulting companies, financial institutions, and construction firms offering relevant services. In contrast to the state, their commercial interest is to increase the volume of investment projects, accompanied by increased value. Can achieve this by changing the structure of demand, which will be aimed at the PPP private initiative. As a result of the state and business's joint efforts, PPP is properly developed in the long run, providing high efficiency for some and a stable income for others (Naumov, 2017).

It can contain a wide range of stakeholders in the PPP (Table 2.2.1), depending on the project's mission, delivery and funding methods, and the legal environment in which it takes place. PPP participants can be (Carty & Veceric, 2018; Iyer & Sagheer, 2010):

- ◆ politicians who create a legal environment for the PPP and can play a role in approving the project;
- ◆ a public sector executive body, such as a transport department or customs service, that will sponsor the project, contract with one or more private organizations, and provide project management and supervision;
- ◆ other government officials who may play a role in selecting or approving projects, such as governors, mayors, state transportation commissions or committees, metropolitan planning organizations, or members of local legislatures;
- ◆ owners of capital, such as funds and concessionaires;
- ◆ lenders, such as commercial banks, state-owned infrastructure banks, or the federal lending program;
- ◆ private sector enterprises or public sector employees providing design, construction, operating, and maintenance services;

- ♦ technical, legal, financial and other advisors to public or private partners;
- ♦ voters, who in some jurisdictions must approve certain projects
- ♦ taxpayers who can provide tax financing; and/or users of the facility who may provide funding through direct commissions or fees.

Table 2.2.1. Participants in the economic mechanism of public-private partnership

Interested person	Description	Stage
Government	Estimates the approximate cost of two procurement options: the PPP or the relevant public sector body; Discusses the mechanism of risk exchange by bidders and evaluates their proposal at competitive bidding; Evaluates the new tariff	Preliminary proposal stage; Stage of tender proposals and negotiations; Operational stage
Sponsor	Facilitates the submission of a proposal; Discusses the project's risk allocation mechanism and capital structure with other potential sponsors, creditors, and government agencies; Monitor and monitor project performance; Discussion of the new tariff with a state body	Preliminary proposal stage; Stage of tender proposals and negotiations Stage of construction and operation; Stage of operation
Creditor	Changes the initial model to the lender's basic financial model to test the project's financial viability; Maintaining the financial model and monitoring project costs; Assess the impact of any annual operating budget provided by the project mechanism on creditors	Financing stage; Construction stage; Stage of operation
Consultant	Development and audit of financial models; Assists the sponsor, lender, and government in evaluating the project	Proposal stage; Stage of negotiations; Stage of financing and construction

Source: built by the authors based on Carty & Veceric, 2018; Iyer & Sagheer, 2010; Naumov, 2017

The stimulation of the world economy is carried out through the struggle between the state and the market, namely between groups of people who rely on these two institutions' struggle. Thus, there are two most important economic actors – the state and private business. They compete for economic influence, which in principle stimulates economic development but are also called to work closely together to improve the efficiency of their activities. It is these tendencies towards a partnership that determine the development of the modern economy (Ricci & MacDonald, 2018).

The main advantage of public-private partnerships in this context is flexibility. Due to economic and social expediency, the state's role may be limited as much as necessary in each specific area, each specific region, each specific project.

Thus, the development of public-private partnerships will mitigate or even eliminate one of the main economic contradictions; it will ensure economic growth while reducing public spending, while public functions will be performed at a higher level without compromising national security socio-economic stability. Besides, an unprecedented synergetic effect is formed, which will lead to high rates of qualitative economic growth over the long term (Joshi, 2015).

The range of forms and models of public-private partnership varies from short-term simple contracts (with or without the need for investment) to such a long-term and very complex form of privatization (BOT) (BOT (Build-Operate-Transfer – construction, management, and transfer). These models differ mainly in (Torres & Pina, 2016):

- ♦ ownership of assets;
- ♦ responsibility for investments;
- ♦ the degree of acceptance of risks by the party;
- ♦ duration of the partnership.

Most authors, both foreign and domestic, divide public-private partnership models into five broad categories in the order of usually (but not always) greater involvement of the private sector and assumptions about its acceptance of major risks. The main categories are presented in the figure 2.2.2.

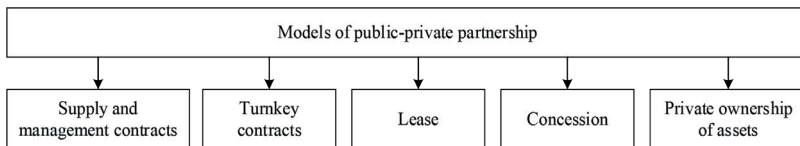


Fig. 2.2.2. Public-private partnership models

Source: built by the authors based on Harris, 2015; Iyer & Sagheer, 2010

Practical knowledge, based on developed countries' experience, shows that the stabilization of public-private partnership systems is one of the main positions and contributes to socio-economic progress. To ensure the development of trends in the social sphere, including health care, additional financial resources are needed, which can be attracted by implementing forms of cooperation between the state and private business structures (Brinkerhoff & Brinkerhoff, 2020).

Public-private partnership in health care: international practices and Ukrainian perspectives

It is reasonable to think that innovative development within health care is possible by introducing a system of interaction between government and business, which would be comprehensive among such social elements as NGOs, doctors, and patients. This will facilitate the early diagnosis of the disease using a modern methodological diagnostic base and the availability of medical equipment systems and innovation within public-private partnerships of health care organizational and economic regulatory mechanism of the state.

With a combination of system-structural and functional approaches, which are determined depending on the interpretation of the term mechanism, it is possible to define the mechanism of public-private partnership in health care as a system of organizations implementing combined processes or actions that determine the order of functional phases of PPP in the field of health care, and the application of a set of views, methods, dogmas and processes of conceptual, institutional and methodological plans for their implementation.

In foreign practice, various organizations are studying the structural elements of public-private partnerships in health care. Results of the analysis of the literatures (Hodge et al., 2015; Mayston, 2018; McKee et al. 2016) indicate that the structure of the mechanism of a partnership between the state and the private sector in the field of health care consists of five successive stages (Fig. 2.2.3).

1. Initiation and initial selection of the project. Carried out based on a program that has a socio-economic nature. Provides for the development of PPP concepts and initial analysis of these projects. This process can also be called a feasibility study. The study of the PPP feasibility study at the stage of the previous project makes it possible to reject unprofitable programs and outline possible types of alternative cooperation between government and business structures.

2. Project evaluation and structuring. This includes research on the technological, financial, economic, legal, and environmental aspects of projects. Based on the study results, the possibility of implementing the program of public-private cooperation and the development of its structural base is solved. The structured processing of PPP programs contains the stipulation of the form chosen for this program, the distribution of risk between the partners, and the program's financial structures. Thus, the transition to the next stages is based on evaluation

criteria for characteristics that allow analyzing the program's effectiveness, particularly the viability of technical and economic indicators – whether a competitive and efficient budget project compared to other public-private partnership financial programs.

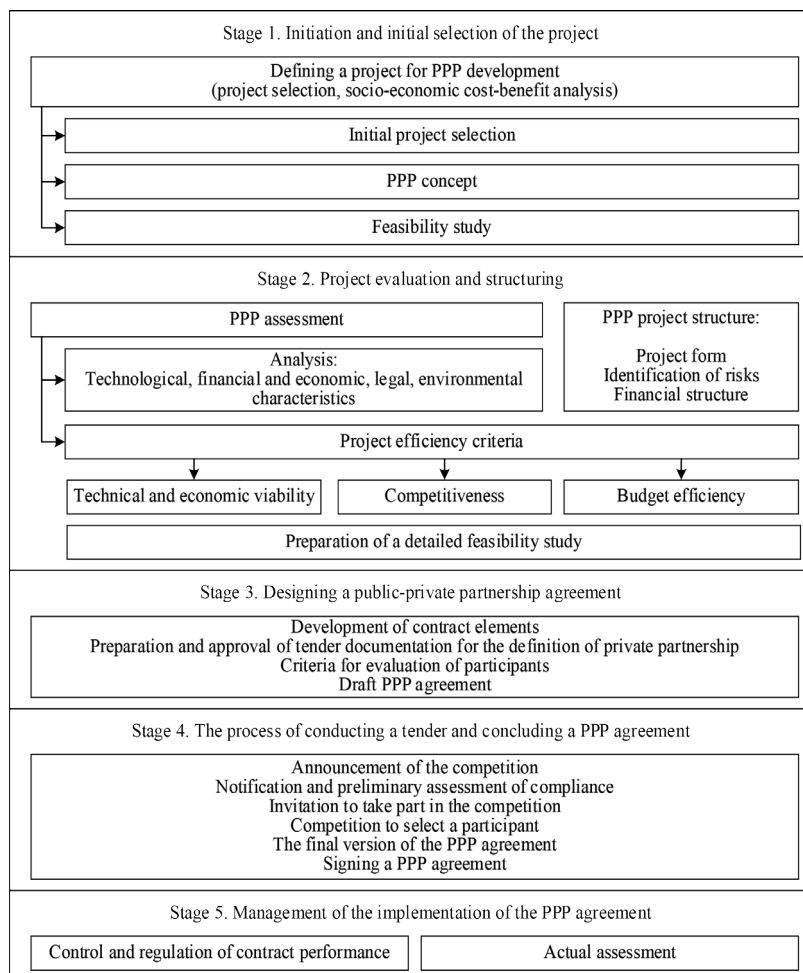


Figure 2.2.3. Structural elements of the PPP implementation mechanism in the field of health care
 Source: built by the authors based on Hodge et al., 2016; Mayston, 2018; McKee et al., 2019

3. Designing a public-private partnership agreement. The design envisages the development of the PPP agreement components (rights and obligations of the parties, provisions on changes, the procedure for resolving conflict situations, etc.). This stage is a draft PPP agreement for the selection of private partners during tender procedures.

4. Competitive procedures and signing of PPP agreements. According to the law, the state executive authorities conduct many competitive procedures to determine the subject of the private party in the implementation of the project. After selecting such an entity, a PPP agreement is concluded.

5. Management of the implementation of the public-private partnership agreement (monitoring the implementation of PPP). Carried out during the term of the partnership. Relevant public authorities monitor the PPP's implementation, the private partner's compliance with the terms of the contract during the implementation period, adjust changes in terms of the agreement, and regulate the relationship between public and private partners.

These structural elements of the mechanism for implementing public-private partnerships in health care has a recommendatory nature. Depending on the country, the mechanism's content differs in economic, legal, and technical requirements for such public-private cooperation. To determine the main stages of preparation and implementation of PPP, it is necessary to analyze European countries' experience in creating a mechanism for implementing PPP within the western (Germany and France) and eastern (the Republic of Kazakhstan and the Russian Federation) countries.

The system of principles of the mechanism of realization of the public-private relations in public health services should provide (Mayston, 2018):

- ◆ equal distribution of risk between the parties; – economic use of the budget;
- ◆ innovative processes in the field of the national medical system in providing clients with better care;
- ◆ creation of mechanisms of communication between the state and business structures based on voluntary and complementary relations;
- ◆ providing economic and social driving forces;
- ◆ development of the innovative direction of the project management sphere;
- ◆ stimulating entrepreneurs and the need for demand;
- ◆ creation of strong legal bases for regulation of partnership relations;

- ♦ information support of PPP parties;
- ♦ preparation of medical and personnel management base in the implementation of socio-medical programs RRR;
- ♦ common interests of partners.

Thus, implementing public-private partnerships in the field of health care should combine the theoretical part, which will contain many basic principles of PPP, conceptual points of state regulation of PPP, organizational and economic system of PPP implementation.

The levers of state regulation of PPP include: organizational (modernization of health infrastructure, further reform of the industry, state control); socio-economic (improving the quality of medical services); legal (formation of a single legal space in the field of health care); information (monitoring and evaluation of the results of the PPP mechanism); financial (introduction of a system of preferential taxation for PPP participants) (Akintoye et al., 2017; Ribault, 2017). The strategic focus of health progress should apply different public-private partnerships within the health sector (Table 2.2.2).

*Table 2.2.2. The main mechanisms
for implementing PPP in the field of health care*

PPP form	Main characteristic
Lease with a transfer of ownership	A private partner rents a medical institution based on a lease agreement, after which can gradually a certain share transferred to private ownership on the agreed terms
Permanent lease	A medical institution can be leased to the private sector on the condition, such as creating a certain number of jobs and providing a certain amount of investment in the medical field.
Concession	A private operator (entrepreneur, private company, legal entity) receives the right to operate and manage healthcare facilities for a fee specified in the contract
Creation-Possession-Management-Transfer	A private operator following the agreement (contract) makes investments in a certain object and then owns and manages it within the period specified in the agreement. It is transferred to the state
Management contract	It is the simplest form of PPP in health care, which does not involve investment obligations. Ownership and investment decisions remain in the hands of the state body. A private organization is only responsible for adhering to the principles of medical care and bears only operational risks

Source: built by the authors based on Akintoye et al., 2014, McKee et al., 2019; Savas, 2018

Any health care entity can implement these main mechanisms or forms of PPP. In the future, they should be detailed, i.e., should add some of them some clarifications and additions. This is the only cooperation provided by the public, private and public sectors under decentralization conditions, which is the main platform for cluster policies in forming a cluster-corporate form in the field of health care. There is a wide range of PPP mechanisms or models that should define the main phases of communication, which will provide methods of creation, ownership, management methods, and methods of transfer of facilities as it mentioned above.

One of the types of PPP, which is not defined in Ukraine, but is widespread in healthcare within Western Europe, is called facility management (FM) (McKee et al., 2016). Facility management is the complex management of real estate (integral property complex) by integrating people and activities that are outsourced to certain companies or FM organizations that are specialized. In essence, these are contracts concluded to provide medical institutions with certain services, within which the private partner provides its resources and technological means. The central idea of FM is represented by the principle of dividing the functions of all enterprises or institutions into those that are core or non-core. The core functions of health facilities include the obligation to provide medical care and medical services. And non-core (related functions) include food, payment for energy and utilities, purchase of bedding, fuel, lubricants, communications, garbage collection, cleaning, maintenance of equipment and buildings, maintenance of communications, etc. Non-core functions may correspond to the role of the subject of FM (Linder, 2017).

In the international arena, the model of “private financial initiative” has become the most widespread. Its meaning is in the signing of a contract by a state or municipal body based on a tender with a private party in the form of a consortium created specifically for a project financed by a group of individuals, usually including construction companies, service providers, and banks. Such agreements are usually managed by the state and financed by local trusts for a period of 20–30 years; the contractor also provides ancillary services. The state pays a fixed amount, which covers the costs of capital and operational nature, profits. The responsibility for medical services lies with the trusts; private investors are not responsible for the risks associated with health care (Mayston, 2018).

All of the above indicates that the PPP has significant differences from the privatization process. This follows from the fact that public authorities

are economically active, as they are responsible for implementing their functions by medical institutions. In PPP, the state retains the function of specialized medical activities, and the functions and risks of owning and ensuring the efficiency of real estate go to private entrepreneurs and create a basis for involving insurance companies in PPP processes, which provide risk management. The state apparatus in PPP programs is an additional guarantor for insurers when insuring social risks. Given these provisions, we are inclined to believe that if each party effectively fulfills its role, cooperation between the state and private insurance companies within the PPP will be a beneficial solution for both partners and will be a driving force in health progress insurance. The main thing is the right choice of form and scope, which applies to PPP in health care (Fig. 2.2.4).

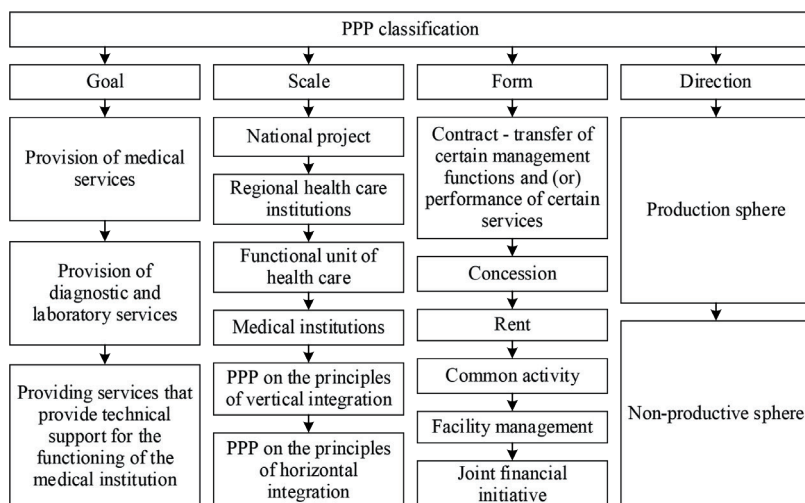


Figure 2.2.4. Classification of forms of PPP in health care

Source: built by the authors based on Hodge et al., 2016;

Mayston, 2018, Varnavsky, 2019

Therefore, public-private partnerships in the field of health care should be identified as a structure of organizational and economic nature on mutually beneficial terms for the state system and entrepreneurs, business structures, and private medical entities, which is established based on legislation and legal agreements, regulations, in the implementation of social and medical programs. Such processes will combine public and private resources, which will increase the efficiency of capacity utilization,

allocation, and minimization of any risk in public-business partnerships and the introduction of innovative tools within health care.

Conclusions

As a result, we can conclude, that private-public partnership can be effective form attraction of investments in local health care system. Due to limited resources of local and central authority, entities from private sector can be involved. Also it can be explored not some material resources like finances, premises, equipment, etc., as we claimed, but also human resources and capital: managerial, entrepreneurial and other professional skills.

We have suggested, that public-private partnership is the interaction, the interinfluence of two or more participants, among which there are state and local authorities and self-government, on the one hand, with private legal entities and individuals, on the other hand, to achieve goals by unity of production factors of all process parties.

It was formed the principles of formation and development of public-private partnership in the world.

Also it was formed conditions of creation public-private partnership that are basis for features of PPP:

- ◆ common interest of participants;
- ◆ the presence of the institutional component of cooperation – the agreement;
- ◆ exchange of resources between participants;
- ◆ limited to certain spheres of interaction;
- ◆ partnership and in some way orderly nature of relations of participants, based on parity of rights and responsibilities of participants;
- ◆ the presence of a culture of consensus.

It was identified the following main economic reasons for the introduction of PPP in countries:

- ◆ infrastructure deficit;
- ◆ budget deficit;
- ◆ problems of public investment efficiency.

Thus, the mechanism of public-private partnership is to create a partnership on a contractual basis without creating a legal entity on an equal basis, where the state provides access to certain resources, and the private partner provides other factors of production for profit and social effects according to partners' goals.

It was identified public-private partnership models and divided them into five broad categories.

It was concluded that there is facility management (FM), which is not defined in Ukraine, but is widespread in healthcare within Western Europe. But we suggest the forecast that the model “private financial initiative” will be more popular.

Exploring different form of public-private partnership and implementing in Ukrainian practice “private financial initiative” in health care. It corresponds to reforms in Ukrainian public health care system, that is provided. Government can pay fixed payment for people and for additional services they can be charged by private partner. It depends on the interests of each party and resources they have. Joining efforts and agreeing their interests we can get positive outcome of PPP.

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2.3. KEY PROVISIONS OF STATE REGULATION OF INFRASTRUCTURE DEVELOPMENT AT AMALGAMATED COMMUNITIES

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Welfare factors of population as a component of territorial communities' development are explored. Implementation indicators of state regulation of the population welfare, which are used for monitoring purposes of territorial development, are selected. Territorial communities' problems and realization measures of the state policy which should be directed on increase of citizens' welfare in the subordinate

territory are formed. State regulation stages of population welfare in the context of territorial development are described: analysis – planning – implementation. Approaches to the state regulation of the population welfare of territorial communities, their advantages and disadvantages are presented, the combined approach to use is offered.

Problem statement

Voluntary association of territorial communities in Ukraine strengthens the local government's responsibility for the quality and level of people living in the territorial communities. This requires a formation of a strategic vision of change using the most effective and proven tools. A development and implementation of measures that can influence current processes and promote the desired changes requires a well-defined contribution in the form of resources that can be measured with sufficient accuracy. That is why regulation as a professional activity is focused on ensuring a stable positive balance between the resources used and the benefits received.

Ukraine's state policy in a field of local self-government is based on the residents' interests of territorial communities and provides for authority decentralization – namely a transfer of a significant part of powers, resources and responsibilities from executive bodies to local self-government bodies. The territorial communities are both a regulation subject of a development of their own territory and a regulation object (as an administrative-territorial unit of a basic level) in a management system of higher-level authorities (regional, state). It is expedient to allocate two directions of a state regulation of territorial communities' development: leveling of disproportions of a social and economic development and stimulation of a territories' development. The first includes mechanisms of indirect action and is carried out through intergovernmental relations using financial equalization instruments; the second is a mechanism of direct action and is carried out through investment support for the territorial communities' development.

A legal basis of local self-government in Ukraine is the Ukraine Constitution, the Ukraine Law «On Local Self-Government in Ukraine», laws and subordinate regulations adopted on their basis, as well as acts of local self-government adopted within their competence. The state participates in a formation of budgets' incomes of territorial communities, financially supports territorial communities. Expenses of territorial communities' bodies, which arose as a result of public authorities'

decisions, are reimbursed by the state. Territorial communities' bodies may be granted by law certain powers of executive bodies. The state finances the exercise of these powers in full at a funds expense of the Ukraine's State Budget or by allocating to a local budget in the manner prescribed by law certain national taxes, transfers to the territorial communities' bodies of relevant state-owned objects.

Against the background of ongoing decentralization in Ukraine, the principles and practice of state regulation of the growth of territorial communities' welfare with the involvement of the widest possible range of stakeholders in an open and constructive way of interaction are gradually spreading more and more. Almost every territorial community had, has or will be able to experience the benefits of a participatory approach to determining their future and receiving feedback from their stakeholders. There is both an advantage and a technical complexity to this approach: what was once and almost traditionally done by experts and scholars for the benefit of a particular territorial community should now be carried out by ordinary people who are interested in greater opportunities for development, a more comfortable life and stable jobs at their place of residence. And this, fortunately, is a conscious choice of Ukraine and Ukrainians.

The main objectives of the work are to study a factors' set of modern growth of population welfare as part of the territorial communities' development by highlighting indicators and stages of regulatory policy in the field of local development.

**Factors' analysis of the population
welfare as a realization part of the state
regulation of territorial communities' development**

A formation of an active, balanced state regulatory policy provides opportunities for the development of territorial communities, contributes to the strengthening of economic ties of individual territories and increases the effectiveness of interaction with central authorities. The current stage peculiarity of economic development of the country is the awareness that this process directly depends on the state of territorial communities' development, the ability and desire to engage in local development of its territory. The state task in this context is the formation of an effective regulatory policy capable of ensuring the effectiveness of the tasks' implementation. The effective regulatory policy involves the synthesis of administrative and economic regulation, preventing

the adoption of economically impractical and inefficient regulatory acts, stimulating the economic entities' activities, de-shadowing of business to ensure sustainable development of territorial communities.

In the conditions of constant changes in various spheres of life the growth of attention to a question of welfare both a person individually, and a community is observed. It has been actively used in scientific theories and concepts, socio-political declarations, regulations, social programs and other documents as a term to denote the optimal state of person, social groups, communities, society as a whole. Welfare is provided by the state through the social security of its citizens, through the function of the life safety guarantor. Social programs, laws, standards, including norms, national projects are regulators of welfare and public policy measures. So, their absence almost always reflects the unsatisfactory level or quality of life and the lack or unavailability of benefits' number. It is the main characteristic of economic and social development of the citizen and the community as a whole. Welfare can be defined as the space of human existence, which is due to indicators of economic and social development. Welfare is the highest social value, the social ideal, the area of social optimality, which is associated with the vital interests of humanity. Welfare factors are the driving force behind the process of creating conditions that change the quality of life of the territorial communities' population. For all the variety of models and methods of regulation, regulation processes have three large blocks inherent in any cycle: analysis – planning – implementation (fig. 2.3.1) (PU, 2018). For these stages, if necessary, the possibility of iteration are always provided, repeat in a circle, but at a qualitatively new level.

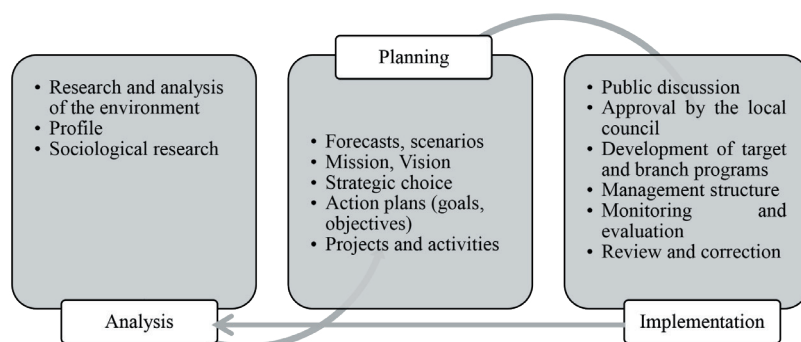


Fig. 2.3.1. Process logic of state regulation of a territorial community
Source: developed by the authors

The block of regulatory process «analysis» includes the diagnosis of the existing state of the territorial community (description of the situation) and the formation of an analytical report. The data and facts collected to characterize the current situation require interpretation and clarification. At this stage, it is important to develop a short and clearly structured description with reference to data and facts, supplementing it with visual materials (diagrams, drawings, photographs, etc.). This description can be presented in a report form, with accompanying materials. Such a report on the current situation should be transferred to key stakeholders for discussion and comment. After including the comments of key stakeholders, this report will be the basis for further steps. Sociological research of the inhabitants' opinion of the territorial community is obligatory for a comprehensive study of the situation and is perhaps the most difficult task in the whole process of welfare regulating of territorial communities. It is important to ensure compliance of the process with the appropriate methodology of the sociological survey, which is not easy. It is worth noting that such surveys are not a cheap measure. Assistance in disseminating and collecting questionnaires can be provided by local volunteers (youth council representatives). The sociological research lasts about 3–3.5 months (PU, 2018). It is recommended to conduct a survey in a sample of 10% of all households (apartments and private buildings) in all settlements of the territorial community. They need to be selected using special computer programs by randomly selecting addresses. It is necessary to form two lists: one main (10% of households) and reserve (1–2% of households), in case it is not possible to get an answer from the respondents from the main list.

Planning in general is a future-oriented activity. In this case, the future can be defined as a process result that, after a certain period of time, leads to the desired changes. Changes happen in any case, whether we plan or not. For the future, planning seeks to achieve changes that provide additional benefits, soften negative effects and impacts, and help prevent the onset of unwanted and dangerous events or processes. Identifying problems and needs, and reaching consensus on what exactly needs to be done to overcome or mitigate identified problems and meet identified needs, are necessary operations that preceding a definition of the purpose and direction of development. Accurate understanding of problems and all challenges related to local development is often lacking in many communities. Before establishing a strategic, long-term direction of community development, it is necessary to understand what the community really is, what its competitive advantages and role are

at the local and regional levels. This information should be presented in a concise and understandable statement of the community's mission: the community should clearly define its socially significant, sustainable and exciting goals. The next step is to decide how the community sees itself in the future. To do this, it is necessary to formulate a vision that describes the communities' state in the future. Often visions are formulated too abstractly, without specifying the status in the future. An implementation plan should be in a form of an «action plan» and «project sheets». In this document it is important to reflect an implementation period of the set goals, objectives or specific measures, responsible executors and implementation partners. It is also necessary to indicate a possible source of funding, namely what can be financed from a local budget, what – from the state (regional) and local, and what will be fully implemented by partner organizations or enterprises (and, accordingly, financed by their own funds and resources) (Varuk, 2020).

After the two previous blocks of the regulatory process (after a decision is made), an implementation process is very important, namely a organizational' conditions creation for an implementation of an action plan that has been developed to achieve the set development goals. The most optimal approach is to create a system of «strategic management», which would provide the institutional conditions for the transformations' implementation of at all levels. An optimal format for this is to change an organizational management structure of a local authority. An institutional structure of a system of implementation, monitoring, evaluation and updating of any strategy for the territorial community development is formed by: a chairman, who carries out political and organizational management; local council; body (official), who responsible for coordinating measures to implement a strategy; subdivisions of a council executive committee and institutions subordinated to it; task performers and their partners, who identified in the implementation plan. There are three levels of implementation process. Organizational level: in order to ensure the effectiveness and efficiency of performing tasks, it is recommended to appoint or create a position / body to manage the strategy implementation. All partners, who involved in a process of performing tasks and implementing projects, should cooperate with each other, as well as with a person (or body) whose functional responsibilities include the activities' operational coordination for the strategy implementation. Performing task activities should be adequately funded and, accordingly, require coordination at the level of a territorial community budget. It is recommended to move to operational interaction, create project teams

with a participation of pre-defined institutions of a territorial community and interested representatives of a public and business. A local council plays an important role in a methodological support (level) of a person / body who responsible for managing the strategy implementation and a head of a community. A community level covers a promotion of strategy objectives among residents and other stakeholders, as well as encouraging the latter to participate in their implementation. It is important to inform as many participants, beneficiaries and potential partners as possible about the activities' areas (PU, 2018; Latynina & Rodchenko, 2016).

A basis for the tasks' successful implementation aimed at achieving goals is analytical tracking the progress of their implementation, as well as an ability of local councils and the public to respond to differences between targets and actual indicators. To this, there is a procedure for monitoring, evaluation and updating through a reporting procedure, based on an analysis of selected key indicators and a procedure for reviewing and updating a document. A public discussion is important in an implementation unit. Participants should be involved not only as critics or "extras" – these are not very difficult roles for them. On the contrary, they must be active and at least personally involved both in a specific proposals' development and in their further inclusion in an action plan, saturating it with their own desires, specifics, but only in a certain, convenient way when submitting their proposals. This will significantly increase public confidence, which is extremely important.

An important role in state regulation of welfare is played by a system of indicators that goes beyond the measurement of income, wealth and consumption, and includes non-monetary aspects of welfare. These indicators' varieties, as well as obvious metrics' lack for comparing data in different dimensions, are both a main advantage and a main limitation for the use of these indicators. Therefore, a development of an indicators' system for welfare measuring is a necessary task. Indicators are indicators that are used to monitor and determine the level of progress in the implementation of individual tasks of projects and programs and the achievement of expected results. Indicators describe the results in operationally measurable quantities, for example: quantity, quality, type of beneficiary, time, place, etc. Different types of indicators are used for monitoring purposes:

1. Direct and indirect indicators. Direct (objective) indicators are used in cases when changes in the object of observation can be noticed by the subject of management. The direct indicator is more accurate, complete and more ready for direct use. Indirect (subjective) indicators are

used in addition to them. They are used in cases when the achievement (or failure to achieve) results (changes in the object of observation): can be recorded and measured only indirectly; the cost of direct measurement is unreasonably high; can only be measured after a significant period.

2. Quantitative and qualitative indicators. Quantitative (statistical) indicators are indicators that have a quantitative expression and are denoted by certain markers: number, frequency, percentage, share, etc. Quantitative indicators («solid» form) can describe, for example: the frequency of meetings and the number of participants, the annual growth rate of the community economy in %, climate indicators, price levels, etc. Qualitative indicators («soft» form) are judgments, evaluations, perceptions and attitudes. They do not have a quantitative expression and are denoted by the following formulations: availability, relevance, quality, degree, level, satisfaction, awareness, etc. Depending on the need, qualitative indicators can describe, for example, the attitude of stakeholders and consumers to a particular fact, the level of their satisfaction, the ability to make decisions and self-esteem, behavior change, etc. If the expected result is an increase in people's trust in the local government body of the territorial community, it is possible to indicate how often people turn to it, how and with what issues. In practice, it is desirable to maintain a balance between quantitative and qualitative indicators.

3. Intermediate and final indicators. Intermediate indicators are set to determine the result in certain periods (stages) of regulation's implementation. Therefore, they actually serve as control marks to achieve the expected end results. Indicators of the final results of regulation are essentially final (Ministerstvo, 2021).

Objective and subjective indicators of welfare allow to exploring the normative data, taking into account individual characteristics. Welfare in most cases is a subjective assessment of territorial communities of the satisfaction degree of their social, economic and cultural needs and is determined not only by external to the resident measures of public policy. Because welfare is more subjective, it is usually measured by self-reports. The use of self-reported indicators is fundamentally different from the use of objective indicators (household income, unemployment, crime), which are often used to assess welfare. The use of both objective and subjective measures is desirable to perform tasks of state regulation.

Tracking conditions that affect welfare is important in formulation appropriate state policy. However, many objective indicators that measure welfare are not quite able to measure how people evaluate their

lives (quality of human relationships, stability of positive emotions, a self-realization level, namely their peculiar «subjective welfare»). Welfare usually includes global judgments about life satisfaction and feelings from depression to joy. Subjective factors include: the democratization level of the community (an ability to participate in decision-making, in a choice, etc.), social self- feeling (needs (in communication, social affiliation, respect, success and self-expression), interests, values, attitudes (readiness for activity) and behavior of the population). In particular, among the indicators of human welfare, first of all, several important factors can be distinguished: material fact, health and safety. Indicators in fig. 2.3.2 can not characterize any one area of welfare regulation. If one aspect of human welfare is achieved, it will not mean the achievement of welfare as a whole, but will only allow us to speak about a selective welfare of a certain territorial community.

Material welfare:

- income level,
- living conditions;

Physical welfare:

- health status,
- self-feeling,
- personal safety;

Social welfare:

- interpersonal relationships,
- participation in the life of society,
- satisfaction with their social status and social roles;

Emotional welfare:

- positive self-feeling of a personality,
- personal growth,
- social respect and status,
- mental health, stress,
- beliefs and convictions;

Professional welfare:

- professional competencies,
- labor productivity,
- opportunity to realize themselves in the profession.

Fig. 2.3.2. Mini-component structure of human welfare indicators

Source: developed by the authors

The study of socially interconnected systems, namely the consideration of the main objective indicators of quality and level of living (welfare), requires special attention. These include access to educational services, medical care, sports and cultural facilities, general

living standards, legal protection, the availability of safe environmental conditions. These are the determinants of welfare, namely the conditions in which everyone carries out activities. These conditions can significantly affect each individual and the territorial community as a whole. An important component of welfare is social security, which in turn is the result of the activities of state, regional and local authorities. It is security that makes it possible to choose a strategy for the interaction of the «state – person – territorial community» (Varuk & Parkhomenko, 2019). A welfare basis, a social sphere of the state, first of all provides for the guarantees' availability of a social security, that creates the conditions for a prosperous existence of both economic and political (external) and emotional (internal). It is a protection against a situation where it is unclear how to achieve welfare, what social values and ideas can unite people, what social norms determine their interactions.

A desire to growth welfare has always been and is a stable motivation for the activity of social subjects. Understanding the essence of welfare is associated with being within a civilization, the most effective use of its benefits, and the optimal implementation of vital activity in conditions of a development high rate. There is some distribution of performance indicators: traditional indicators of social and economic policy, as well as the needs of territorial communities, which must be taken into account necessarily, as they have an impact on awareness and sense of welfare. In a formation of subjective individual welfare a significant place is occupied by external social institutions, which in turn, and ensures the socialization and adaptation of person at different levels and taking into account life circumstances (fig. 2.3.3).

There are many welfare tools that measure self-esteem in different ways, depending on whether self-feeling is measured as a clinical outcome of public health, for economic effectiveness studies, or for other purposes. For example, welfare measures may be based on psychometry or utility. Psychometric measures are based on the relationship and strength of many elements that are designed to measure one or more areas of welfare. Useful measures are based on the preference of an individual or group of people of a certain condition and are usually associated with 0 (death) to 1 (optimal health). Some studies support the use of individual elements (global life satisfaction) to save money in measuring welfare. For many years, for public health purposes, Center for disease control and prevention has measured welfare using a variety of tools, including utility-based psychometry or individual elements.

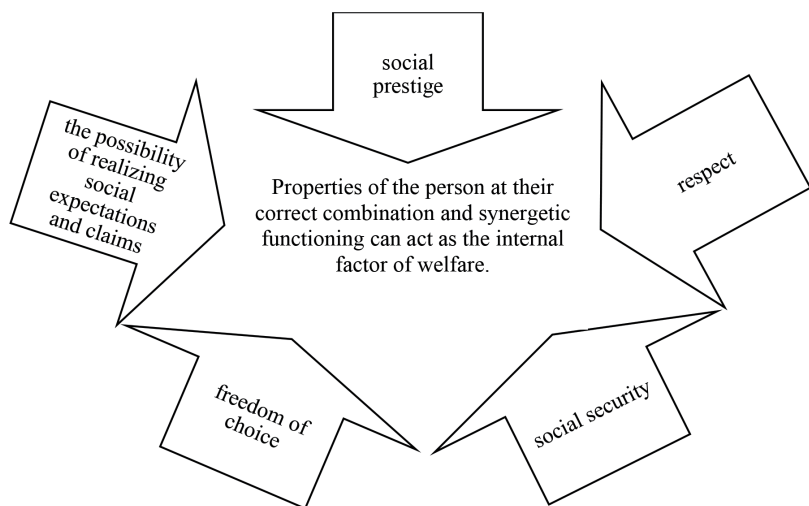


Fig. 2.3.3. Significant psychological needs of welfare

Source: developed by the authors based on Varuk & Parkhomenko, 2019

The welfare of each citizen, family and territorial communities as a whole is the product of many, often interrelated, factors, the impact of which is important for determining the competitiveness of territorial communities and ways to improve efficiency. An important group of factors for the local communities' welfare are socio-economic, related to optimizing the functioning of the labor market and employment, ensuring a decent level of income, protecting the purchasing power, investing in human capital and forming funds for socially vulnerable population groups. The low-down presented in the work are obtained from the data of statistical indicators of the Kharkiv Regional State Administration, territorial communities and questionnaires. Statistical data for analysis were selected for the period of 2021 year. The formation of territorial communities' list is carried out in the following sequence:

1. identification of potential administrative centers of territorial communities and their accessibility zones;
2. determining the list of territorial communities that are part of other territorial communities;
3. assessing the capacity level of a territorial community, the criteria of which are the population number, territory area, students' number, budget tax index, the share of local taxes and fees in budget incomes (KMU, 2021).

The state of the economy and society as a whole significantly depends on changes in the composition of the number and area (fig. 4), which affect, for example, the calculation of state subventions to local budgets. It can be observed that the districts' areas and a population number of territorial communities occupy some share of Kharkiv region (table 2.3.1).

*Table 2.3.1. A composition of a population
number and area of territorial communities*

№	District	Area	Population number
1	Bohodu khiv district	14,34 % (4510 sq. km.) (5th place)	4,83 % (128400 persons) (6th place)
2	Izyum district	18,81 % (5910 sq. km.) (1th place)	6,83 % (181600 persons) (3th place)
3	Krasnograd district	15,63 % (4910 sq. km.) (2th place)	4,10 % (108900 persons) (7th place)
4	Kupyansk district	14,71 % (4620 sq. km.) (4th place)	5,16 % (137200 persons) (5th place)
5	Lozova district	12,83 % (4030 sq. km.) (6th place)	5,82 % (154600 persons) (4th place)
6	Chuguiv district	15,31 % (4810 sq. km.) (3th place)	7,61 % (202200 persons) (2th place)
7	Kharkiv district	8,40 % (2640 sq. km.) (7th place)	66,31 % (1762800 persons) (1th place)
8	Kharkiv region	31415 sq. km.	2658500 persons

Source: calculated by the authors based on Ministerstvo, 2021

Territorial communities' area up to 200 sq. km. is considered small (it consists of 13 territorial communities, including Bezlyudivka and Pischyn), 200–400 sq. km. – average (it consists of 11 territorial communities, including Vilhivka and Kharkiv), from 400 sq. km. – large (it consists of 32 territorial communities, including Borivka and Lozova) (KMU, 2021). Proportional location of residents in the settlements of most (34) territorial communities of Kharkiv region less than 50 persons per 1 sq. km. speaks of the imbalance of the communities' territorial structure, which does not correspond to the world average population density, which is 52 persons per 1 sq. km. In Ukraine, this figure is 69 persons and in Kharkiv region – 85 persons. Based on the above, it is possible to conclude that in general on the communities' territory there is a low population density.

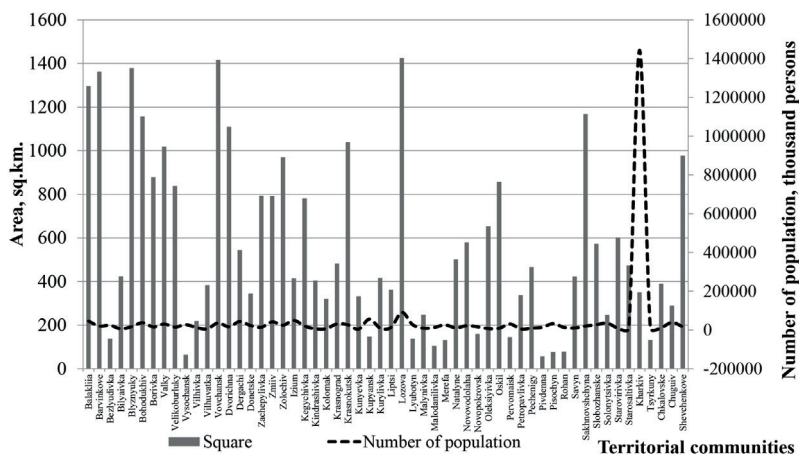


Fig. 2.3.4. Indicators of formation and development of territorial communities
Source: built by the authors on the basis KDOA, 2021

The demographic situation characterizes the reproduction of the population by its main structural elements in spatial and temporal certainty. Ensuring the conditions for population development in the Concept of National Security of Ukraine (basics of state policy) is considered as one of its priority national interests. The most important subject of any territorial communities is a person with all his social problems. Therefore, a main strategic goal of local government should be to solve these problems. The state of the economy and society as a whole significantly depends on changes in the number and composition of the population. Over the past ten years, the constant population of Ukraine has decreased by more than 4,5 million persons and in 2021 year is 41902400 persons (Holovne upravlinnia statystyky, 2021). The birth rate in the country, in particular in the territorial communities of Kharkiv region, has decreased almost twice in recent years. The number of families who do not want to have children is increasing due to social, material or psychological reasons.

According to the above data, it can be concluded about the growth of territorial communities' population of Kharkiv region, which happened only due to the unification of territorial communities, although the territories have been declining in recent years. For example, the population number of Kindrashivka, Borivka and Bohodukhiv territorial communities decreased by more than 10%. European practice shows that

a typical self-sufficient territorial community is about 10000 inhabitants. The Kharkiv region is dominated by communities with the population number of 7000 persons, which are considered large (KMU, 2021). For example, the population number of Lozova city territorial community has increased 1,4 times (24 councils have joined), which will allow for the concentration of funds. The number population in territorial communities also affects their subsidies. So, what up larger a territorial community, the less it needs subsidies. With a population of 8000–9000 persons, the level of subsidies decreases. Most residents of territorial communities live namely in the administrative center of territorial communities. For example, 37,15% of residents (9359 persons) of Zolochiv territorial community are concentrated in Zolochiv settlement, 65,98% of residents (21589 persons) of Krasnograd territorial community are concentrated in Krasnograd city and 32,24% of residents (5166 persons) of Rogan territorial community are concentrated in Rogan settlement (KDOA, 2021).

The current demographic situation in territorial communities, as well as in Ukraine as a whole, has developed under the influence of historical development of territories, natural and mechanical movement of the population (fig. 2.3.5). On the example of separate territorial communities, it is possible to see that there is a negative natural increase in population. However, the migration balance of some territorial communities is positive due to the fact that in modern conditions the factor of migration is gaining more and more influence. In some territorial communities there is a general increase, due to the type of location of territorial communities, the ability to quickly reach the regional center. In most cases, there is a decrease in households. The problem of depopulation is one of the most important demographic problems faced by territorial communities. There is a constant trend of increasing depopulation, in particular, a negative natural increase (mortality exceeds the birth rate), which does not provide even a simple replacement of generations. Depopulation has ceased to be a phenomenon that affects only rural territorial communities. The demographic factors that are causing this situation – youth emigration and a negative natural balance – are now spreading to urban territorial communities. This situation creates negative migration balances and processes of education decapitalization. In addition to population number decline, the population aging that occurs with youth emigration, and falling birth rates, the loss of skilled human capital as a result of the outflow of highly educated people must be included.

Indicator, persons	Zachepylivka community:	Lyubotyn community:	Sakhnovshchyna community:	Merefa community:
Number of births	79	138	105	220
Number of dead	179	445	254	434
Natural population growth	-100	-307	-149	-214
Number of arrivals	104	215	154	1266
Number of dropouts	137	269	219	954
Migration movement of the population	-33	-54	-65	302
General change	-133	-361	-214	88

*Fig. 2.3.5. Population growth
of territorial communities in 2020 years, persons
Source: calculated by the authors based on KDOA, 2021*

Subject belonging to different gender groups has the greatest impact on the welfare level of territorial communities' members: women are less satisfied than men who are satisfied with the spheres of life, and on an emotional level they are more tense and distrustful about their health. Subject belonging to different ages and educational groups also affects the expression of welfare, but to a lesser extent (with age, satisfaction with the spheres of life decreases and tensions increase). The welfare general assessment is bordered by territorial communities' residents at the average level (27%), rather unsatisfactory (31%), rather satisfactory (17%), satisfactory (7%) and unsatisfactory (10%) marks. The structure determines the reproduction mode of the population, namely the demographic ratio of population groups. Most families (households) have more women than men, for example, in the Lozova territorial community; women make up 49931 persons, men – 40523 persons. 5374 men and 6632 women live on the territory of Chkalovske territorial community.

According to the affiliation of an individual to a particular socio-demographic group, a large difference is demonstrated by the cognitive component of welfare, which includes the assessment of satisfaction or dissatisfaction with various aspects of life. According to the influence degree on the level of individual welfare, human habitat (city or village) has no less significant influence: rural residents are more satisfied with the socio-economic situation of the country, their material support (financial situation, living conditions, leisure and the opportunity to spend a vacation), education and relationships with relatives' different generations. As of the end of 2020 year, the majority in the population

structure of territorial communities is occupied by the rural population, which is 50–60% (fig. 2.3.6).

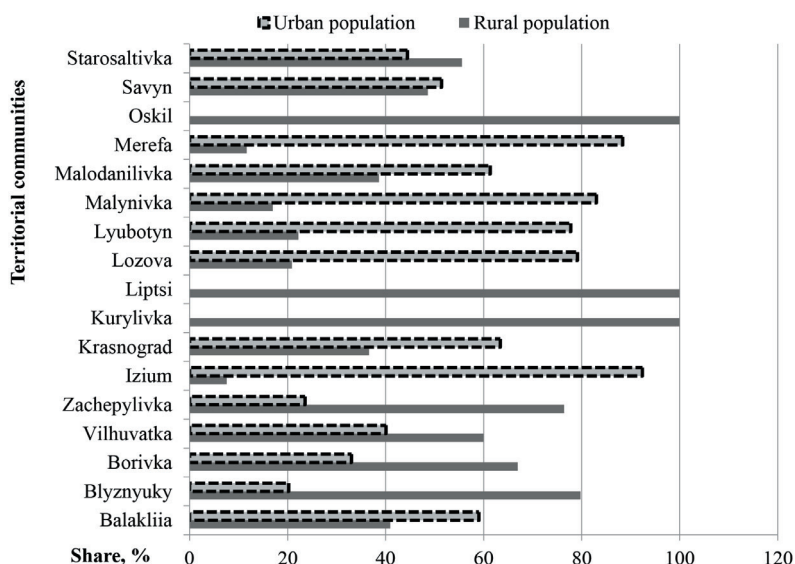


Fig. 2.3.6. Population structure of territorial communities

Source: built by the authors based on Detsentralizatsiia vldy, 2021

The demographic processes observed in the studied communities determine a state of a social sphere and the appropriate infrastructure development. The demographic factors are important modifiers of the relationship effect between poverty and health, and should be considered in any discussion of territorial community welfare policies. The demographic factor assessment of the of territorial communities' welfare can be carried out using the so-called «solid» welfare indicator, taking into account the territorial communities' specifics (table 2.3.2): natural population growth rate, mortality, birth rate, number of retirees, etc. Analyzing demographic trends, it should be noted that in all settlements of territorial communities there is a tendency of annual population decline as a result of stable excess of level of mortality over birth rate, the general aging process of population and the negative balance of migration. A significant part of territorial communities are subsidized. There is a pattern between financial capacity and population number of community. The reason for this is that large territorial

communities have greater potential and opportunities for the proper maintenance of infrastructure object, the functioning of institutions and communal property institutions.

Table 2.3.2. Summary characteristics of the demographic factor of territorial communities' welfare at the end of 2020 year

Territorial communities Indicators	Zachepylivka	Krasnohrad	Malynivka	Chkalovske	Starosaltivka	Kurylivka	Izum	Lyubotyn	Natalyne	Sakhnovshchyna
Birth coefficient (number of births) per 1000 available population, %	7,9	18,7	3,8	5,1	3,6	4,4	22,2	13,8	3,6	10,5
Mortality coefficient (number of deaths) per 1000 available population, %	17,9	49,6	11	18,4	11,1	16	86,2	44,5	21,2	25,4
Coefficient of natural increase (decrease) of the population per 1000 available population, %	-10	-30,9	-7,2	-13,3	-7,5	-11,6	-64	-30,7	-17,6	-14,9
Retirement coefficient per 1000 population (at the age 65 years and over), %	3,49	8,70	1,46	2,44	2,25	3,66	10,2	7,60	2,42	5,14
Population density, persons / sq. km.	18	67	40	31	17	42	133	168	15	17

Source: calculated by the authors based on KDOA, 2021

A particular importance for territorial communities' development is budgetary financial regulation, which should be based on an effective policy of providing income to territorial formations in combination with financial support from centralized sources of funding. In the context of management decentralization, the main role in filling local budgets should be played by the local governments' initiative. In turn, the state by regulatory acts can promote the interest of local authorities in increasing the financial resources of territorial communities. At the same time, the state allocates funds to local authorities in the form of interbudgetary transfers to carry out delegated powers. This means using a complex approach, which includes a resources' combination that come from

both own sources and from incomes from centralized funds of financial resources. Increasing the financial capacity of territorial communities, increasing the efficiency of their use will ensure the achievement of goals and indicators of sustainable development in the population interests of the administrative-territorial entity. The use of such a budgetary mechanism as interbudgetary transfers will improve the implementation financing of delegated powers of local governments.

It can observe that the estimated index of tax capacity of the territorial communities' budget below the normative value (0,9) has the majority of territorial communities that receive a basic subsidy for equalization (80% of the amount needed to achieve the index value of 0,9), namely – 39 territorial communities, including Borivka, Kindrashivka, Novopokrivsk, Pivdenomisk, Tsyркunь, etc. Local budgets of 8 territorial communities have an average indicator (from 0,9 to 1,1) for which equalization is not carried out (basic is not provided and reverse subsidy is not recount). From the budgets of 9 relatively affluent communities in which the tax capacity index exceeds 1,1; funds are withdrawn from the state budget (reverse subsidy) in the size of 50% of the amount exceeding the value of the tax capacity index 1.1. Territorial communities of the Kharkiv region are characterized by a high level of dependence on the state budget, so the level of subsidies in the region averages is 3–5%. As before, the vast majority of territories (39 local budgets) are subsidized.

A share of local taxes and fees in territorial communities' budget incomes has been growing in recent years (for example, land fees). In 5 territorial communities it has a value of about 20%, in 31 territorial communities – 20–40% and in 20 territorial communities its value is more than 40%, which is a main feature of strengthening local budgets and expanding a financial autonomy of the respective territories. The territorial communities' goals are to increase the efficiency of financial and budgetary activities, ensure the stable functioning of the budget system by strengthening and increasing the income part of a budget, optimize the rational use of budget funds. Income distribution processes affect the population vital interests as a whole, and are also key factors in the social stability of territorial communities, opportunities and reproduction types of the workforce, human potential development. On the example of some territorial communities the weight of incomes and expenses for 2020 year is considered in more detail that allowed stating a certain level of financial capacity of territorial communities (fig. 2.3.7).

<div> Territorial communities Indicators </div>	Zachepylivka	Krasnohrad	Malynivka	Chkalovske	Starosaltivka	Kurylivka	Izyum	Lyubotyn	Natalyne	Sakhnovshchyna
Birth coefficient (number of births) per 1000 available population, %	7,9	18,7	3,8	5,1	3,6	4,4	22,2	13,8	3,6	10,5
Mortality coefficient (number of deaths) per 1000 available population, %	17,9	49,6	11	18,4	11,1	16	86,2	44,5	21,2	25,4
Coefficient of natural increase (decrease) of the population per 1000 available population, %	-10	-30,9	-7,2	-13,3	-7,5	-11,6	-64	-30,7	-17,6	-14,9
Retirement coefficient per 1000 population (at the age 65 years and over), %	3,49	8,70	1,46	2,44	2,25	3,66	10,2	7,60	2,42	5,14
Population density, persons / sq. km.	18	67	40	31	17	42	133	168	15	17

Fig. 2.3.7. Comparison of income and expenses of territorial communities
Source: built by the authors based on KDOA, 2021

The consolidated plan on territorial communities' budgets is executed on 90–120%. The coefficient of budget efficiency by income reflects the level of budget total income per 1 inhabitant of territorial communities, which in the average was 4000–6000 UAH. The budget coverage ratio, which reflects the degree of coverage of budget expenses by budget income, was about 0,9–1% (within normal limits). For example, the consolidated plan for the income of the Borivka territorial community was fulfilled by 99,7% with the plan of 142379,90 thousand UAH, in fact, the local budgets received 141987,70 thousand UAH. The district local budgets received 67724,90 thousand UAH of own income, which is 101,9% from a planned value. 86484,90 thousand UAH receipts was received to the budget of Zachepylivka territorial community (together with transfers), to the special fund –8580,20 thousand UAH. Income on accounts of the Krasnohrad city budget amounted to 104,2% or 1163,60 thousand UAH (overfulfillment), as well as financing of expenses amounted to 79,8%. A growth trend of incomes and expenses of territorial communities continues in recent years, which can be observed in the examples – Bohodukhiv, Lozova, Petropavlivsk and Rohan territorial

communities. The budget coverage ratio is 1% for 2019 year and 0,98% for 2016–2018 years (KDOA, 2021).

The purpose of state policy is to create conditions for economic growth and improve mechanisms for managing the settlements' development of local councils on the basis of growth, openness and transparency, strengthening investment and innovation activity, ensuring proper functioning of engineering, transport and communal infrastructure, compliance with high environmental standards and consequently increasing competitiveness, availability of a social services' range. The welfare of the working population is largely determined by the situation on the labor market and the employment level, so effective regulation of the labor market and employment is one of the socio-economic indicators of welfare (fig. 2.3.8).

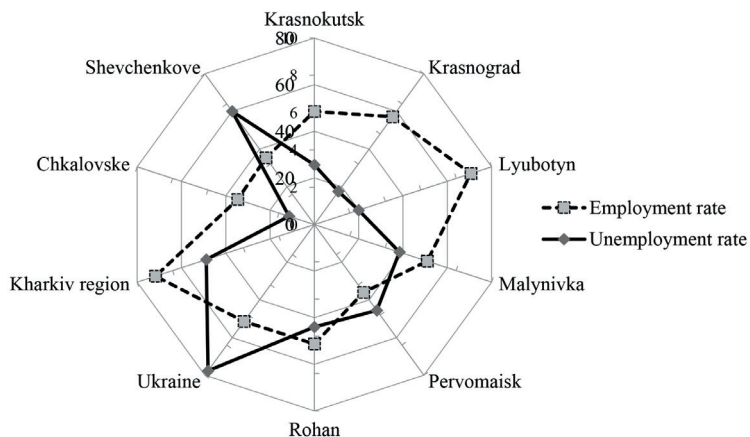


Fig. 2.3.8. Rate indicators of population unemployment and employment, %

Source: formed by the authors based on *Holovne upravlinnia statystyky u Kharkivskii oblasti, 2021*

The age structure of the population reflects the general tendencies of settlements both in the region and in the country as a whole. It is possible to conclude that in the age structure of the population in the analyzed territorial communities is dominated by the older generation, but not significantly. Youth is a significant competitive advantage of the administrative territorial unit, because it is the youth that is the driving force of new forms of economic and social activity, which has recently become a smaller share (fig. 2.3.9).

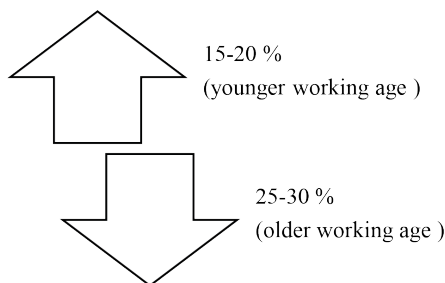


Fig. 2.3.9. The population correlation of younger and older working age to the total population number of working age, %
Source: built by the authors based on KDOA, 2021

The economically active population at the age of 18–60 years in most cases is about 50–60% of the total population number, and the population of retirement age is about 25–30 %. Increasing the population number may have positive consequences for territorial development, including an increase in the persons' number of working age and an increase in the level of population labor activity. In an age structure of population, for example in the Starovirivka territorial community, the working age persons predominate. However, there are settlements where young people and the working age persons are almost absent, due to geographical location, their remoteness, and underdeveloped infrastructural and entrepreneurial components of human life.

People older than working age in the Lozova territorial community in 2020 year accounted for 26,6% (24035 persons), people younger than working age – 17,2% (including: 0–5 years – 4579 persons, 6–17 years – 10968 persons) and people of working age – 56,2% (50872 persons) to the constant population. The pensioners' number was 26831 persons (29,7%) and the privileged categories' number was 19213 persons (21,2%). The economically active population of the Kurylivka territorial community at the age of 18–59 years was about 6372 persons or 55,8% of the total population, the population of retirement age was about 3661 persons or 32,0% and people younger than working age – 1392 persons or 12,2%. The Starosaltivka territorial community numbered 1259 persons younger than working age (15,3%), 4716 the working age persons (57,3%) and 2254 persons older than the working age (27,4%) (fig. 2.3.10) (KDOA, 2021).

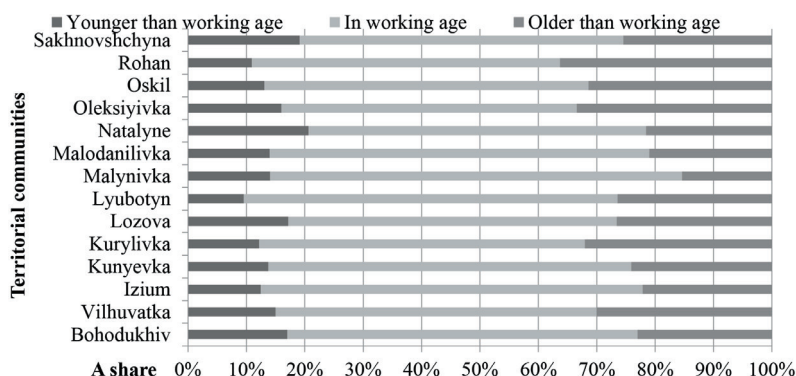


Fig. 2.3.10. Age division of the existing population of separate territorial communities
 Source: built by the authors based on KDOA, 2021

The salary amount plays an important role in ensuring the material welfare of a person and his family. In recent years, the average salary indicators of the territorial communities of Kharkiv region in accordance with the all-Ukrainian trend have shown a slow growth rate. However, at the positive background of the increase in nominal salary, there is a decrease in its real size and purchasing power. The average per capita disposable income of residents in 2020 year does not exceed the average level by the districts and region. The average employee's income for the month compared to last year increased by 10–15% and amounted to 5000–8000 UAH. The highest salary are observed in Malodanylivka (11969 UAH), Krasnohrad (10447 UAH), Zachepylivka (9641 UAH), Shevchenkovo (9285 UAH), Lyubotyn (8419 UAH), Borivka (8264 UAH), Lozova (8230 UAH) and Malynivka (7818 UAH) territorial communities, and the lowest – in Kunye (6300 UAH), Merefa (5600 UAH), Starosaltivka (UAH 5,500), Chkalovske (5000 UAH) and Oskil (4173 UAH) territorial communities [TOV «MinfinMedia», 2021]. The average monthly salary of full-time employees of territorial communities is 10–15% lower than in the region. The average salary of employees of budgetary institutions is much lower than the salary in other industries. The wages' lower level is due to the high level of employment in the non-productive sector of the economy and agriculture, where a significant part of workers receive the minimum salary. Residents of territorial communities assess their living level on average (38%) and rather bad (29%). Usually per month, most household expenses per family are focused on housing and food (17%),

health and transport (15–16%), education (10%), entertainment and clothing (8–12% in accordance) and amount to 1000 UAH (55%), 100–5000 UAH (39%) and more than 5000 UAH (5%). Most residents spend no more than 1000 UAH on other directions per month (73%) (fig. 2.3.11).

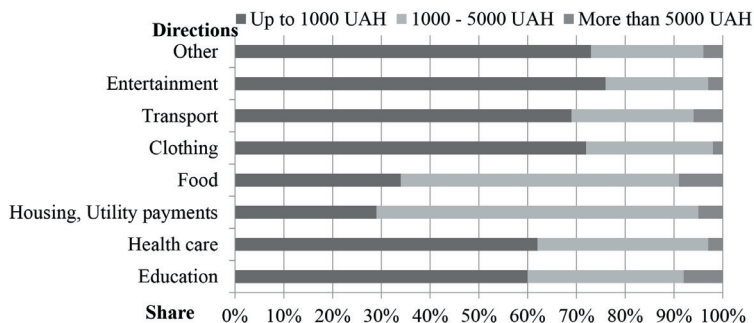


Fig. 2.3.11. Expenses' directions of territorial communities' residents
Source: built by the authors based on the questionnaire

Official indicators of employment and unemployment of the territorial communities' population show insignificant positive tendencies, however, there are certain features. The average registered unemployment rate in Kharkiv region is 4–5%. The need for constant improvement of the quality of the labor force is very urgent. High level of education, general culture, deep professional training and creative attitude to work become mandatory conditions for highly productive work. The situation on the labor market is currently under the influence of difficult economic and political conditions, in particular, there are a large number of factors that in the near future may lead to a rapid deterioration in the employment situation. The focus should be on working with the unemployed to avoid an increase in their number what has been happening in recent years and a reduction in the number of existing unemployed. The residents' number of territorial communities registered as unemployed is growing every year, as in Kurylivka, Lozova and Merefa territorial communities. A difficult aspect is the high level of unregistered unemployment, which contributes to the spread of the shadow sector, as well as the presence of territorial and structural imbalances between supply and demand of labor, increasing depressive trends in the structure of population employment.

In the territorial communities, as well as in the Kharkiv region as a whole, the problem of rational use of labor, its proper distribution between sectors of the economy, the elimination of unemployment is

acute. Most territorial communities have the potential with a sufficiently high level of education and professional qualification staff of population, although the demographic situation does not contribute to its growth. Despite the features of the structure, the labor potential is able to ensure the reform of the economy of territorial communities. One of the priority issues is the persons' employment of working age, whose share among the territorial communities' residents is about 50–60%. In territorial communities, the most popular among the working age population are such types of employment as: education (about 10%), trade and intermediary activities (about 15%), agriculture (about 55%) and others (about 20%). Such trends require additional stimulation of entrepreneurial activity in the private sector, as well as encourage the search for ways of cooperation between agriculture.

From the results of the survey of territorial communities' residents it can be concluded that solving the unemployment problem is one of a priority issue to ensure territorial communities' development (14% of respondents rated this problem as a priority), in addition, care and prevention health, development of infrastructure, education and other were highlighted among the priority tasks (fig. 2.3.12).

Indicators of subjective assessment of welfare factors, a provision of which territorial communities' population marks as «mediocre» and «rather bad», are shown in figure 2.3.13.

Residents estimate the level of income and employment of territorial communities at 53% bad and at 29% average. However, the biggest problem of territorial communities is that they are bad or very bad provided with jobs. Most respondents negatively or mediocre assess the possibility of starting their own business, because most respondents have not heard anything about the support provided to entrepreneurs by territorial communities and are completely unaware about the activities of business support organizations. Accordingly, in both cases, the share of positive feedback is a minority interest, the rest are negative or mediocre. Ignorance of possible assistance or opportunities' negative assessment to receive it negatively affects the assessment of residents of territorial communities of their own opportunities of doing business. Educational skills relate not only to the acquisition of knowledge in the formal sense, but also to the general desire to expand their knowledge and be influenced by new ideas. For many, educational opportunities are not only related to their own professional development, but also to the financial capacity to send their children to the educational institutions that they would like to attend. 16% of respondents are satisfied with

the availability of educational institutions (schools and preschools), playgrounds, extracurricular activities, the quality of education for 44% of mediocre feedback and 32% are rather dissatisfied. The share of negative assessments is 7%.

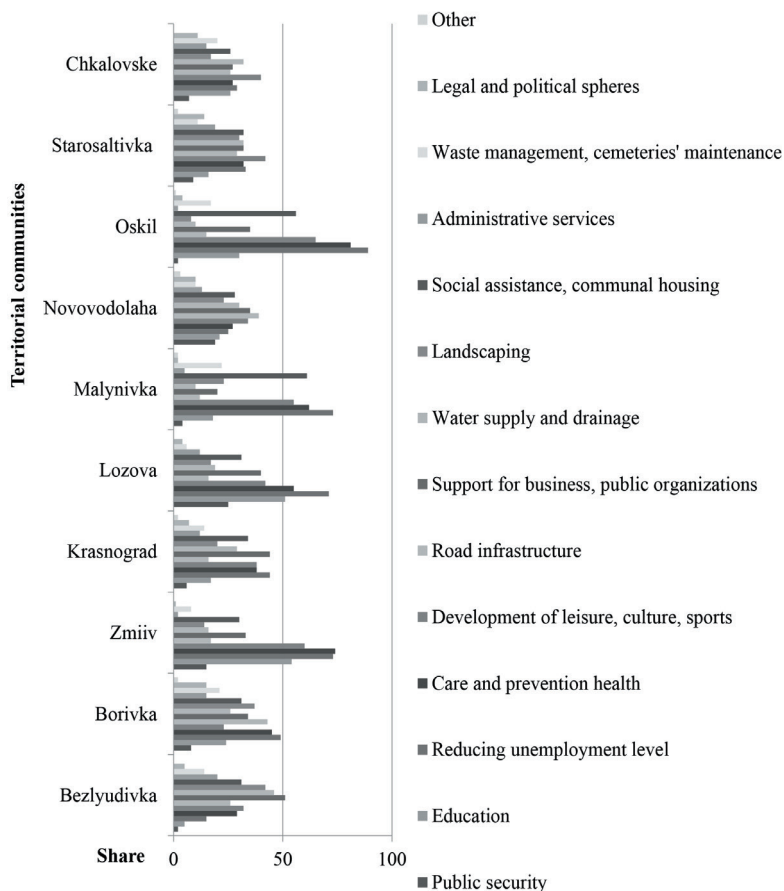


Fig. 2.3.12. Priority tasks to be implemented in territorial communities
Source: built by the authors based on the questionnaire

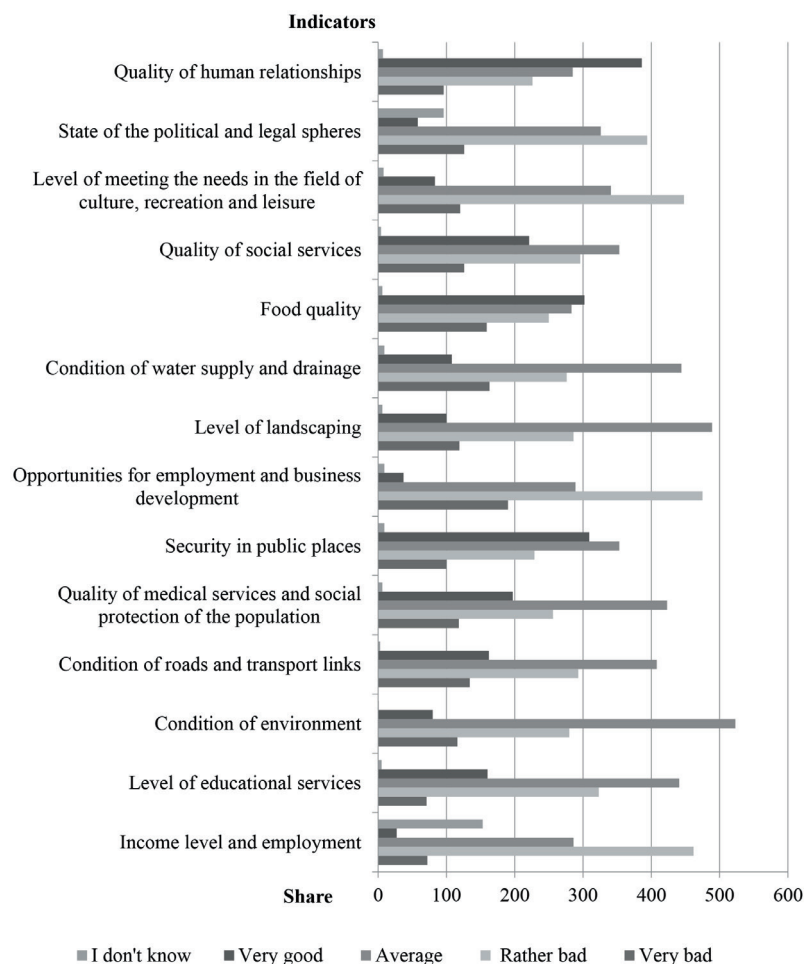


Fig. 2.3.13. Subjective assessment of welfare factors
Source: built by the authors based on the questionnaire

Respondents estimate 52% mediocre and 40% bad the state of the environment, namely cleanliness (rivers, lakes, reservoirs, air, public places, water quality, the situation with garbage and cemeteries, the state of the sewerage network, the presence of nature in the human environment (parks, green areas)). The condition of roads and transport

connections, namely the possibility of using public transport, quality of public transport services, quality and condition of roads, availability of bicycle lanes, road safety, are perceived by respondents of territorial communities much more critically (the indicator is estimated at 41% average and 42% negative). Health is seen as a very important factor influencing welfare and is understood as the absence of disease, suffering and any weakening or disruption of public life. The quality assessment of population medical services and social protection, in particular: activities of medical and social protection institutions, pharmacies, adaptation of public buildings to the people needs with special needs in territorial communities, according to the residents' survey is 42% mediocre, 20% positive and 38% negative estimates. Residents note some problems with access to specialists.

35% of residents assess security in public places at average, 33% – bad and 31% – good, also opportunities for employment and business development at 67% bad and 29% average. The level assessment of landscaping provision (garbage removal, cemetery maintenance) is close to the mostly mediocre attitude of the respondents – 49% and 41% is bad. The state of water supply and sewerage is assessed as 44% bad and 44% average. The assessment of food quality is 30% good, 41% bad and 28% average, and the social services' assessment (utilities, internet access, affordable housing) is 43% bad and 35% average. There is a problem that many respondents do not know anything about the activities of social protection institutions, providing assistance to those who need it.

Territorial communities' residents mediocre assessed the services' quality in the fields of culture, recreation and leisure in territorial communities, the state of political and legal spheres. Territorial communities' residents mediocre or rather negative assessed the activities of cultural centers, libraries, the opportunity to participate in sports and cultural events, access to recreation (34%), the government work (57%). The human relationships' quality is assessed well (39%) and average (29%). Residents assess the state of the political and legal spheres at 52% bad and 33% average. According to territorial communities' residents, the population in most cases (49%) is deprived of real influence on important decisions made by local governments, 36% find it difficult to answer and only 15% are confident of influence (fig. 2.3.14).

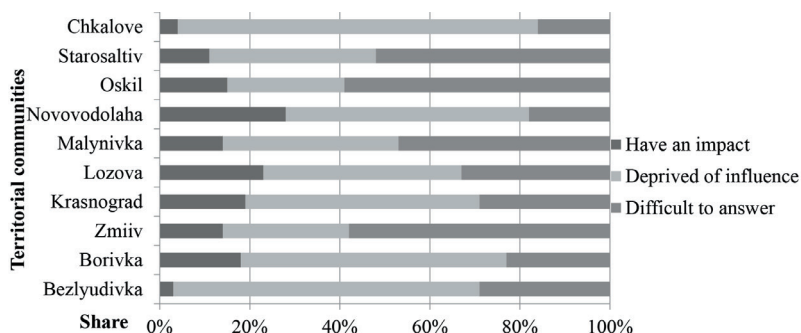


Fig. 2.3.14. Assessment of the residents' involvement in the territorial communities' management
 Source: built by the authors based on the questionnaire

Confirmation of the above is the respondents' answer to the question that hinders community development (fig. 2.3.15), that according to the residents' survey of territorial communities are the following areas: unemployment (17%), lack of opportunities for self-realization, providing meaningful leisure (12%), lack investments (12%), deterioration of engineering networks (water supply, sewerage) (9%), etc. There is an urgent need to expand and improve the institutions' system of relevant areas to improve welfare, create conditions for the such institutions' activities, which implies the need to expand their institutions' network through construction of new, completion or reconstruction of existing facilities for operation in combination with energy saving measures, in particular at the expense of the local governments' budget. As of 2020 year not all facilities and establishments of territorial communities are maintained at the expense of the local governments' budget in 2020 year, and for most territorial communities they are not enough to meet the relevant needs of residents.

In recent years, there has been a dynamic growth in the total number of children living in territorial communities. As a result, the children number attending school and other educational institutions has increased. There is a problem of overloading educational institutions, which makes it impossible to fully meet the needs of the population in providing education due to which, because of which most children are forced to attend educational institutions elsewhere. A lack of professional staff is also a problem.

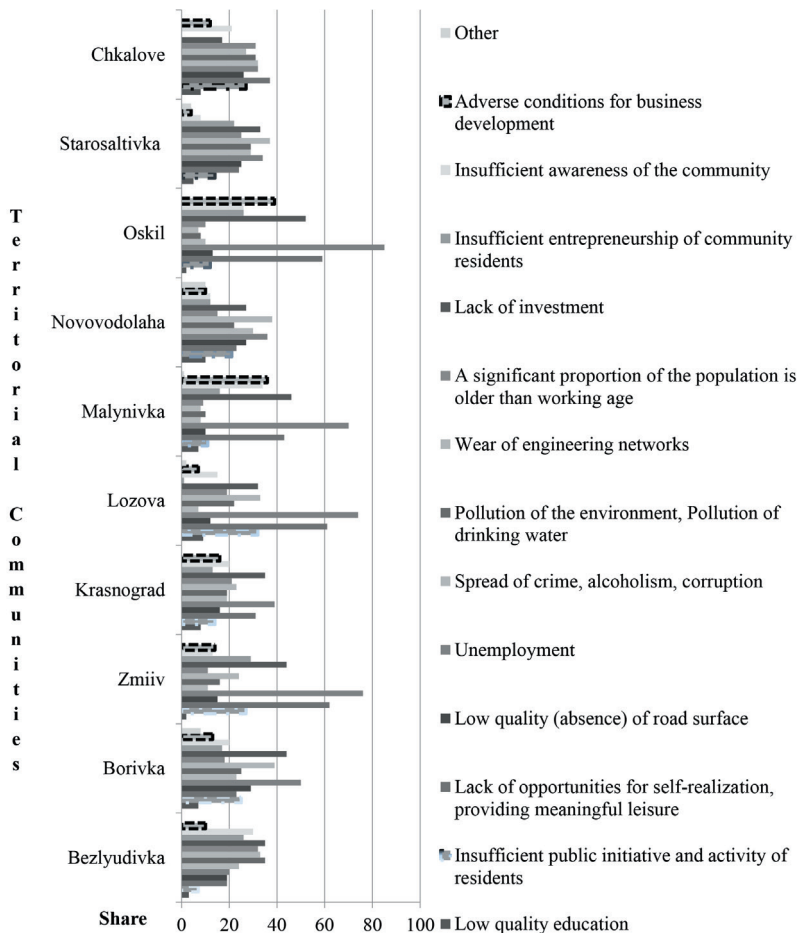


Fig. 2.3.15. Directions that, in the opinion of residents, hinder the territorial communities' development

Source: built by the authors based on the questionnaire

There is an urgent need to conduct a land inventory, which will allow establishing quantitative characteristics of land together with the updating of the normative monetary valuation of land within settlements, which will increase budget incomes from land operations. There is a problem of lack of relevant urban planning documentation, namely master plans. The urban cadastre has not been created, which

complicates the adoption of systemic management decisions, does not allow for effective management of available land resources and hinders the identification of development ways. The absence of these documents makes it difficult to resolve issues of creation and use of the territories' reserve intended for urban needs, determination of land use regime, environmental protection, development of engineering and transport infrastructure, preservation of historical and cultural heritage, tourism development, design of transport, energy and other utilities.

The situation on the labor market on the territorial communities' territory in recent years has been determined by the general socio-economic situation and formed under the influence of both national and regional development trends. Unemployment problems are accompanied by an increase in shadow employment, low levels of development of small business and entrepreneurship, lack of permanent jobs, which leads to lower employment, increased migration abroad in search of jobs, as well as the problem of youth unemployment – young people without experience have the greatest difficulties in search of work, especially formal employment. The situation with the provision of jobs is in fact a matter of supporting the business activities' development on the territorial communities' grounds (information, training, financial and non-financial assistance), as well as the purposeful creation of attractive conditions for potential investors. The activity issue of public organizations is not given due importance yet and despite interest declaration in its activation, both at the public and personal level, there is a lack of activity and a certain detachment.

The main problems and issues that need to be addressed are: the lack of agricultural products' processing enterprises in the communities' territories, low purchase prices for agricultural products, disparity in prices for material and technical resources and agricultural products, reduced soil fertility (most chernozems are depleted, they lose productivity due to non-compliance with the rules of tillage, soils are not supported by fertilizers and other useful elements, and the humus content decreases every year). The branches of housing and communal services of territorial communities of Kharkiv region are characterized by problems that are typical for Ukraine as a whole, namely: high level of depreciation of fixed assets, including housing and infrastructure, late payments of consumers for services received. The pace of new construction is extremely low. On the territorial communities' territory the construction of communal housing is not carried out, housing construction is carried out by individual developers. Among the most

irritating communal problems it should be noted the water resources' state in general. Most villages of territorial communities do not have specialized water supply and sewerage enterprises and are serviced by agricultural enterprises.

One of the biggest problems of territorial communities is the lack of quality solid road surface between the territorial communities' centers and villages. There is a very significant, now unsecured services, demand for regular passenger traffic on the territorial communities' ground, the bicycle routes' availability, the roads suitability for pedestrians. In the villages there is a problem of low quality of Internet connection or even its complete absence, which negatively affects the provision of administrative services by elders, the formation of internal and external connections, medical care, leisure and self-development of residents. A problematic issue that hinders the development of green tourism in territorial communities is the lack of appropriate conditions for the development of recreational infrastructure and recreation of potential tourists.

In most areas there is a need for the development of educational infrastructure, namely the further renewal and replenishment of material and technical bases of institutions. There are uncritical issues of school accessibility – this point must be taken into account when optimizing their network. But more worrying is the lack of access to extracurricular education services. The social protection system in most territorial communities is in the formation process. In the social sphere, territorial communities need better ensuring the provision of health care services and accessibility to professional specialists. It should also be noted that in addition, not all cultural and sports institutions in territorial communities are maintained at the expense of the local governments' budget, for example in territorial communities: Zolochiv – 25 cultural institutions out of 26, Kurylivka – 9 cultural institutions out of 18, Lozova – 3 sports institutions out of 94, Malodanilivka – 1 institution culture out of 12, Petropavlivka – 6 cultural institutions out of 7. Conditions of leisure organization leave to wish for the best – this is a rather irritating topic with a high level of negative perception due to an affairs' current state, in this area there is a need to implement a projects' number to increase such institutions' number. There are issues of sports development: some residents are very keen on it, others are indifferent; given the social role of sport, this direction will require the creation of such conditions that will convince even those who doubt; it is likely that this will partially solve the problem of places' bad accessibility where you can spend your free time. The solutions of the above issues in the culture field together will

contribute to the individual socialization in the territorial communities through the formation of social qualities and knowledge. It is worth noting that with a very high rate of residents' interest of territorial communities in the events on its territory, a significant part of them can not meet this demand, so the available means of communication between the government and residents of territorial communities is not enough.

These issues in the work will require increased attention from local councils. The analysis testifies that the crisis' local deepening is not only one of the factors of insufficiently effective socio-economic development, but also threatens the future and national security of the state. Due to the inadequate level of priority areas' implementation of state social policy, the main threats to national security in this area remain unresolved. One of the priorities of territorial communities should be to ensure constitutional guarantees of accessibility and equality of citizens' rights to receive quality education, increase the level of children's enrollment, update and improve the content, form and methods of educational process in educational institutions, promote innovative development of educational environment, preservation and improving the networks of educational institutions in accordance with the needs, ensuring the proper level of their current maintenance and functioning, promoting the care health of children, ensuring safe nutrition.

Approaches to state regulation of the population welfare of territorial communities: advantages and disadvantages

It should be noted that the welfare assessment of the population should be carried out systematically and at all levels of state regulation: the state, the region and local self-government to ensure decent living. Welfare assessment at the state level is the formation and coordination of a common policy in this area. At a regional level, such assessment is a basis for a quality workforce formation, as objective analysis will allow for more effective implementation of social programs in the region, including the provision of various opportunities. At a local level, the initial assessment of welfare is the basis for monitoring studies of territorial development (Varuk, 2020; PU, 2018). There are two approaches: descending ("top to bottom") and ascending ("bottom to up"), using the sign of classification – "the level of the incoming initiative":

1. The "top to bottom" approach is used by the highest executive bodies of large companies and states (central, regional and sometimes local authorities) and involves the implementation of the regulatory

function delegated to them by law (Latynina & Rodchenko, 2016; Public Union “Slobozhansky Strategies”, 2018). The «top to bottom» regulation is carried out by both the European Commission and all governments. In a democratic society, the executive is controlled by the legislature, namely parliaments, which by definition must represent all relevant sections and society groups to ensure that the “interests of the general public” are taken into account. In regulation, the approach is often criticized for the prevailing “bureaucratic and technocratic dictatorship”, which often works above and sometimes even acts against the public interest at the grassroots level. The exclusive use of the approach leads to a weakening of initiative, increasing social dependence and ignoring initiatives that are invisible “from top”. Despite this, it is expected that senior executives responsible for decision-making and experts are more informed; better and more deeply versed in the situation and have a broader and more comprehensive view of problems and trends. In addition, they have more leverage to influence the use of public resources. Such regulation is traditionally embedded in existing bureaucratic structures. The “top to bottom” regulation is probably the only approach used in most eastern European countries; at the same time, it visually exposes its shortcomings, especially in the case of use for the development of culture, which is particularly dependent on creativity and widespread use of initiative.

2. The “bottom to up” approach involves the broad involvement of stakeholders, namely, individuals, groups, organizations and institutions that are interested in development processes and are dependent on them (Latynina & Rodchenko, 2016; Public Union “Slobozhansky Strategies”, 2018). Involvement of stakeholders characterizes the “bottom to up” approach to regulation as an inclusive approach that involves broad involvement of participants. It is based on basic democratic values. Such regulation provides for a broad dialogue, which allows taking into account current issues and needs as they are perceived at the basic level, to stimulate public initiative and develop collective responsibility. Regulation should provide a higher level of social responsibility in relation to those affected by the policy (Varuk, 2020; PU, 2018). An inclusive approach in this context is an approach that allows respecting diversity, to avoid division and exclusion, and to involve all known stakeholders’ groups in the process. It is an approach that uses a methodology to ensure the active participation of all parties interested in making their contribution and making decisions that lead to the formulation of a final strategy. However, the “bottom to up” approach also has some limitations. However, it is unlikely to apply if the parties concerned have opposing

interests, and this precludes the possibility of reaching a sustainable consensus. Practitioners often focus on short-term perspectives and they are not ready to search a compromise for future benefits. There is a risk that socially active groups that express marginal views will seize the initiative and begin to manage the regulatory process in their own interests. A similar risk is inherent in the regulation of «top to bottom». Therefore, such processes must respect democratic values to avoid manipulation and falsification.

State regulation consistency is to ensure the unity of executive (administrative) and partnership (socially consolidated) approaches in the practice of regulating social relations and processes. Thus, the model of effective state regulation of welfare as part of territorial development should use a combined approach – “top to bottom” and at the same time “bottom to up”, which allows to overcome the above-mentioned shortcomings and limitations. This combination involves organizational and managerial efforts, strong expert support, as well as the provision of the necessary financial resources from above and broad participation from bottom. It is through such regulation that the role and attitude of residents can be changed: from passive behavior “my house is on the edge” to “this is our common home” based on common interests and responsibilities.

Modern state policy of Ukraine in the field of solving the problems of territorial development should be based on the interests of the territorial communities' residents. At the same time, each local government body, in addition to the national one, forms its own regulatory policy, which is the basis for the success of all components of development. In order to ensure transparency in the adoption of regulatory provisions, work should be intensified within the project “regulatory map of Ukraine”. This approach will determine the level of business regulation in a given territorial community, identify the state of implementation of local government body of regulatory legislation provisions, carry out regulatory oversight automatically, and identify ineffective solutions that will eliminate barriers to economic development and exchange of experience in improving local regulatory policy.

Conclusions

In general, subject to the formation of a regulation effective system of main components of the development process, the goal of improving the level and quality of life (welfare) of the population of all territories becomes achievable. Effective local development management involves

understanding global trends and using the patterns of the global economy to benefit community development. It is the collaboration of local people to achieve sustainable economic growth that brings economic benefits and improved welfare to communities' all members. One of the most important conditions for ensuring sustainable development of the territories is the formation of a favorable regulatory policy at both national and local levels.

Achieving sustainable development will be achieved by creating the necessary conditions for maintaining and strengthening the population health, forming and promoting healthy lifestyles, solving problems of occupational health and safety, supporting youth, stabilizing family relationships, helping to raise children, organizing meaningful leisure and recreation, protection of the disabled and the elderly, ensuring the development of education and culture. Most of the factors that affect the situation are formed at the national level and depend on the financial and economic condition of the population. Overcoming the financial crisis and improving the economic situation of the population in turn will lead to achieve sustainable demographic development, normalization and reproduction of the population. There is no single determinant of welfare, but in general welfare depends on good health, positive social attitudes and access to basic resources (housing, income). So, the welfare of a person and a territorial community is the sum of a person's subjective and objective assessment of himself and his life, the effective and positive functioning of the individual and a well-established system of state regulation that guarantees a person social security. Residents' improving welfare should be declared a strategic guideline and a criterion for the effectiveness of state regulation of territorial communities.

Thus, in order to realize its purpose, the local council as a structure for managing the affairs of the territorial community must clearly perform all stages of management: at the analytical stage – to analyze the problem and identify possible ways to solve it; at the stage of task setting – to identify priorities of activity; at the stage of making a management decision – to determine the technology and algorithm for solving the task, the expected, final and intermediate results (effects); at the stage of execution (realization) of the decision – to execute the developed technology of achievement of the set purpose (goals); at the stage of evaluation of the obtained results – to analyze the actual positive and negative consequences, to prepare for the next analytical stage and the new cycle. The state regulation system is designed to regulate social relations, to ensure the protection and reproduction of the integrity of the state and its basic institutions, to manage the approach.

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SECTION 3

ORGANIZATION OF EFFECTIVE INTERACTION OF STAKEHOLDERS IN ENSURING FINANCIAL INDEPENDENCE AND SUSTAINABLE DEVELOPMENT OF TERRITORIES

3.1. BUDGET RESOURCES AS A FACTOR OF ENSURING FINANCIAL INDEPENDENCE AND DEVELOPMENT OF THE REGION ON THE BASIS OF EFFECTIVE STAKEHOLDER INTERACTION

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The paper proposes the definition of regional development as systemic, multifaceted, complex, and multilevel processes of positive quantitative and qualitative changes in financial and economic results in the economy of Ukrainian regions so as to increase their development potential on the basis of effective stakeholder interaction. It is suggested that the forms of financial and economic interaction with stakeholders should be differentiated in the processes of both formation of budgetary resources and ensuring financial independence and development potential of the region, which includes legally prescribed and voluntary forms. The consolidated and state budget of Ukraine, the condition of local budgets and the budget of Kharkiv Oblast are analyzed. The level of financial independence of Kharkiv Oblast is determined on the basis of the ratio of own budget revenues and transfers from the state budget. Under decentralization and financial independence of the regions, the levels of application of tax management are distinguished, which, along with the existing macro and micro levels, includes the meso level.

Problem statement

In today's difficult conditions, the world community (Press release: Financing for Sustainable Development Report 2020, 2020; Promote Inclusive and Sustainable Economic Growth, n.d.) is concerned about acute issues of global recession, decreased economic activities, financial shocks, financial and economic destabilization, especially in poor countries, declining incomes, debt crises both globally and at the level of national and regional economies.

Since the present stage in the global financial and economic space is characterized by numerous negative factors, such as high volatility and loss of financial markets, a significant outflow of emerging markets, investment resources in the amount of about 90 billion US dollars (Press release: Financing for Sustainable Development Report 2020, 2020;), the issues of stabilization, poverty eradication and growth are exacerbated (Press release: Financing for Sustainable Development Report 2020, 2020; Promote Inclusive and Sustainable Economic Growth, n.d.). World experts (Economic Policy Reforms 2021, 2021) emphasize that the desire for growth in 2021 determines the priorities of structural policies. This rests upon the main challenges of today in three important areas: stability growth; promotion of resource redistribution and acceleration of productivity growth; support for people in transition. One of the important priorities is the problem of limited financial resources and effective taxation.

World experts believe that governments, development partners, the private sector and all other stakeholders should be actively involved in solving today's complex problems (Press release: Financing for Sustainable Development Report 2020, 2020; The Sustainable Development Agenda, n.d.), the effective interaction of which will provide the necessary transformations and synergistic effects of achieving positive results on the path to growth.

These problems do not bypass Ukraine either. Under such global conditions and in terms of active decentralization in Ukraine there is an increasing importance of own financial resources for the territories, including budgetary resources since they are a factor of ensuring regional development on the basis of effective stakeholder interaction. This actualizes research in this direction.

Financial resources as a factor influencing territorial development in terms of decentralization

Numerous aspects of regional development are considered by researchers in different branches of science, from different positions and approaches (Dobryk, 2018; Dykyi, 2011; Kravtsiv, 2018; Lytvynenko, 2015; Mezentsev et al., 2014; Portna, 2020; Rodchenko & Prus, 2017; Rodchenko & Prus, 2018; Shevchenko et al., 2020). As part of our study of budgetary resources as a basis for financial independence and growth of financial potential of the territory in terms of decentralization and based on the conclusions of researchers on regional development in Ukraine (Mezentsev et al., 2014), it can be determined that regional development comprises systemic, multifaceted, complex, multilevel processes of positive quantitative and qualitative changes in financial and economic results of the economy in the country's regions in order to increase development potential on the basis of effective stakeholder interaction.

Researchers (Mezentsev et al., 2014) summarize that the regional economic development of Ukraine is characterized by unevenness and caused by differences in the influence of factors of regional development (from the availability of resources to the effectiveness of management strategies). Ensuring a sustainable pace of development also requires compliance with the main objectives of state regional policy, the implementation of which depends on the overall growth of economic activity, productivity and quality of life in the regions of the country; smoothing sharp disparities in the levels of financial, economic and social development of the regions; progressive quantitative and qualitative transformations in the structure of the economy and social sphere.

According to researchers (Shevchenko et al., 2020), Ukraine is witnessing uneven rates of regional development. This is due to the influence of many objective (economic potential, demographic, etc.) and subjective (interest of the political elite, efficiency of local authorities) factors.

Researchers of socio-economic and financial preconditions and factors that affect the development of the region (Dobryk, 2018), identify many components that are formed on the basis of increasing mutual permeability and complementarity of various elements of regional financial, economic and social systems and have a diverse impact on regional development:

- ◆ natural resource and climatic factors (characterize and emphasize the features of the natural resource environment and climatic conditions,

the ecological situation in the region and affect the way of life and living standards) (Natsionalnyi instytut stratehichnykh doslidzhen, n.d.);

- ♦ transport and geographical factors of the region (proximity to transport interchanges and highways, which creates favorable financial and economic conditions for the development of various activities);

- ♦ demographic factors, i.e. human resources of the region, labor potential (quantitative and qualitative characteristics of the population in the region: age and gender structure, education, level of employment and reproduction of labor potential, cultural traditions, etc.) (Babiak, 2014);

- ♦ environmental factors (characterize the level of anthropogenic pollution);

- ♦ infrastructural factors have a significant impact on the development, which is provided by the productive forces of the regions, the territorial division of labor and the pace of modernization (the condition of infrastructure is characterized by the specifics of sectors in the region and modern focus on regional management, and it changes along with production (Infrastruktura rehioniv Ukrainy. Priorytety modernizatsii, 2017);

- ♦ production and industrial factors characterize the rational and efficient use of production and industrial potential;

- ♦ financial and economic factors reveal the amount of financial resources and income of economic entities in the region, conditions for investment, dependence on external sources of funding, the level of solvency, etc. (Nudelman, 2017);

- ♦ factors of regional policy and state influence characterize the effectiveness of existing state mechanisms for regulating the socio-economic development of the region;

- ♦ factors of social activity, public and cultural activity are characterized by measures to ensure social protection, health promotion, development of education and science, activation of culture and art, creation of favorable conditions for harmonization in all spheres of life;

- ♦ technical and technological factors characterize the ability to timely implement scientific and technical achievements, contributing to the advanced scientific and technical development of the region;

- ♦ competitive factors include conditions for strengthening the territorial and economic complexes, creating new incentives for development (Dykyi, 2011);

- ♦ market factors reveal the regional conditions for reproduction of goods, services, resources in a market economy, business development, balanced supply and demand, regional market conditions;

♦ factors of investment attractiveness include intensification of investment activities in the region, increase in the amount of investment resources (Pihul, 2014);

♦ food security factors characterize the ability of a territorial system to produce and use food resources, to provide them to the population in the region;

♦ information factors include the development of access of the population in the region to complete information that arises in the process of life, increased levels of information capacity and culture and provision of information security;

♦ institutional factors characterize the level of effectiveness of structural reforms, institutional reforms in the region, improving interaction within the economic system of the region (Lytvynenko, 2015).

Thus, based on the above, we can determine the components of the territorial development (See Fig. 3.1.1).

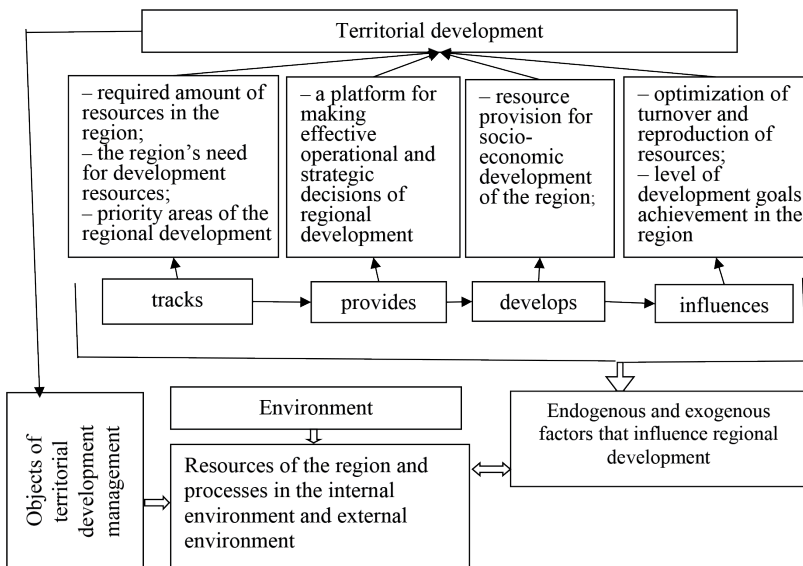


Fig. 3.1.1. Component decomposition to ensure effective development of the region in terms of decentralization
Source: built by the authors

Undoubtedly, financial resources are an important component and factor that ensures the development of the region.

The researchers (Shevchenko et al., 2020) note that the level of financial security of regional development still remains one of the most important aspects in determining the capacity of territories to ensure the implementation of development tasks and functions. The financial capacity of territories can be measured by many components, factors and parameters. However, the fundamental component of life and development of the region are financial resources, which in terms of decentralization largely depend on the amount of income received by the territories.

The value of financial resources of the territory as part of the resource provision for the regional development management system is shown in Fig. 3.1.2.

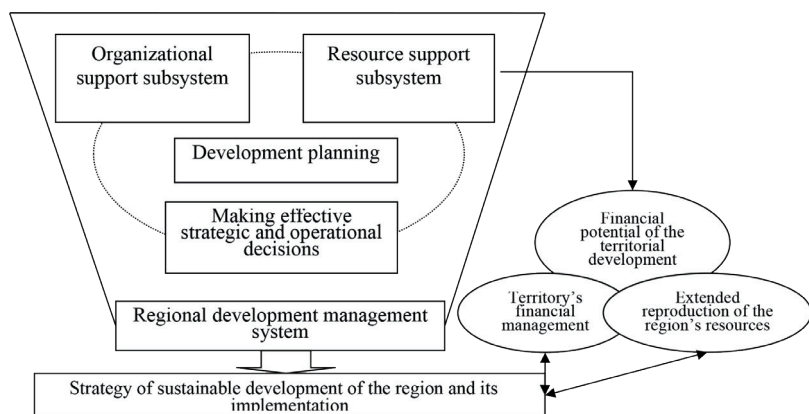


Fig. 3.1.2. Financial resources of the territory as part of the regional development management system in terms of decentralization
Source: built by the authors

Sufficient financial resources are needed to equalize disparities and ensure the development of both individual regions and the country as a whole. As is generally known and analyzed by the experts (Portna, 2017; Portna, 2018; Safonova & Stepaniuk, 2017), a significant amount of financial resources is accumulated in budgets.

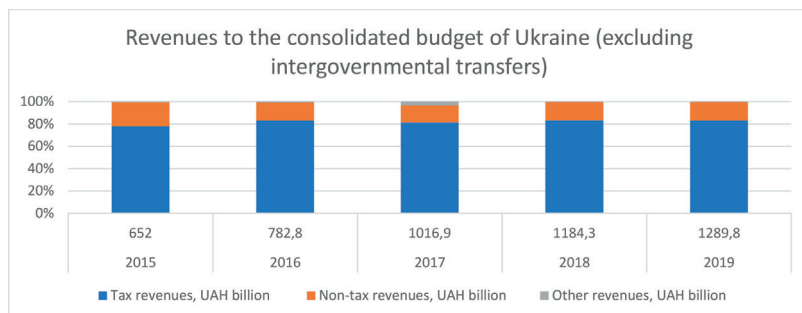
Therefore, when studying the issues of financial resources as a factor that influences the territorial development, it is important to examine the condition of the consolidated budget of Ukraine (See Table 3.1.1).

*Table 3.1.1. Receipts of the consolidated budget of Ukraine
(excluding intergovernmental transfers), %*

Indicators	2015	2016	2017	2018	2019
Total consolidated budget revenues, UAH billion	652.0	782.8	1016.9	1184.3	1289.8
Tax revenues, UAH billion	507.6	650.8	828.1	986.3	1070.3
Non-tax revenues, UAH billion	140.1	125.5	154.5	192.7	212.8
Other revenues, UAH billion	4.2	6.6	34.2	5.2	6.7

Source: built by the authors based on Derzhavna podatкова sluzhba Ukrainy, n.d.; Derzhavna sluzhba statystyky Ukrainy, n.d.; Statystychnyi shchorichnyk Ukrainy za 2019 rik, 2020

The data presented in Table 1 show that during the analyzed period the revenues of the consolidated budget of Ukraine and in their composition tax and non-tax revenues increase, the volumes of other revenues fluctuate which is clearly seen in Fig. 3.1.3.



*Fig. 3.1.3. Revenues to the consolidated budget of Ukraine
(excluding interbudgetary transfers), UAH billion*

Source: built by the authors based on Derzhavna podatкова sluzhba Ukrainy, n.d.; Derzhavna sluzhba statystyky Ukrainy, n.d.; Statystychnyi shchorichnyk Ukrainy za 2019 rik, 2020

Consolidated budget revenues (See Fig. 3.1.3) change their structure. Therefore, the analysis of revenues to the consolidated budget of Ukraine requires considering the structure of revenues (See Table 3.1.2).

Table 3.1.2. Structure of revenues to the consolidated budget of Ukraine (excluding intergovernmental transfers), %

Indicators	2015	2016	2017	2018	2019
Consolidated budget revenues, %	100	100	100	100	100
Tax revenues, %	77.8	83.1	81.4	83.3	83.0
Non-tax revenues, %	21.5	16.0	15.2	16.3	16.5
Other revenues, %	0.7	0.9	3.4	0.4	0.5

Source: calculated by the authors based on Derzhavna podatkovna sluzhba Ukrainy, n.d.; Derzhavna sluzhba statystyky Ukrainy, n.d.; Statystychnyi shchorichnyk Ukrainy za 2019 rik, 2020

The data provided in Table 3.1.2 allow determining that the core of consolidated budget revenues is tax revenues, the share of which has been growing against the decrease in the share of non-tax revenues since 2016. Other revenues are mostly small, but in 2017 there is a sharp increase.

Also, the analysis of budget revenues must be carried out considering the dynamics of revenues (See Table 3.1.3).

Table 3.1.3. Dynamics of revenues to the consolidated budget of Ukraine (without intergovernmental transfers) excluding the deflator, %

Indicators	2016	2017	2018	2019
Consolidated budget revenues: total, %	120.1	129.9	116.5	108.9
Tax revenues, %	128.2	127.2	119.1	108.5
Non-tax revenues, %	89.6	123.1	124.7	110.4
Other revenues, %	157.1	518.2	15.5	128.8

Source: calculated by the authors based on Derzhavna podatkovna sluzhba Ukrainy, n.d.; Derzhavna sluzhba statystyky Ukrainy, n.d.; Statystychnyi shchorichnyk Ukrainy za 2019 rik, 2020

Calculations of income dynamics (See Table 3.1.3) demonstrate the growth of revenues both in the consolidated budget and in its composition of tax revenues in 2016–2017. Compared to 2016, non-tax revenues increase in 2017–2018. Such processes occur under the influence of many economic, financial, political, social and other factors that have different vectors of development. In our opinion, however, it is important to study the impact of inflation on the formation of budget revenues in relation to financial resources. According to official statistics of Ukraine (Derzhavna sluzhba statystyky Ukrainy (n.d.); Statystychnyi

shchorichnyk Ukrainy za 2019 rik, 2020), the deflator of gross domestic product for the study period is as follows: 2016 – 117.1; 2017 – 122.1; 2018 – 115.4; 2019 – 108.2. Considering the inflation factor, the consolidated budget revenues may be characterized by a completely different dynamics (See Table 3.1.4).

Table 3.1.4. Dynamics of revenues to the consolidated budget of Ukraine (without intergovernmental transfers) including the deflator, %

Indicators	2016	2017	2018	2019
Consolidated budget revenues: total, %	102.5	106.5	100.9	100.6
Tax revenues, %	109.4	104.3	103.2	100.3
Non-tax revenues, %	76.5	100.9	108.1	102.0
Other revenues, %	134.2	424.7	13.4	119.0

Source: calculated by the authors based on Derzhavna podatкова sluzhba Ukrainy (n.d.); Derzhavna sluzhba statystyky Ukrainy (n.d.); Statystychnyi shchorichnyk Ukrainy za 2019 rik, 2020

Thus, considering the inflation factor (See Table 3.1.4) consolidated budget revenues do not show significant growth in almost all components.

Decentralization makes it important not only to analyze the consolidated budget in terms of tax and non-tax revenues but also monitor budget revenues in terms of state and local budgets (See Table 3.1.5).

Table 3.1.5. Revenues of the State and Local Budgets of Ukraine (UAH billion)

Indicators	2015	2016	2017	2018	2019
Consolidated budget of Ukraine in total, UAH billion	652.03	782.86	1016.97	1184.29	1289.85
including state budget in total, UAH billion	531.55	612.11	787.47	920.8	989.62
share of the state budget in the consolidated budget, %	81.5	78.2	77.4	77.8	76.7
Local budgets, total, UAH million	120.48	170.75	229.49	263.48	300.23
share of local budgets in the consolidated budget, %	18.5	21.8	22.6	22.2	23.3

Source: calculated by the authors based on Derzhavna sluzhba statystyky Ukrainy, n.d.; Statystychnyi shchorichnyk Ukrainy za 2019 rik, 2020

According to the data in Table 3.1.5, starting in 2016 the share of local budgets is growing in the structure of the consolidated budgets

of Ukraine, and the resources of the state budget are declining. In the context of decentralization, when the regions are given more autonomy, including financial autonomy, this situation is quite justified.

Today, to ensure the development of territories, it is necessary to stimulate economic activity and cooperation of regions, to attract domestic and foreign investment, and to quickly transform initiatives and ideas into factors of real positive quantitative and qualitative changes and high economic results. Decentralization reduces the influence of private financial, economic and political interests on the budget decision-making process as well as increases resistance to negative external influences (Shevchenko et al., 2020).

According to the experts (Shevchenko et al., 2020), in terms of decentralization and hence under changes in tax and budgetary processes, local budgets can form and use many new sources of financial income. Due to larger amounts of financial resources, the territories receive additional financial incentives for their own development. Due to additional revenues, local budgets have increased on average in the country. This provides greater opportunities to change the conditions and pace of economic development, public funding and more.

Under such changes in territorial finances it is topical to investigate dynamics of incomes of the state and local budgets (See Table 3.1.6).

Table 3.1.6. Dynamics of revenues in the state and local budgets of Ukraine excluding the deflator, %

Indicators	2016	2017	2018	2019
State budget	115.1	128.6	116.9	107.5
Local budgets	141.7	134.4	114.8	113.9

Source: calculated by the authors based on Derzhavna sluzhba statystyky Ukrainy, n.d.; Statystychnyi shchorichnyk Ukrainy za 2019 rik, 2020

Based on the data presented in Table 3.1.6, we can conclude that during the analyzed period of 2016–2019, a significant increase in local budget revenues occurred in 2016–2017. State budget revenues had the largest growth in 2017.

An analysis of budget revenues considering the deflator is also important (See Table 3.1.7).

Table 3.1.7. Dynamics of revenues in the state and local budgets of Ukraine considering the deflator, %

Indicators	2016	2017	2018	2019
State budget	98.3	105.4	101.3	99.3
Local budgets	121.0	110.2	99.5	105.3

Source: calculated by the authors based on Derzhavna sluzhba statystyky Ukrainy, n.d.; Statystychnyi shchorichnyk Ukrainy za 2019 rik, 2020

The calculations (See Table 3.1.7) made including the deflator reveal that state budget revenues have been declining since 2018, and local budgets are fluctuating, with a significant decrease in 2018.

Researchers of challenges and priorities of territorial development and regional policy in Ukraine (Kravtsiv, 2018) emphasize that the modern economic map of Ukraine shows evident spatial inequality and interregional financial and socio-economic disparities. Ukraine's rather low competitive position on the global market, weak intensity of integration processes in the formation of the country's domestic market, slow structural changes, etc. do not contribute to high-quality economic growth of the country.

As experts emphasize (Shevchenko et al., 2020), an important component of the development is public participation and implementation of solutions. This shapes the standard of living for the population in the region. Strengthening the financial capacity of the region ensures the inclusive development of territorial economies, the involvement of social groups to benefit from development, to participate in decision-making, which positively affects the quality of life and trust in the government (Inclusive development, 2012). This, in turn, allows to increase significantly the efficiency of management by strengthening the interested participation in solving specific financial, economic and social problems on the territory and ensures the optimal realization of the development potential of the whole community in the region.

Thus, within the problem of ensuring the financial basis and financial self-sufficiency of territorial development, it is important to determine the forms of stakeholder interaction in these processes based on numerous previous developments in many aspects of stakeholder interaction (Korepanov et al., 2020; Kulomza & Portna, 2019; Portna & Chernysh, 2021; Portna & Herehiieva, 2021; Portna, 2020; Tereshchenko & Hetman, 2020; Yershova & Kondratiev, 2020; Portna et al., 2021; Portna et al., 2019).

When analyzing the problem of budgetary resources as an important component of financial independence and financial potential of the region, it is possible to identify and differentiate stakeholders in accordance with the form of financial and economic cooperation, namely, legally prescribed and voluntary ones:

- ♦ economic entities that are taxpayers comply with all statutory rules and obligations to pay taxes as a significant source of budgetary resources and interact on a statutory basis;

- ♦ economic entities that participate financially in the processes of ensuring development on a voluntary basis interact on a voluntary basis.

An example of stakeholder interaction on a legally prescribed basis is tax revenues from economic entities.

An example of the interaction with stakeholders involved in the formation of budget revenues on a voluntary basis is the resources to budgets received from foreign governments, the European Union, donors, international organizations, etc., which, according to official sources (Derzhavna fiskalna sluzhba Ukrainy, n.d.; Derzhavna Kaznacheiska sluzhba Ukrainy, n.d.; Derzhavna podatкова sluzhba Ukrainy, n.d.; Derzhavna sluzhba statystyky Ukrainy, n.d.; Holovne upravlinnia derzhavnoi kaznacheiskoi sluzhby u Kharkivskii oblasti, n.d.; Ministerstvo finansiv Ukrainy, n.d.; Statystychnyi shchorichnyk Ukrainy za 2019 rik, 2020), make a significant contribution to the budget revenues.

Also, the development of public-private partnership can be considered as an example of the interaction with stakeholders involved on a voluntary basis. For instance, Ukraine is currently trying to actively develop partnerships between government and business (Tsili staloho rozvytku – Ukraina 2020, n.d.) to achieve the goals of sustainable development (See Table 3.1.8). For 2020, a target of 205 partnership projects has been set.

Table 3.1.8. Number of public-private partnership projects, units

Region	2015	2016	2017	2018	2019
Ukraine, total	177	186	191	189	187
Kharkiv Oblast	1	1	1	1	1
Poltava Oblast	113	113	114	110	110
Kyiv Oblast	1	11	13	19	15
Mykolaiv Oblast	15	15	15	15	15
Odesa Oblast	14	14	9	8	9

Source: built by the authors based on Tsili staloho rozvytku – Ukraina 2020, n.d.

Poltava Oblast implements the lion's share of public-private partnership projects in Ukraine (See Table 3.1.8). Many projects are also stably implemented in Mykolaiv and Kyiv. The number of projects in Odessa Oblast decreases.

Strengthening the financial and material basis of territorial development and ensuring the disposal of all types of available resources in the regions can give impetus to economic activity at the local level and create conditions not only for disclosing but also for ensuring expanded reproduction of internal potential of territories with active involvement of both domestic and external stakeholders.

Budget resources of Kharkiv Oblast as a component of financial relations to ensure territorial development

Timely completion of budgets with resources at all levels and their further effective use is a constant concern of both society in general and economic entities of the regions in particular. Financial imbalances, both national and regional ones, highlight the need to analyze public financial resources and the budgetary state of the regions. Therefore, it is necessary to conduct an analysis related to the size of budgetary resources in Kharkiv Oblast. There is a growing need to analyze the efficacy of the state and local governments in creating the well-being of citizens since an increasing number of countries, regions, governments are faced with a progressive lack of financial resources. Given the increased transfer and authority from the central government to local governments, the regions have an increasing responsibility to maintain and improve the financial and economic situation.

World researchers of efficiency determinants for local authorities (Ribeiro et al., 2020) analyze and define the influence of three categories of factors, i.e. socio-demographic, political and budgetary components.

By determining the synergistic effect of decentralization of property and resource management, the researchers of decentralization and regional development policy in Ukraine (Shevchenko et al., 2020) study the importance of the possibility to assess the extent to which financial, economic and social development of regions is improved. The experts (Shevchenko et al., 2020) believe that the quantitative impact produced by the development of individual regions on the macroeconomic indicators of the country can be measured by changes in regional indicators of socio-economic development and then — changes in macroeconomic indicators. This approach is proposed and used by world researchers,

such as R. Ezcurra and A. Rodriguez-Pose (Ezcurra & Rodriguez-Pose, 2013) who study the relationship between decentralization and such indicators as changes in GDP per capita and territorial disparities.

According to certain criteria (GRP in actual prices and GRP per capita), Kharkiv Oblast (See Table 3.1.9) is one of the leaders in territorial development along with other regions. An analysis of such indicators as GDP of Ukraine, GRP of Kharkiv Oblast, GRP per capita in Ukraine, GRP per capita in Kharkiv Oblast are given in Table 3.1.9 and Fig. 3.1.4.

Table 3.1.9. National development of Ukraine and territorial development of Kharkiv Oblast in 2015 to 2018

Indicators	2015	2016	2017	2018
Total GDP of Ukraine, UAH million	1988544	2385367	2983882	3560596
GRP of Kharkiv Oblast, UAH million	124843	154871	187454	233321
Total share of GRP in Kharkiv Oblast, %	6.3	6.5	6.3	6.6
GRP per capita in Ukraine, UAH	46413	55899	70233	84235
GRP per capita in Kharkiv Oblast, UAH	45816	57150	69489	86904
Indices of physical volume of GRP in Ukraine, %	90.2	102.4	102.5	103.4
Indices of physical volume of GRP in Kharkiv Oblast, %	90.9	102.1	101.4	102.3

Source: built by the authors based on Derzhavna sluzhba statystyky Ukrainy, n.d.; Statystychnyi shchorichnyk Ukrainy za 2019 rik, 2020

According to the indicators (See Table 3.1.9), the GDP of Ukraine is growing, as well as the GRP of Kharkiv Oblast. The share of GRP in the Kharkiv Oblast is growing, which is significant both for the region and for the entire national economy.

In 2018, the largest gross regional product rates were as follows: the city of Kyiv — UAH 833,069 million, Dnipropetrovsk Oblast — UAH 369,468 million, Kharkiv Oblast — UAH 233,321 million, Kyiv Oblast — UAH 198,160 million, Donetsk Oblast — UAH 192,256 million. In 2018, the leaders in terms of gross regional product per capita were the city of Kyiv — UAH 283,097 million, Poltava Oblast — UAH 123,763 million, Dnipropetrovsk Oblast — UAH 114,784 million, Kyiv Oblast — UAH 112,521 million, Kharkiv Oblast — UAH 86,904 million (Rehiony Ukrainy. Statystychnyi zbirnyk. 2019 rik, 2020).

The development indicators for Kharkiv Oblast are presented in Fig. 3.1.4.

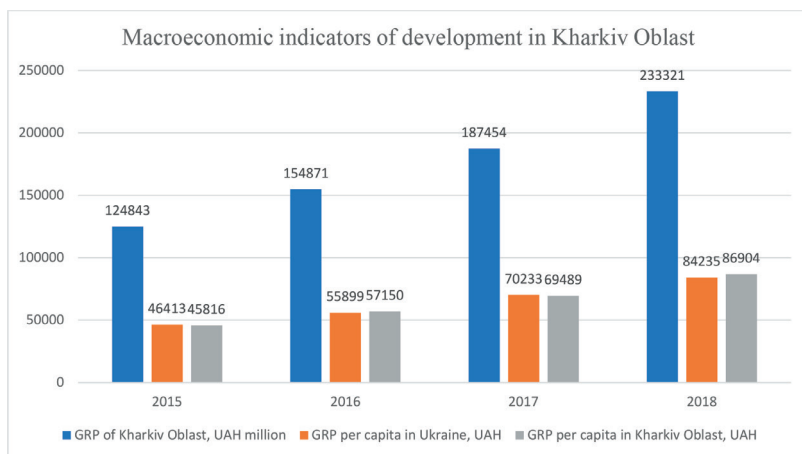


Fig. 3.1.4. Development indicators for Kharkiv Oblast

Source: built by the authors based on Derzhavna sluzhba statystyky Ukrainy, n.d.; Statystychnyi shchorichnyk Ukrainy za 2019 rik, 2020

GRP indicators per capita in Ukraine and GRP indicators per capita in Kharkiv Oblast (Fig. 3.1.4) coincide, which indicates the development of the region in accordance with the national pace.

Having summarized the conclusions from the assessment of the scale and specifics of interregional differentiation (Kravtsiv, 2018), we can state that interregional financial and socio-economic differentiation is maintained and even intensified, and territorial structural disparities and resource-reproductive imbalances in the economy of Ukraine's regions are deepening. In terms of administrative and financial decentralization, attention is also focused on intra-regional financial and socio-economic imbalances, economic specialization, socio-economic deprivation and more. Such aspects of interregional and intraregional disproportion require, first of all, an effective mechanism for redistribution of resources; attraction of investment resources, etc.

According to official data (Derzhavna Kaznacheiska sluzhba Ukrainy, n.d.; Holovne upravlinnia derzhavnoi kaznacheiskoi sluzhby u Kharkivskii oblasti, n.d.), the largest budgets (both taking into account transfers from the state budget and excluding transfers) are represented by the city of Kyiv, Dnipropetrovsk Oblast, Kharkiv Oblast, Odesa Oblast and Lviv Oblast.

Indicators of execution of the general and special funds of the budget in Kharkiv Oblast (excluding intergovernmental transfers) are given in Table 3.1.10.

Table 3.1.10. Execution indicators for the general and special funds in the budget of Kharkiv Oblast for 2017–2020 excluding intergovernmental transfers

Indicators	January 1, 2018		January 1, 2019		January 1, 2020		January 1, 2021	
	General fund	Special fund	General fund	Special fund	General fund	Special fund	General fund	Special fund
Total local budgets, UAH million	192671.5	36819.5	234105.0	29371.0	275169.8	25056.1	290114.7	21188.2
Budget of Kharkiv Oblast, UAH million	13432.1	1637.9	16842.6	1292.2	19758.3	1225.2	20827.5	1014.8
Total share of the budget in local budgets of Kharkiv Oblast, %	7.0	4.4	7.2	4.4	7.2	4.9	7.2	4.8

Source: built by the authors based on Derzhavna Kaznacheiska sluzhba Ukrainy, n.d.; Holovne upravlinnia derzhavnoi kaznacheiskoi sluzhby u Kharkivskii oblasti, n.d.

According to the execution of the general and special funds of the budget excluding intergovernmental transfers (See Table 3.1.10), the volumes of local budgets are growing in general, the share of the considered funds in Kharkiv Oblast is increasing, which is a positive trend and financial base for further development of the territory in terms of decentralization.

According to official data (Derzhavna fiskalna sluzhba Ukrainy, n.d.; Derzhavna Kaznacheiska sluzhba Ukrainy, n.d.; Derzhavna podatkovna sluzhba Ukrainy, n.d.; Holovne upravlinnia derzhavnoi kaznacheiskoi sluzhby u Kharkivskii oblasti, n.d.; Ministerstvo finansiv Ukrainy, n.d.), significant sources of income to the general funds of local budgets in Kharkiv Oblast are the personal income tax paid on wages. Revenues to budgetary institutions are also of greater importance for the special fund of local budgets.

Experts believe (Grebennikov et al., 2020) that there is a so-called budget deficit trap which makes it impossible for regions to enter the trajectory of sustainable socio-economic development and financial

independence without regular budget infusions due to constant significant transfers from the state budget.

Execution indicators for the general and special funds of the budget in Kharkiv Oblast (including interbudgetary transfers from the state budget) are considered in Table 3.1.11.

Table 3.1.11. Execution indicators for the general and special funds of the budget in Kharkiv Oblast for 2017–2020 including intergovernmental transfers from the state budget

Indicators	January 1, 2018		January 1, 2019		January 1, 2020		January 1, 2021	
	General fund	Special fund	General fund	Special fund	General fund	Special fund	General fund	Special fund
Local budgets, total, UAH million	453950.0	48143.9	519137.7	43278.0	519525.1	41002.8	425953.4	45526.5
Budget of Kharkiv Oblast, UAH million	28980.4	2181.6	34208.6	2066.0	34341.7	2082.7	28393.8	2267.2
Total share of the budget in local budgets of Kharkiv Oblast, %	6.4	4.5	6.6	4.8	6.6	5.1	6.7	5.0

Source: built by authors based on Derzhavna Kaznacheiska sluzhba Ukrainy, n.d.; Holovne upravlinnia derzhavnoi kaznacheiskoi sluzhby u Kharkivskii oblasti, n.d.

The calculations (See Table 3.1.11) allow us to conclude that taking into account transfers from the state budget, the volumes of both the budget of the Kharkiv Oblast and its general and special funds are growing, just as the share of these funds in the budget of Kharkiv Oblast is also increasing as part of local budgets.

Based on the expert opinion (Grebennikov et al., 2020), we can compile a list of shortcomings of methodological and methodological nature in determining the effectiveness of both regional budgets and budgets at all levels that affect the provision of territorial development. They are:

- ♦ lack of clearly defined procedures to monitor and analyze the problems of differentiation of territorial economies, heterogeneity of regional development;

♦ lack of clearly defined procedures for developing optimal alternative ways and means to achieve goals, which makes it impossible to assess the efficiency of local budgets.

In terms of decentralization and financial autonomy, the application of the self-sufficiency potential indicator for regional budgets becomes relevant. According to the experts (Shevchenko et al., 2020), to determine the degree of financial stability, independence and internal financial potential of the region in terms of decentralization, the following steps are of great importance:

♦ the development of criteria for the ratio of transfers from the state budget and own revenues of local budgets so as to assess the financial independence of the territory and determine the level of financial and economic decentralization;

♦ clear formulation of directions and relationships between indicators of financial independence in decentralization and signs and indicators of socio-economic development so as to define the level of socio-economic and financial development of regions and generalize it into a single content, as well as to analyze the adequacy of the financial base of the territory.

The results of this assessment are given in Table 3.1.12.

*Table 3.1.12. The ratio of own revenues to the budget
of Kharkiv Oblast and transfers from the state budget for 2017–2020*

Indicators	January 1, 2018	January 1, 2019	January 1, 2020	January 1, 2021
Total budget of Kharkiv Oblast including transfers from the state budget, UAH million	31162.0	36274.6	36424.5	30661.0
General budget of Kharkiv Oblast including transfers from the state budget, UAH million	28980.4	34208.6	34341.7	28393.8
Special budget of Kharkiv Oblast including transfers from the state budget, UAH million	2181.6	2066.0	2082.7	2267.2
Total budget of Kharkiv Oblast excluding transfers from the state budget, UAH million	15070.0	18134.8	20983.5	21842.3
General budget of Kharkiv Oblast excluding transfers from the state budget, UAH million	13432.1	16842.6	19758.3	20827.5
Special budget of Kharkiv Oblast excluding transfers from the state budget, UAH million	1637.9	1292.2	1225.2	1014.8
The share of own revenues to the budget of Kharkiv Oblast in the budget volumes including transfers from the state budget, %	48.4	50.0	57.6	71.2
The share of own revenues to the general budget of Kharkiv Oblast in the budget volumes including transfers from the state budget, %	46.3	49.2	57.5	73.3

Indicators	January 1, 2018	January 1, 2019	January 1, 2020	January 1, 2021
The share of own revenues to the special budget of Kharkiv Oblast in the budget volumes including transfers from the state budget, %	75.1	62.5	58.8	44.8

Source: calculated by the authors based on Derzhavna Kaznacheiska sluzhba Ukrainy, n.d.; Holovne upravlinnia derzhavnoi kaznacheiskoi sluzhby u Kharkivskii oblasti, n.d.

An analysis (See Tab. 3.1.12) allows to conclude that the share of own revenues to the budget in Kharkiv Oblast (including transfers from the state budget) constantly and significantly grows. The share of own revenues to the general budget of Kharkiv Oblast in the budget volumes including transfers from the state budget also constantly and significantly increases. The share of own revenues to the special budget of Kharkiv Oblast in the budget volumes including transfers from the state budget has decreased significantly over the analyzed period. The data provided in Table 3.1.12 make it possible to determine that the level of financial independence of the budget in Kharkiv Oblast increases, the significance of own financial resources grows. This is a positive trend and a strong financial basis for ensuring the development of the territory.

However, experts (Grebennikov et al., 2020) note that an important factor that shapes the level of budget self-sufficiency of regions is also the analysis of the expenditure side of regional budgets, the ratio of funding for market and non-market measures, as well as government programs.

For example, according to data from the State Treasury Service of Ukraine (Derzhavna Kaznacheiska sluzhba Ukrainy, n.d.), the State Fund for Regional Development widely funds a number of programs, including those in Kharkiv Oblast (See Table 3.1.13).

*Table 3.1.13. Funds of the state fund
for regional development (as of July 1, 2021)*

Indicator	The amount of funding provided by the order
Total state fund for regional development, thousand UAH	4470791.225
Kharkiv Oblast, thousand UAH	228075.296
Resource share of the state fund of regional development allocated for Kharkiv Oblast, %	5.1

Source: built by the authors based on Derzhavna Kaznacheiska sluzhba Ukrainy, n.d.

The resource share of the state fund for regional development allocated for Kharkiv Oblast (See Table 3.1.13) is, at first glance, not very significant. However, it does not annihilate the importance of additional financial resources for the regional development.

Responding to public demands and interests of stakeholders in the development of the region, it is possible to determine and summarize the minimum set of parameters and indicators for regional development, taking into account the previous numerous studies of this issue (Babiak, 2014; Dobryk, 2018; Dykyi, 2011; Infrastruktura rehioniv Ukrainy. Priorytety modernizatsii, 2017; Natsionalnyi instytut stratehichnykh doslidzhen, n.d.; Portna, 2020; Rodchenko & Prus, 2017; Rodchenko & Prus, 2018; Shvets, 2017; Tereshchenko & Hetman, 2020; Yershova & Kondratiev, 2020; Iershova et al., 2021; Portna et al., 2021; Portna et al., 2019), the provision of which will increase the financial and economic potential and the level of independence:

- ◆ sufficient production of high standard and safe goods and services in the region;
- ◆ continuous development of quality standard, consumer properties and socio-economic significance of products and services in the region;
- ◆ full payment of all types of taxes by economic entities in the region;
- ◆ growth of job vacancies in the region, reduction of unemployment rates;
- ◆ regular payment of wages to employees in the region and their social security;
- ◆ ensuring wage growth in the region;
- ◆ development of labor potential in the region;
- ◆ protection of the environment and compliance with high ecological standards set for vital activity of economic subjects in the region;
- ◆ safety and health at economic entities in the region;
- ◆ adherence to the principles of social responsibility both by local self-government and by business and the population in the region;
- ◆ honest business practices, reliable financial and economic relations with all stakeholders;
- ◆ support for the development of small and medium-sized businesses in the region;
- ◆ improvement of technological measures aimed at saving energy and other resources;
- ◆ creation and maintenance of biodiversity and natural habitat;

- ♦ intensification of investments, including social ones through internal and external programs;
- ♦ support of social welfare, security and sustainability in the region;
- ♦ active participation in programs of regional and state importance aimed at solving acute national problems;
- ♦ support of social projects in the fields of culture, sports, education, etc.;
- ♦ active participation in projects of private-public partnerships aimed at solving financial and economic, social, environmental and other problems of society;
- ♦ increased openness and transparency of both local authorities and business;
- ♦ improvements in local development management in the region.

In terms of effective management of regional development, such features and appropriate measures are a powerful means of demonstrating regional status and development as well as a means of continuously and consistently improving the competitiveness of the region's economy, ensuring expanded reproduction of all resources and providing a sound financial basis for self-sufficiency.

Improving the efficiency of tax management for the formation of own resources to ensure financial independence and development of the region

Both for the national economy and for the regional tax, regulation of socio-economic processes is a lever and tool for influencing the development, which is determined by the interests of both the state and taxpayers. It provides revenue to the budgets at all levels (Nezdoimynoha, 2016; Turianskyi, 2014) and, thus, serves as a component in the formation of financial capacity and independence of the region.

In order to analyze the value and amount of taxes, consider the composition of tax revenues to the consolidated budget of Ukraine (See Table 3.1.14)

Table 3.1.14. Tax revenues to the consolidated budget of Ukraine (excluding intergovernmental transfers), %

Indicators	2015	2016	2017	2018	2019
Tax revenues, UAH billion comprise:	507,635.9	650,781.7	828,158.8	986,348.5	1,070,321.8
Personal income tax, UAH million	99,983.2	138,781.8	185,686.1	229,900.6	275,458.5

Indicators	2015	2016	2017	2018	2019
Corporate income tax, UAH million	39,053.2	60,223.2	73,396.8	106,182.3	117,316.8
Value-added tax	178,452.4	235,506.0	313,980.6	374,508.2	378,690.2
Excise duty, UAH million	70,795.2	101,750.7	121,449.4	132,649.8	137,076.4

Source: built by the authors based on *Derzhavna sluzhba statystyky Ukrainy, n.d.; Statystychnyi shchorichnyk Ukrainy za 2019 rik, 2020*

Tax revenues to the consolidated budget (Table 3.1.14) both in general and in terms of all taxes considered, tend to increase (Fig. 3.1.5).

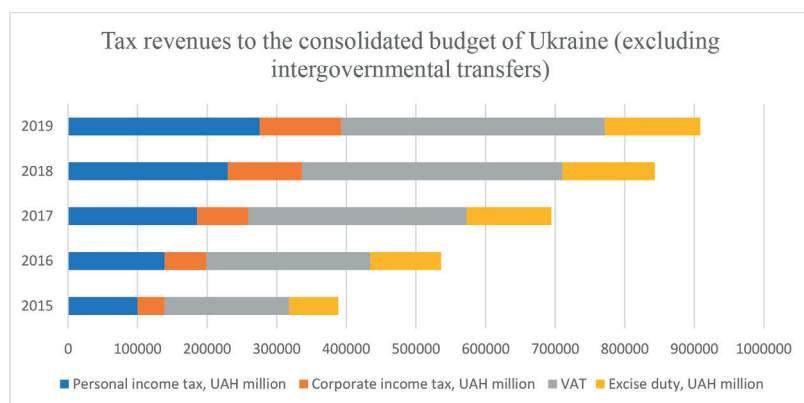


Fig. 3.1.5. Tax revenues to the consolidated budget of Ukraine (excluding intergovernmental transfers), UAH million
Source: built by the authors based on *Derzhavna sluzhba statystyky Ukrainy, n.d.; Statystychnyi shchorichnyk Ukrainy za 2019 rik, 2020*

However, despite the continuous growth of tax revenues (See Table 3.1.14 and Fig. 3.1.5) there are many problematic aspects, the solution of which ensures the development, balance of tax interests of the government and the tax burden on taxpayers.

In the economy, it is believed and often stated that high tax rates in the country reduce its competitiveness and slow down the pace of development compared to other countries (Taxes around the world, 2021).

As part of our study, we consider it appropriate to provide world data on personal income taxation (Fig. 3.1.6).

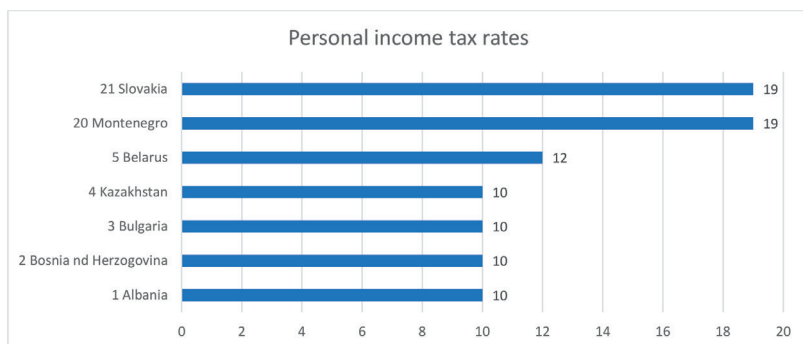


Fig. 3.1.6. Individual income tax rates in the world (%)

Source: built by the authors based on Taxes around the world, 2021

Among 21 countries (Taxes around the world, 2021), the states with the lowest personal income tax rates are Albania, Bosnia and Herzegovina, Bulgaria and Kazakhstan, where the rate of this tax comes to 10%. The countries with the highest rates of the tax are Montenegro and Slovakia, and it comprises 19% (See Fig. 3.1.6).

We can also resort to world statistics on corporate taxation (See Fig. 3.1.7).

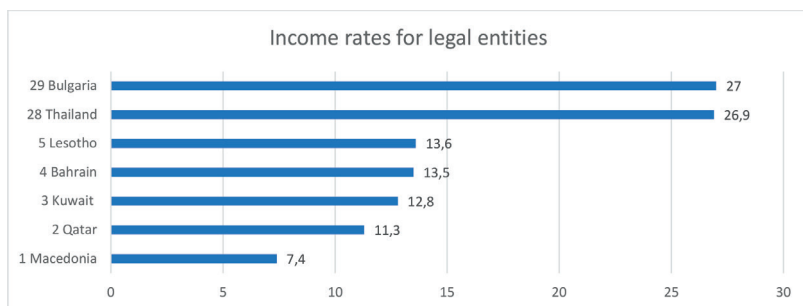


Fig. 3.1.7. Interest rates for legal entities in the world (%)

Source: built by the authors based on Taxes around the world, 2021

Thus, according to the data provided for 29 countries of the world (Taxes around the world, 2021) (See Fig. 3.1.7), it comes clear that the lowest rate on corporate income is in Macedonia (7.4%), and the highest is traced in Bulgaria (27%).

The size of the general tax rate differs greatly from country to country (See Fig. 3.1.8) (Taxes around the world, 2021).

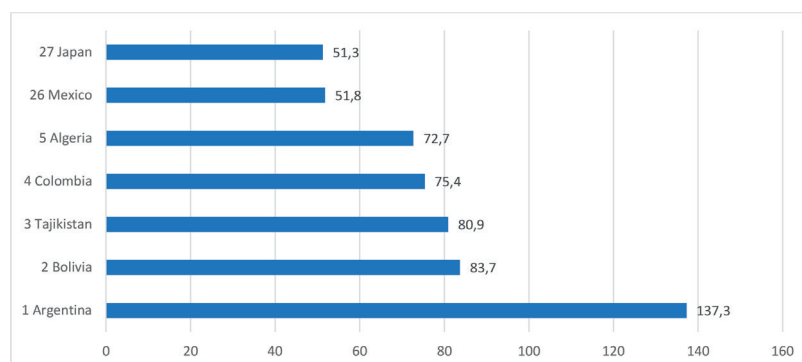


Fig. 3.1.8. The size of the total tax rate in the world (%)

Source: built by authors based on Taxes around the world, 2021

According to the data obtained for the 27 countries (Taxes around the world, 2021), the highest percentage of the total tax rate is in Argentina, and the lowest is found in Japan (51.3%) (See Fig. 3.1.8).

Table 3.1.15. World GDP indicators

Country	2015	2016	2017	2018
GDP of Ukraine, billion dollars USA	666.3	682.5	699.4	723.2
GDP growth/decrease rates in Ukraine, %	- 9,8	2.4	2.5	3.4
GDP per capita in Ukraine, thousand dollars USA	15.6	16.0	16.5	17.1
GDP of Albania, billion dollars USA	29.8	30.7	31.9	33.2
GDP growth/decrease rates in Albania, %	2.2	3.3	3.8	4.1
GDP per capita in Albania, thousand dollars USA	10.3	10.7	11.1	11.6
GDP of Bulgaria, billion dollars USA	136.2	141.4	146.4	150.9
GDP growth/decrease rates in Bulgaria, %	4.0	3.8	3.5	3.1
GDP per capita in Bulgaria, thousand dollars USA	19.0	19.8	20.7	21.5
GDP of Belarus, billion dollars USA	268.7	262.1	268.8	277.0
GDP growth/decrease rates in Belarus, %	- 3,8	- 2,5	2.5	3.0
GDP per capita in Belarus, thousand dollars USA	28.3	27.6	28.4	29.3
GDP of Bosnia and Herzegovina, billion dollars USA	37.5	38.6	39.9	41.3
GDP growth/decrease rates in Bosnia and Herzegovina, %	3.1	3.1	3.2	3.6
GDP per capita in Bosnia and Herzegovina, thousand dollars USA	10.6	11.0	11.4	11.8
GDP of Kazakhstan, billion dollars USA	791.5	800.2	832.4	–
GDP growth/decrease rates in Kazakhstan, %	1.2	1.1	4.0	–

Country	2015	2016	2017	2018
GDP per capita in Kazakhstan, thousand dollars USA	44.6	44.5	45.7	–
GDP of Tajikistan, billion dollars USA	47.7	51.1	54.7	58.6
GDP growth/decrease rates in Tajikistan, %	6.0	6.9	7.1	7.1
GDP per capita in Tajikistan, thousand dollars USA	5.6	5.9	6.1	6.4

Source: built by the authors based on Derzhavna sluzhba statystyky Ukrainy, n.d.; Statystychnyi shchorichnyk Ukrainy za 2019 rik, 2020

Thus, according to the data presented in Tab. 3.1.15, we can conclude that there is no direct link between the level of taxation in the country and the growth rate of the economy. However, Tajikistan's economy, for example, has a high level of overall tax rate along with significant growth in rates such as GDP and GDP per capita.

According to the research made by world experts of the World Bank Group 2017 (Podatkovi chempiony. Skilky platyt biznes u riznykh krainakh, 2016), Ukraine ranks 84th in the tax burden rankings, i.e. how much businesses pay in different countries. The rating developers and researchers analyzed the tax legislation of 189 countries. According to the rating, the business system in Ukraine is simpler than, for example, in Africa, but more complicated than in Asian countries. World experts believe that the tax burden in Ukraine is slowly declining.

We rely on and share the opinion of researchers (Kravtsiv, 2018), that, given the importance of both endogenous potential of territories and exogenous impact on regional development processes, it is reasonable to analyze regional development based on the efficiency of formation and use of resources (especially financial) regions. Efficient formation and use of the region's resources provides an opportunity to achieve the effects of expanded reproduction.

In modern conditions, tax management is increasingly used. This is determined by external factors and components (complexity of legislation, expansion and complexity of economic entities, tax burden, etc.) and internal factors and components (limited financial resources, risk of resource loss, liability for decisions made, etc.).

A country needs more and more significant financial resources to perform their functions and responsibilities, while taxes are a source of financial and economic independence of both the state in general and its regions in particular.

Problems of financial destabilization, limited financial resources, risks for both national and regional economies, as well as for all economic entities,

are beginning to play an increasingly important role. Tax management is gradually becoming an important component of management at all levels of the economy. The world now offers and implements a wide range of approaches and components of tax management, and each economic entity at any level of the economy determines this through the prism of its strategic priorities and objectives as well as the degree of responsibility and commitment they are willing to take.

Today, by supporting business and creating favorable conditions for its stabilization and development, state governments are beginning to take more and more active part in business. At the same time, economic entities seek to reduce the tax burden, using tax optimization, tax management based on the use of management science and organization of economic entities in such a way as to control tax payments, use various adequate levers to optimize them, to form competent behavior in the management of tax flows. To date, experts have identified two levels of tax management (macro- and micro-level). At the macro level, tax management is carried out by public authorities throughout the country, which includes the development of tax policy in general, organization and effective functioning of the entire tax system, development of major long-term and short-term priorities as well as tax administration, tax control and more. Micro-level tax management is mainly focused on the activities of economic entities in relation to the impact and regulation of tax payments, tax optimization, etc.

However, in terms of decentralization and financial independence of Ukrainian regions and the formation of their own budgets, the separation of tax management at the meso level, i.e. the regional level, which is carried out by local authorities in the region but within the country's tax system, includes the organization and effective functioning of regional and control of local taxes, development and financial support of the main priorities and principles of territorial socio-economic development (See Fig. 3.1.9).

Thus, taking into account the multilevel tax management (See Fig. 3.1.9), both a set of general principles and decision-making processes of any level complicate, expand and improve. They should rest upon the responsible attitude of stakeholders at all levels.

Thus, tax management is characterized by purposeful and organizing activities of entities, both at the level of the state as a whole (macro level) and local governments (meso level), and taxpayers (micro level). It provides for optimal and competent impact on tax funds, including management of available financial assets, development and implementation at all levels of government in terms of decentralization and financial independence

of regional development priorities through effective tax policy at the macro-, meso- and micro-levels. The most effective way to optimize taxation and tax flows is not a mechanical increase / decrease in taxes but the construction of an effective management system.

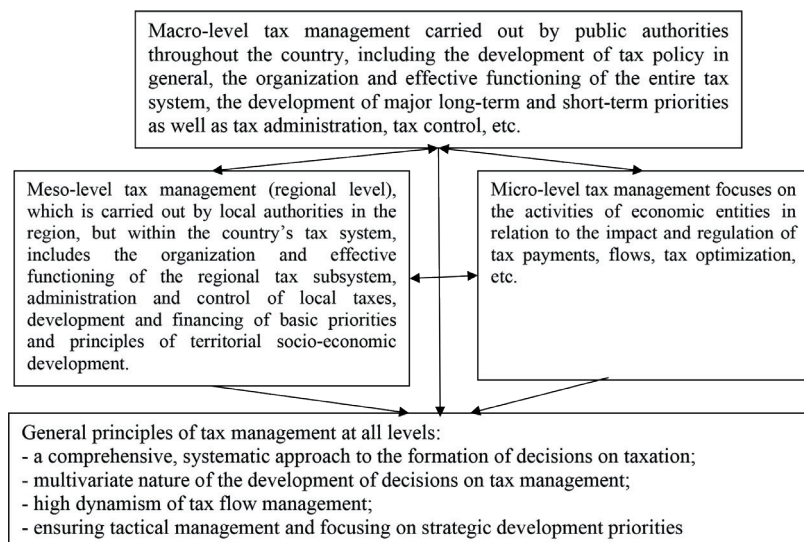


Fig. 3.1.9. Levels and general principles of tax management

Source: built by the authors

Taking into account all the above, tax management is becoming a powerful factor in the development, strengthening of financial self-sufficiency and competitiveness of the region.

There are several interdependent and interrelated characteristics of effective tax management at all three levels (macro-, meso- and micro-levels):

- ♦ application of both tactical and strategic approaches and tools of tax management, which make it possible to identify and formulate a number of financial and economic obligations as well as areas of responsibility that are implemented on the principle of continuous efficiency in the overall development strategy;

- ♦ expanding the set of mechanisms and tools that allow coordinated and balanced management of financial aspects of tax processes of entities, which, in turn, should be reflected in the resulting system of financial, economic and social indicators, as financial and economic

decisions must be made taking into account positive quantitative and qualitative consequences for society;

- ♦ responding to the opinions and expectations of stakeholders who form tax funds and flows on the basis of long-term trust and cooperation;
- ♦ detection, prevention and reduction of financial losses and risks at all levels of tax management taking into account and reducing negative financial flows in decision-making.

The application and increase of tax management efficiency taking into account the specified provisions will improve and stimulate further improvements of internal processes of maintenance of financial independence and development of regions.

Conclusions

The global world is characterized by increased impact of negative factors on the development, which not only significantly inhibit it, but also cause recession. This inevitably affects many financial and economic, social and other indicators of the global economy and consequently affects the state of national economies.

In such difficult world conditions, it is a real challenge for a single country to ensure its financial and economic stability and the trajectory of gradual development. The situation in Ukraine is characterized by factors of multidirectional influence on its development. The processes of decentralization and transition to financial independence of regions are actively proceeding. In terms of decentralization, region's own financial resources and incomes to local budgets are given a significant place in the processes of managing the maintenance of territorial development. The society is currently expecting appropriate positive financial, economic and social effects on the basis of change of powers, activation of organizational and material and financial opportunities in the regions, introduction of effective regional mechanisms of accumulating budget resources and their spending, implementation of own regional development strategies within national growth.

The application of stakeholder-oriented approaches to ensuring the development of regions on the terms of financial independence is an important component of effective management at all levels of decision making and implementation. To build the revenue side at all levels of budgets, it is important to differentiate the forms of stakeholder interaction and determine their shares to increase their responsibility as well as to monitor their involvement, participation and influence.

According to the results obtained from the analysis of own revenues to the budget in Kharkiv Oblast, from year to year the region significantly increases the level of financial independence, providing a significant increase in own revenues in the revenue side of the budget. This is largely due to tax revenues, which, in turn, depends on the effectiveness of tax management. Therefore, due to increased importance of ensuring financial independence and growth of own revenues to regional budgets, the use of tax management as a tool of regional financial management becomes of importance along with the macro- and micro-levels of separation of the meso-level.

The application of modern approaches to the management of regional development in Ukraine can trigger the national growth.

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3.2. A STAKEHOLDER APPROACH TO SECURING BUSINESS PROCESSES OF THE TERRITORIES

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The study examines the main theoretical and practical aspects of the concept of forming “stakeholders”, formulates the concept of “key stakeholders”, reveals approaches to considering stakeholder management as a complex priority of the company. The standards and recommendations in the field of non-financial reporting are considered. The concept of the company’s social responsibility has been formulated. The basis for the formation of a stakeholder management mechanism is revealed – international standards, a socially responsible approach and compliance with the requirements of regulatory legal acts.

Problem statement

Modern trends in business development require companies to take into account the interests of a wide range of stakeholders who have a certain influence on the results of its activities. Recently, in the field of corporate governance, it is the stakeholder approach that has gained a certain popularity, the differential feature of which is the tendency to take into account interests and requirements, as well as interaction not only with the owners / shareholders / beneficiaries, but also with other stakeholders of the company: buyers, partners, the state, non-profit organizations, society in general and others. In the sense of the proposed study, the internationally commonly used concept of “stakeholders” is synonymous with the concept of “interested party” widespread in Ukrainian domestic practice.

In order to comply with the principles of corporate social responsibility, companies communicate with stakeholders, hold regular hearings and consultations with public institutions, take part in joint projects with stakeholders, and ensure the transparency of their activities.

The activation of the behavior of public institutions, the growth of consumer influence, the demands of local communities and government bodies of various levels, the development of IT technologies and other factors of the progressive development of national and international societies, determine the purposefulness of communication and interaction with company stakeholders. Stakeholder relationship management is carried out not only and not so much with the aim of reducing the negative impact on the company from disgruntled stakeholder groups, but primarily with the aim of finding opportunities to create additional value for various stakeholder groups. Thus, it is the socially responsible behavior of business that assumes the role of a decisive factor in the process of forming a positive image and business reputation of companies.

Sustainable trends in the development of international trade, competition, as well as the globalization of the markets contributed to the development and adoption of international standards in the field of corporate social responsibility management, namely: ISO 26000 (International Organization for Standardization), IQ NET (International Certification Network), UDEM (International Quality Management Certification System) and others. It should be noted that the non-financial reporting guidelines – GRI (Global Reporting Initiative), IIRC (International Integral Reporting Council) and others – receive special attention from companies. These standards function as important tools for corporate social responsibility management and relate to the issues of stakeholder management, including the principles of their relationship, the procedure for preparing reports, organizing work with them, which in turn provides the company with certain competitive advantages.

The international experience of the company's interaction with stakeholders, among other things, given a number of peculiarities of the Ukrainian market, requires systematization and expansion, the formation of methodological approaches to the systematic interaction of companies and stakeholders in order to increase the efficiency of such relations and corporate stability.

The essence of “companies – stakeholders” relationship management

Modern trends in the development of relationships between companies with a wide range of diverse stakeholders should be characterized as those that are just being formed and do not have signs of consistency. The development of management theory in stakeholder management, as an important aspect of business administration, is at

the initial stage of its development and needs to be systematized and comprehensively improved. Certain aspects of interaction with certain groups of stakeholders are paid attention to certain areas of company management, as well as special theoretical disciplines within the framework of the theory of management of organizations, however, it is advisable to state the fact that there is no comprehensive systematic approach to managing strategic groups of stakeholders. It is advisable to consider the management of relationships between companies and stakeholders taking into account the following classification of directions of influence:

- ♦ Corporate governance – management of relationships with the owners of the company;
- ♦ CRM (Customer Relationship Management) – management in the sphere of relationships and interactions with customers and potential customers;
- ♦ SCM (Supply Chain Management) – supply chain management, that is, relationships with suppliers based on centralized planning, as well as information flow management in the field of procurement;
- ♦ DCM (Eng. Demand Chain Management) – management of demand chains, the essence of which is to manage the relationship of the company with consumers and suppliers through the interaction of logistics and marketing functions of the company;
- ♦ HR (English Human Resource) – management of a team, company personnel;
- ♦ PR (English Public Relations) – public relations management;
- ♦ GR (Government Relations) – management of relations with public authorities.

Nevertheless, the development of these areas of interaction with each individual group of stakeholders, without applying a systematic approach to relationships with stakeholders, does not provide an opportunity to form a clear idea of the company's environment. At the same time, attention is focused only on certain areas of these relations, which in turn leads to the impossibility of achieving the desired results and indicators.

Considering the company's stakeholders as an integral environment with which it is necessary to establish a relationship, it is necessary to find out:

- ♦ how to build such interaction;
- ♦ what methods to use;
- ♦ what goals to pursue in the course of this interaction.

It is advisable to understand the category of management of the company's key stakeholders as the management of relationships between business entities and stakeholders, and it rationally also includes: planning events, interaction based on the principles of partnership, assessing the satisfaction of the needs of stakeholders in order to reduce the negative impact on the company. All these management measures are carried out with the aim of further achieving sustainable development of the enterprise. At the same time, it is advisable to understand the sustainable development of the company as a process of constant changes in the economic, social, environmental and other spheres, where through mutual agreements with stakeholders, the efficiency of current activities is intensified along with the achievement of the strategic goals of the organization. Thus, interaction with stakeholders is a process of purposeful influence of the company on surrounding stakeholders in order to achieve the planned results and influence of stakeholders on the company in order to achieve consensus in the course of decision-making on socially important issues. This interaction is carried out on the basis of mechanisms provided for by national and international legal norms and standards.

The institutional basis for the management of key stakeholders is formed by legal norms, the sources of which are regulations, standards, etc. formal and informal agreements with stakeholders; obligations assumed by the company unilaterally – for example, charity and the promise of reward.

Along with the objective growth in the popularity of the stakeholder approach, there is a need for a certain delimitation of approaches to understanding stakeholder management. So, from the point of view of corporate governance, stakeholder management can be viewed from the standpoint of corporate social responsibility, risk management, the theory of "social good", the concept of value creation and other aspects.

From the point of view of corporate governance, stakeholder management is characterized by ensuring the efficiency of activities and business development in the interests of the owners. From a corporate governance point of view, the company's management needs to take into account the interests of other stakeholders and take into account their expectations from the company's activities. Corporate governance, in fact, is a mechanism for interaction between company owners and management, which is actually associated with protecting the interests of not only the owners, but also other stakeholders, in particular employees, society, government bodies, credit organizations, buyers, suppliers and other interested parties.

According to some scholars, the role of stakeholders in corporate governance is crucial. So the effectiveness of corporate governance of a company is reduced to achieving efficiency and balance in the implementation of the interests of the surrounding stakeholders (Bikeeva, 2016). There is also a position whose supporters consider the balance of interests of participants in corporate interaction as an integral part of corporate governance (Makovkina & Semeykina, 2016).

In our opinion, it is advisable to adopt the following approaches to stakeholder management: research and study of the interests of stakeholders, assessment of identified interests in terms of their impact on the company, assessment of compliance with the interests and goals of the company itself, the process of step-by-step interaction, assessment of its effectiveness and development of methodological support for such interactions.

Corporate norms should include specific sections: the purpose of the company's activities (the formation of values for sustainable development in general), respect and the desire to satisfy the interests of stakeholders. Interaction of a company with stakeholders is considered to be effective when there is mutual satisfaction of interests (Tkachenko, 2021).

According to some scientists, the effective organization of the management system in the company contributes to the solution of the problem of the balance of interests: control over the activities of the company's governing body by the general meeting of shareholders; delimitation of powers between management bodies (executive body, supervisory board, general meeting of shareholders) understanding of the management decisions made by the team (Kramin, 2011). The development of corporate culture in the company contributes to the formation of intangible values for stakeholders, the satisfaction of whose interests will allow achieving the overall effectiveness of interaction with stakeholders and the activities of the company as a whole.

Among other approaches, consideration of the principles of interaction with stakeholders and management of relationships with them, from the point of view of the concept of corporate social responsibility, is the most common.

The relationship between the theory of corporate social responsibility (hereinafter CSR) and the theory of stakeholders was considered by scientists. According to M. Hopkins, CSR is a concept within which a company interacts with stakeholders, implements the principles of socially responsible behavior based on ethical standards. M. Hopkins

argues that this behavior of social responsibility allows the development of human capital, both inside the company and outside (Hopkins, 2011). In turn, G. Khoury characterizes corporate social responsibility as a set of relationships between a company and all its stakeholders (including owners and investors, employees, government, suppliers, buyers, society and competitors). According to G. Khouri, the elements of social responsibility are the development of society, the environment, the achievement of financial and economic efficiency, the improvement of the qualifications of workers and workplaces (Khoury, 1999).

Separately, we note that taking into account the interests of stakeholders leads to the direction of the company's social development. Thus, buyers are primarily interested in the business providing quality products at a reasonable price. Workers are interested in raising wages, safe working conditions, social guarantees and social benefits, opportunities for career and professional growth.

The theory of stakeholders is becoming an integral part of the evolution of the concept of CSR, since this theory has significantly expanded the methodological approach in the study of the relationship between business and society, allowed researchers in the field of CSR to concretize areas of responsibility, principles and results of interaction between companies and representatives of society.

Effective interaction of companies with society and the achievement of socially significant goals is impossible without the complex interaction of all stakeholders. The responsibility of the business today is connected not only with the satisfaction of the interests of its shareholders and investors. Socially responsible activities are aimed at satisfying the goals of the company and the interests of society as a whole: in particular, it is aimed at developing the professional competence of the company's employees, at meeting the interests of the local community, creating and observing safe working conditions, environmental requirements, and developing conscientious business practice.

Managing partnerships with stakeholders and applying an active strategy for working with them also testifies to the development of CSR in the company. The most appropriate statement is that the levels of CSR development include the stages of formation and growth of social responsibility (compliance with legislation and interaction with shareholders) of understanding CSR principles; understanding of responsibility to external and internal stakeholders; strategic understanding of CSR and the implementation of this concept in the form of social investments; the company's compliance with environmental

requirements, the requirements for ensuring the quality of life, the development of society, as well as the leadership qualities of the management personnel.

Stakeholder relationship management from the point of view of strategic management is an important aspect of achieving strategic goals and sustainable development of a company. The concept of strategic stakeholder management has been considered by R. Edward Freeman, S. Birman, A. Weeks and some other authors. According to Tambovtsev (2008), “implicitly lyated” stakeholder theory has arisen even in the 1930s in the discussion by A. Berle (Berle, 1932) and M. Dodd (Dodd, 1932). Namely E. Fimen, together with J. McVeigh, in the study of “stakeholder approach to strategic management” noted that management of stakeholders, in contrast to stakeholder analysis, is based on a partnership mentality, which includes communication, organizing meetings, negotiating, managing relationships and motivation (Ramenskaya, 2016). The specified aspects of stakeholder management are consolidated in the corporate strategy, which in turn determines the strategic directions of interaction. Business ethics are part of these processes, firstly, because unethical behavior can have a high cost, and secondly, the code of ethics is designed to provide the consistency and trust necessary for effective cooperation.

To achieve the company’s strategic goals, it is necessary to take into account the interests and expectations of the stakeholders around it, who influence the company’s activities and perceive the impact from its side. When the stakeholder engagement strategy is linked to the overall strategy of the company, the goals of the company are achieved most effectively. Figure 1 presents strategies for influence, alignment, and managerial commitment to stakeholder interests.

Figure 3.2.1 shows three options for strategic stakeholder management, respectively – an influence strategy, an agreement strategy, and a management commitment strategy to the interests of stakeholders.

The first strategy (Impact) provides that the relationship with stakeholders has a direct impact on financial results, sustainable development and performance in general, regardless of the overall strategy of the company.

The essence of the second strategy (Alignment) is that the company’s strategy and relationships with stakeholders are consistent and interconnected with the aim of strategically achieving the envisaged financial and other goals and results.

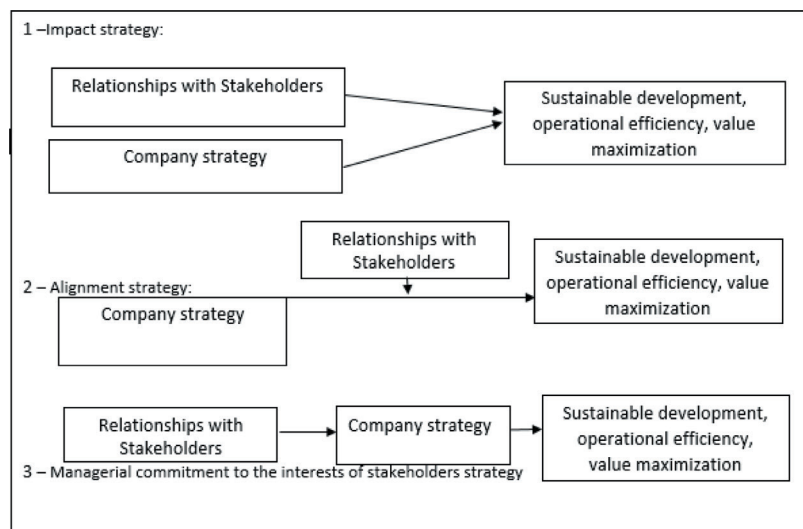


Fig. 3.2.1. Strategic management of the organization's stakeholders

Source: compiled by the authors based on Berman et al., 1999

In turn, the third strategy (Managerial commitment to the interests of stakeholders) provides for the dependence of the interests of stakeholders and the financial results of the company: strategic changes in the company are regulated by the dependence of relationships with stakeholders and the financial results of the company.

To improve the efficiency of the company and maximize the value of the business in the process of implementing the strategy, it is recommended that the management of the company pay special attention to the relationship with key stakeholders, since they are considered as part of the environment that needs to be managed in order to implement the existing strategic tasks and goals to improve the efficiency of the company in the whole. Demonstration of sufficient attention to addressing issues that are relevant from the point of view of stakeholders, contributes to the fact that negative reactions from stakeholders are minimized and thereby, risks in the implementation of strategic tasks are reduced. From the point of view of strategic management – stakeholder management is a means of achieving certain goals of the organization. The availability of monetary, property, labor and other resources necessary for the company's activities and its sustainable development depends on the stakeholders.

Stakeholder management from the point of view of the theory of “social good” is associated with the implementation by the company of measures aimed at meeting the socially significant interests of the surrounding stakeholders of the company, in particular, society as a whole. The theory of “social good” was the object of research of Paul E. Samuelson who became the first American to win the Nobel Memorial Prize in Economic Sciences in 1970, as well as A. Pigou, L. Jacobson, A. Rubinstein and other researchers. A social or public good is a collection of goods and services that are produced and sold free of charge and are made available to society. As a rule, to solve socially significant problems in society, non-profit organizations are created, since commercial companies, in one way or another, primarily focus on meeting their own needs. Currently, consideration of the creation of public goods by companies in the context of CSR is widespread: companies are gradually abandoning a formal approach to solving social issues, but they take on the role of drivers of social well-being – they create jobs, consumer products, build social facilities and solve a certain circle socially significant issues.

Stakeholder management, from the point of view of the concept of creating common (joint) values, is a management system from the point of view of finding and implementing new opportunities for all groups of stakeholders who take part in the value creation process. For the first time the idea of creating common values was proclaimed by M. Porter and M. Kramer in 2006, in the content of their joint research “Creating common values”. In their concept, the authors consider the company’s interaction with stakeholders as mutually beneficial cooperation: relationships through which the company, together with stakeholders, creates common values for itself. So, there is a relationship between the efficiency of the company and social progress, social and economic components. Today, stakeholder management from the perspective of creating shared value is implemented by foreign corporations: Google, Walmart, Intel, IBM, Johnson & Johnson, Nestlé, Unilever and others. It is argued that additional company value can be created through the synergy of stakeholders (Tantalo & Priem, 2014).

In accordance with the provisions of this concept, companies create economic value through the creation of social values in three ways set out below:

1. rethinking the concept of products and markets. For example, in the food industry, companies have begun to focus more on satisfying the needs of a healthy diet than on the taste of food. A number of technology companies such as IBM and Intel are developing energy-saving digital

detectors. Thus, the business becomes client-oriented and solves the issues of social needs of society, while ensuring the economic efficiency of its own activities;

2. a new definition of increasing efficiency in the value chain. The company considers social problems from the point of view of generally accepted values and develops new, often innovative ways to solve them in such areas as: health care, energy efficiency, ecology, labor safety, worker qualifications, logistics and others. For example, investing by a company in health improvement programs: it is beneficial for society to improve the health of employees and their families, and the company's benefit is to reduce the time workers are away from the workplace and minimize losses from reduced labor efficiency. Marks & Spencer abandoned the purchase and supply of equipment and materials that are shipped from one part of the planet to another, which allowed the company to optimize costs in the amount of 175 million pounds and the society to feel the reduction in emissions of harmful substances into the atmosphere;

3. promoting the development of local clusters. Clusters, in this case, mean companies concentrated in a specific region, engaged in interrelated areas of commercial activity, such clusters are suppliers, educational organizations, service companies. The main goal of creating common value through the development of such clusters is the formation of open and transparent markets (when the company receives qualified workers, quality suppliers, etc.). It is necessary to find out and identify problems in the field of logistics, interaction with suppliers, training of employees, market organization. The development of clusters ensures the relationship between business success and the well-being of society.

An equally interesting approach to managing key stakeholders is a risk management perspective, which is a risk management system that combines the search for opportunities to reduce risks and make management decisions, minimizing adverse consequences for the company or the likelihood of these consequences occurring. The following researchers have paid attention to this issue: G. Cassings, N. Vafeas, L.A. Ramensky, L. Preston and H. sapiens, S.F. Willie and others. From the point of view of the above position, the management of relationships with stakeholders provides for the implementation of a system of measures related to meeting the expectations and requirements of stakeholders in order to achieve a balance of interests of all stakeholders, the absence of deviations from the planned indicators, the improvement of the company's performance, the transparency of information for stakeholders, and the reduction of negative effects. which can influence the company; and

improve the methodology of the company's business activities. The risk management in the company must constantly be in place. In this case, the company's management has the ability to respond in a timely manner to various requests, signals and reactions from stakeholders, to reduce their negative impact on the company, with positive attitudes – to encourage support and deepen cooperation. Managing the risks associated with dissatisfaction or incomplete satisfaction of certain stakeholders and avoiding the impact of negative effects on the company, contributes to an increase in the effective performance of the organization.

As K. Klaasen and J. Roloff noted, an approach in which the position of stakeholders concerned about the company's actions is not taken into account cannot lead researchers to exhaustive answers to the question of what actions managers can take in order to form trust in the company in a situation of concern of stakeholders (Claasen & Roloff, 2012).

At the heart of risk management, in particular in the stakeholder management system, the following aspects are distinguished:

- ♦ analysis of existing information;
- ♦ implementation of measures aimed at interaction with stakeholders, taking into account the strategic conditions of their behavior;
- ♦ a clear distribution of powers and participants in the risk management system;
- ♦ the effectiveness of the interaction of these agents;
- ♦ compliance with the balance of income and expenses related to the implementation of interaction with stakeholders;
- ♦ the presence of negative and / or positive results.

The implementation of a risk management system in an organization, in particular its application in the field of relationships with stakeholders, is characterized by the principles of integration, permanence of implementation and ubiquity.

The risk management system must be in a state of full combat readiness constantly, taken into account in the process of making any management decision. From the standpoint of risk management, the management of relationships with stakeholders includes measures related to reducing uncertainty when interacting with them, improving the planning of activities in accordance with existing and foreseeable risks, saving resources, improving the quality, reliability and completeness of information that is necessary for making management decisions, improving business reputation and other important indicators.

The management of the company's key stakeholders is reduced, first of all, to minimizing economic, political, social and other risks, as

well as increasing the efficiency of the company as a whole by building favorable relationships on the part of its stakeholders. In particular, special attention should be paid to the risks of pressure on the company from its stakeholders (Kassinis & Vafeas, 2006). It is expedient to name the following as the main risks associated with the behavior of stakeholders: sale by shareholders of a significant share of the company; making ineffective decisions; workers' strikes; improper performance of work duties by employees; creating a negative business reputation; decrease in demand for products (customers); increase in the number of claims from buyers; refusal of suppliers and partners to cooperate, supply disruptions; corruption (on the part of state authorities, local administrations) obstruction of business development on the part of state authorities; public rallies, negative media reputation, and the like. The information openness of the company's risk management system to a wide range of stakeholders contributes to an increase in the level of efficiency of their management (Ramenskaya, 2016). The main circle of interests of stakeholders in the company's risk management system narrows to the following:

1. shareholders require understanding in terms of providing guarantees to achieve certain goals of the organization;
2. employees strive for confidence in the "tomorrow", in the absence of threats to comfort at work;
3. investors expect reliability in the development of the company, increase the efficiency of investments and reduce possible risks of insolvency (bankruptcy);
4. suppliers expect to reduce risks in terms of the company's solvency;
5. state bodies require the reliability of tax reporting and the like.

The transparency of the risk management system in the company should be aimed mainly at external stakeholders and be based on publicly available and reliable information data.

Particular attention should be paid to the consideration of the concept of "stakeholder concerns", the essence of which is the presence of expectations on the part of stakeholders about receiving a certain negative impact from the company (Villo, 2015). Stakeholders, first of all, note concerns about companies' compliance with legislation, generally accepted standards and norms, for example, in the field of environmental safety.

Failure by the company to comply with various norms and rules in production can lead to certain accidents, and as a result, to extremely undesirable consequences for society. In fact, the inflicted or expected

negative action of the company directed towards the stakeholders entails their refusal to interact with the organization, leads to a deterioration of its reputation due to the formation of a certain public opinion, the application of sanctions and fines in case of proof of violations, and so on. In this case, risk management in managing stakeholders should be aimed at reducing their possible concerns about certain acts of the company's behavior.

A company's reputation depends not only on its financial performance. It is primarily due to the presence of effective stakeholder management and correlates with financial performance (Preston & Sapienza, 1990). The formation of the company's business reputation (including negative) is directly influenced by both internal and external factors. Stakeholders in the process of interacting with the company form its business reputation, which is why it is so important to manage relationships with them, which is why it is so important to reduce the risks of forming a negative reputation in every possible way.

Thus, the management of the company's key stakeholders is an essential component of the management of organizations aimed at achieving the goals of the company's activities and sustainable development. There are different directions of management depending on the group of stakeholders, but there is still no comprehensive systematic approach to managing all stakeholders.

The company's choice of approach to stakeholder management is influenced by: the development of the country and the economy as a whole, the level of the company's CSR development, the practice of interaction with stakeholders and other conditions.

The most common approaches in most large companies are those that take into account: positions of corporate governance, CSR, risk management and strategic management. The methodological arsenal of progressive leading companies from developed countries is dominated by the approaches of the theory of "social good" and the value chain.

Fundamentals of the formation of a mechanism for managing relationships between companies and key stakeholder groups

Today, the development of concepts in the field of corporate governance and corporate social responsibility requires the formation of appropriate standards, norms and rules to ensure an appropriate level of efficiency, namely, guidelines for interaction with stakeholders.

In the sense of the provisions of the normative legal prescriptions of the legislative acts of Ukraine, there are no definitions of the concepts

“stakeholders” and / or “interested party”. However, the desire to deepen integration into the global economic space, in particular the fact that Ukraine is in a state of dialogue with the Organization for Economic Cooperation and Development (OECD) on Ukraine’s accession to this organization, led to the fact that on March 13, 2020 the National Commission on Securities and Stock Exchange the market approved the Corporate Governance Code of Ukraine, which reflects the latest developments in the field of integrated environmental, social and corporate governance.

It should be noted that the Ukrainian Code, unlike the OECD Code of Corporate Governance (hereinafter referred to as the OECD Code), does not contain a special section on defining the role of stakeholders in corporate governance, however, it contains certain provisions concerning the specified object, namely: timely disclosure by the company of complete and reliable information, the display of which, in particular, in the company’s annual reporting is an important factor in the process of forming long-term, trust-based relationships with stakeholders, increasing the company’s value and attracting additional capital; maintaining the balance of information transparency of the company and its commercial interests, as well as control over information disclosure by the company’s board of directors.

The most complete issues related to the role of stakeholders in corporate governance are developed in the provisions of the Corporate Governance Code of the OECD countries. In accordance with the provisions of the OECD Code, the corporate governance system should recognize the rights of stakeholders, and also, it should encourage activities to create jobs, wealth and support sustainable development as a result of active cooperation between the corporation and stakeholders (OECD, 2015). The main provisions of the OECD Code are reduced to the following principles:

- ♦ observance of the rights of stakeholders established by law or enshrined in mutual agreements;
- ♦ the possibility of obtaining effective protection of the interests of stakeholders in the event of violation of their rights;
- ♦ the possibility of developing mechanisms for the participation of employees of the corporation in the processes of achieving the goals of increasing the effectiveness of activities;
- ♦ ensuring timely and regular access for stakeholders who take part in corporate governance to complete, relevant and reliable information;
- ♦ the ability of stakeholders to freely express themselves in relation to illegal and unethical actions of the company towards the board of directors;

♦ supplementing the regulatory framework with bankruptcy laws and laws whose action is aimed at ensuring the rights of creditors.

In the process of considering the theory of stakeholder management, one of the most important issues is to clarify the essence of the stakeholder management mechanism.

In the management literature, there are a large number of definitions of the concept of “mechanism” and its elements. In the beginning, the concept of “mechanism” in the economic literature came from the technical branches, when an objective need arose in the economy to describe social and production processes in their interaction and interrelation. As the main characteristics inherent in the mechanism in the process of adaptation in the economy, it is advisable to note the possibility of movement and use of resources to achieve a positively desired effect. References to various mechanisms in economic thought can be found in the works of K. Marx, J. M. Keynes, M. Friedman and others. In world economic science, I. Bernard and J. Colley use the concept of “mechanism” in the sense of “a way of interaction of heterogeneous phenomena”.

The term “economic mechanism” is widely used, which is applied as a whole to the country’s economy and is defined as a set of organizational structures, methods and forms, legal norms that make it possible to implement, under certain conditions, the current laws in the sphere of economics and within the framework of the reproduction process. The term “economic mechanism” appeared in the 1860s, but even well-known dictionaries in the field of economic thought did not contain a definition of this term. According to A. Kuhlman in his work “Economic mechanisms”, the mechanism can be defined as a sequence of interrelated phenomena in the economy. A. Kuhlman identifies two subspecies of economic mechanisms: open and closed (Kulman, 1993). As a result of the implementation of the open-type mechanism, a new phenomenon appears, which differs from the initial one, for example, the mechanisms of equilibrium between production and consumption, the “capital-income-capital” mechanism; the implementation of a closed mechanism leads to the reproduction of the initial phenomenon on a smaller or larger scale, for example, the mechanism of economic cycles. A significant contribution to the development of the theory of mechanisms was made by L. Gurvich, winner of the 2007 Nobel Prize in Economics. He describes a mechanism as a system of interaction between subjects and a certain “center”.

Based on the identified meaning of the term “mechanism” in the economic literature and the concept of “stakeholder management”,

we propose the author's definition of the mechanism for managing key stakeholders: the mechanism for managing key stakeholders of a company is a systemic purposeful process associated with the analysis of the company's environment, direct interaction with stakeholders in order to reduce the negative impact on the company and in order to ensure the positive effectiveness of the specified interaction. The mechanism includes the following elements: goal, tasks, functions, principles, regulatory framework for interaction, subject, object, methods and tools. As a result of the implementation of this mechanism, the company gets the opportunity to effectively interact with key stakeholders, to satisfy mutual interests and requirements in relation to the company's activities in order to improve it and develop social responsibility in society, reduce risks and increase the efficiency of its activities.

The fundamental principles on which the company's interaction with stakeholders is built was formulated at the end of the twentieth century by Max Clarkson (Vector Study Group, 2012). According to his approach, the main principles of the company's interaction with stakeholders are:

- ♦ stable monitoring, accounting and recognition of all stakeholders, the need to take their interests into account when making decisions and implementing company functions;
- ♦ the need for open communications regarding the interests, participation and risks of stakeholders interacting with the corporation;
- ♦ introduction of such management processes and adherence to a line of conduct that take into account the interests, requirements and capabilities of stakeholder groups;
- ♦ the need to create a relationship between remuneration and the assigned efforts among stakeholders, the desire to achieve fairness in the process of distributing the vectors of corporate activity and privileges among stakeholders, taking into account possible vulnerabilities and risks;
- ♦ interaction and consistency between managers in the course of work with all stakeholders to ensure that threats and damage from corporate activities are minimized;
- ♦ refusal to work, accompanied by the risk of infringement of human rights and the emergence of unacceptable for the relevant stakeholders, the emergence of dangerous situations;
- ♦ elimination of contradictions in the course of management between managers as corporate stakeholders and their responsibilities to other stakeholders.

The system of functions of the company's stakeholder management mechanism should include the following:

- ♦ goal setting – clarification of the goals of interaction with various groups of stakeholders;
- ♦ planning – drawing up a plan of interaction with various groups of stakeholders in accordance with certain goals and desired results;
- ♦ organization – development of a unified methodology, tactical tools and principles of interaction;
- ♦ regulation – finding out the importance and degree of influence of stakeholders on the company and establishing, in accordance with this degree of priority, stakeholders in the process of satisfying their interests;
- ♦ balancing – maintaining a balance of interests of the company and stakeholders.

To implement the mechanism, resources are needed, including financial, administrative, and labor. In the course of using certain interaction tools in companies, it is necessary to allocate funds and administrative resources.

In the field of stakeholder theory, most scientific articles are devoted to the need to satisfy their interests. The ability to manage stakeholders in order to satisfy the interests of the company is related to the interests and requirements of stakeholders; timely and accurate clarification of the essence of such trends allows the company to respond to them with the greatest efficiency for itself. In the process of strategic management and strategic decision-making, it is necessary to take into account the degree of influence and interests of stakeholders; the model of their relationship is shown in Figure 3.2.2.

Researcher A. Mendelow proposed a scheme of interaction between the company's management and stakeholders. According to the scientist, in order to increase the efficiency of relationships with stakeholders, the management of the corporation must formulate the main methods of interaction with them, depending on the degree of their influence and interests. A. Mendelow divided companies into four groups, which correspond to the levels of development of relationships between stakeholders and the company (Mendelow, 1991).

Interaction methods correlate with the level of development of the company's relationship with its stakeholders from a passive level of response to stakeholder actions to managing relationships with stakeholders.

Companies whose stakeholders correspond to area I – “Informing, communication, analysis of interests and needs” are encouraged to keep them informed about the company's activities. Such stakeholders are characterized by a high degree of interest, but a low degree of influence on the organization (for example, portfolio investors).

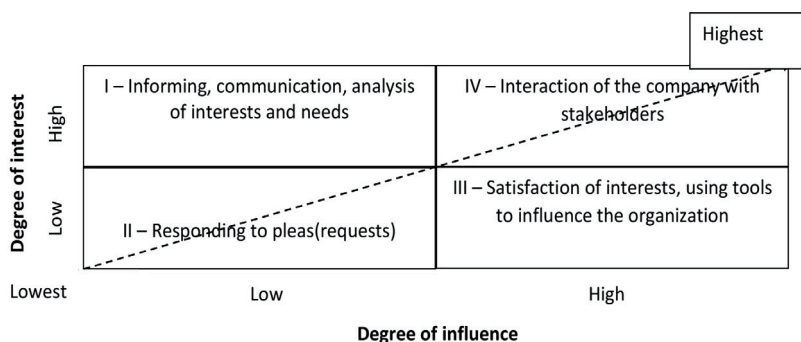


Fig. 3.2.2. The relationship between the degree of influence and interests of the organization's stakeholders
Source: compiled by the authors based on Mendelow, 1991

Area II – “Responding to pleas (requests)” responds to companies whose stakeholders have a low degree of interest and a high degree of influence. Companies are encouraged to inform such stakeholders in a timely manner. Stakeholders in a given area can be “unpredictable” and “dormant”, because at any time they can become more influential or more interested in the activities of the company; in order to prevent the negative mood of the stakeholders of this group in the future, it is advisable for companies to take into account the interests and their positions, as well as to respond to their requests.

Companies whose stakeholders fall under area III and have a high degree of influence and a low degree of interest are encouraged to satisfy the interests of stakeholders, to analyze the tools of influence on the organization. These stakeholders include state authorities, in particular, in the sphere of exercising control powers. Based on the analysis of the interests of stakeholders and the choice of appropriate tools, an action plan is formed for each next reporting period.

Area IV corresponds to a high level of development of the company's relationship with stakeholders and provides for interaction with them based on the principles of cooperation. The specified area includes the stakeholders of the companies that are most interested in cooperation with the company and have a high degree of influence on the company's activities. The stakeholders in this area include the owners of companies, owners of large blocks of shares. It is the owners who greatly influence the adoption of strategic decisions based on their understanding of the company's development process and outlook on its future.

In management practice, there are and are successfully functioning standards of activity in the field of corporate social responsibility, including interaction with stakeholders and regulation of non-financial reporting. In 1999, for the first time presented by the research organization AccountAbility (Institute of social and ethical accountability), the international standard for interaction with stakeholders (AA1000 SES) has now become widespread throughout the world. AccountAbility Institute is engaged in research and development in the field of sustainable management standardization, non-financial auditing and reporting of the AA1000 series of standards.

The Stakeholder Engagement Standard is a significant regulatory framework that provides guidance on the basics of planning, implementing, evaluating, communicating and non-financial audit of the quality of stakeholder engagement. In 2018, a new version of the standard was published, taking into account the latest changes in the field of stakeholder relationship management, presented in Appendix A of the specified standard. The new version of the standard does not yet have an official translation into Ukrainian, which undoubtedly indicates that the practice of implementing CSR and interaction with stakeholders in the Ukrainian realities in a certain way lags behind European practice in particular and international practice in general.

The basic element of the implementation of the company's social responsibility is the identification and identification of stakeholders and interaction with them. The international certification network IQNet has developed a standard used in the certification of the company's CSR management systems. Social Responsibility Management Systems Standard. Requirements IQNet SR 10, is based on the ISO 26000 standard and allows companies to increase their reputation in the eyes of stakeholders and society in general, improve relationships with stakeholders, demonstrate their dedication to CSR principles, and increase competitiveness.

Trends in the development of modern organizations associated with the increasing importance of the process of interaction with stakeholders, both with those with whom interaction has not been built, and with well-known organizations, stakeholder groups. In particular, the development of relationships at a new level with the use of new methods of interaction and the solution of new issues. Today, it is becoming widespread to conduct various seminars and trainings for business leaders who want to implement the aforementioned standards in their companies in order to improve the efficiency of their activities.

The preparation of non-financial reporting is an important component of the relationship with stakeholders. The process of participation of stakeholders in the preparation of these reports is becoming widespread. In 1996, the American Stakeholder Alliance developed a corporate reporting standard for a wide range of stakeholders – Sunshine. This standard contains provisions of a recommendatory nature in relation to the information that should be reflected in the non-financial statements of the company. The standard allows assessing only the social performance of a company and does not take into account other equally important indicators.

The GRI (Global Reporting Initiative) standard was developed in 1997 by the nongovernmental organization The Global Reporting Initiative as a guide to sustainability reporting. The fourth version of the guidelines, GRI G4, published in 2013, has become widespread. To date, the fifth version of the standard has been released – GRI G5 – a series of industry standards. The management selects the principles for the preparation of non-financial reporting, which should contain both standard elements and instructions for use. The specified standard can be useful to any organization, regardless of size, industry and location; it includes requirements for the disclosure of public information in the field of the company's management, its economic, environmental and social performance.

There is also the IIRC – (International Integral Reporting Council) standard, which provides for the disclosure of information about the organization and the external environment in which it operates; management; business models; risks and opportunities; strategy and resource allocation; results of activities; perspectives and key principles of presentation. The purpose of the integrated report is to explain to all stakeholders how the company creates value in the short and long term.

For the current period, these standards are the most common. In international practice, SA 8000 standards (Social Accountability – a standard for assessing the social aspects of management systems) and others are also used.

The key goal of building effective interaction with stakeholders is to make the right choice of the direction of the company's strategic development and ways to improve its activities, including achieving an appropriate level of sustainable development, provides positive results for all participants in the interaction: the organization itself, its stakeholders and society as a whole. As a result of obtaining a positive effect from interaction with each other, all participants in the interaction can learn, analyze and clarify: the needs and expectations of stakeholders, difficulties and prospects, the most significant problems from the point

of view of stakeholders. Also, implement innovations, show strategic vectors of development, using knowledge about stakeholders, work, develop performance indicators to assess the company's activities from the point of view of stakeholders.

Standards in the field of CSR and interaction with stakeholders are a necessary basis for the formation of a stakeholder management mechanism, since they contain key requirements for the behavior of companies, generally accepted norms of behavior and recommendations for establishing relationships with stakeholders.

Conclusion

In the course of the study, the concept of key stakeholders was formulated, as it was proposed to understand those stakeholders of the company who are endowed with the greatest degree of influence and significance, provide high support for its development, have significant interests and influence the efficiency of the company. It was revealed that the management of the company's key stakeholders can be considered from the point of view of: corporate governance, corporate social responsibility, strategic management, risk management, the theory of social good, and the concept of creating common value.

Existing standards in the field of non-financial reporting provide basic guidelines for stakeholder engagement and information disclosure. Standards represent the necessary basis for the formation of a management mechanism, is a purposeful process of managing relationships with stakeholders. The relationship between the degree of influence of stakeholders on companies and their interests determines the directions of bilateral mutually beneficial cooperation.

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3.3. THE ROLE OF THE STAKEHOLDER APPROACH IN ENSURING SUSTAINABLE SOCIAL DEVELOPMENT OF RURAL AREAS

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The section summarizes the approaches to the definition of “sustainable social development” and “social infrastructure” of rural areas. The current situation in the social development of rural areas is studied and its perspective directions are determined taking into account the stakeholder approach. The components of infrastructural support of rural development are analyzed. The role of key stakeholders in the formation of the social development infrastructure of the rural areas is determined. A set of measures to ensure sustainable social development of rural areas of Ukraine on the basis of world experience is proposed.

Problem statement

In conditions of the intensification of European integration processes in Ukraine, the development of rural areas remains one of the main challenges for our country. More than 20 years of agrarian transformations have not brought ordinary peasants the expected

increase in welfare. Today, rural areas are on the way to change: decentralization processes are taking place, more than 1.5 thousand new territorial hromadas have been created (Agropolit, 2020), and relevant priorities for rural development have been identified at the legislative level. However, significant changes have not yet taken place: deteriorating of natural resources and the environmental situation, declining engineering and social infrastructure, social services (medicine, culture, preschool education), declining human potential, prosperity and growth of poverty, which stimulates labor migration and departure of young people from the countryside.

At the global level, the United Nations (UN) in Sustainable Development Goals until 2030 has declared the importance of rural development (UN, 2015). In particular, Goal 2 “End hunger, achieve food security and improved nutrition and promote sustainable agriculture” oriented on increased investment in, including through enhanced international cooperation, in rural infrastructure, agricultural research and enhanced services, technology development and genetic banking of crop and livestock production in order to increase the production potential of agriculture in developing countries, in particular the least developed countries. Goal № 11 “Make cities inclusive, safe, resilient and sustainable” includes supporting positive economic, social and environmental links between urban, suburban and rural areas by strengthening national and regional development planning (UN, 2015).

In the socio-economic life of Ukraine, rural areas occupy a special place. These are “home” to a third of the population of our state and account for 80–90% of its area. The importance of these territories is enhanced by their exceptional contribution to the formation of the foundations of food security and increasing the country’s export potential. These and other factors make the development of rural areas one of the main priorities of Ukraine’s state policy aimed at raising living standards of the rural population, increasing the efficiency of the agro-industrial complex, improving the environment and improving the quality of human capital.

Ukraine has favourable geographical, climatic, resource and other prerequisites for rural development, so it is potentially able to become a country with priority agricultural development and one of the main suppliers to world markets of environmentally friendly food products. However, today the problem of inconsistency between the level of development of the Ukrainian agricultural sector and rural areas in general at the world level and the standards of the EU countries remains unresolved.

In 2015, after the proclamation of the UN Global Sustainable Development Goals until 2030, Ukrainian experts presented the results of its adaptation taking into account the specifics of Ukraine's development in the National Report "Sustainable Development Goals: Ukraine". In 2019, this was enshrined in the Decree of the President of Ukraine (Decree #722/2019, 2019). According to Article 17 of the Association Agreement between Ukraine and the EU (European Integration Portal, 2020) Ukraine intends to ensure the development of the rural areas and the agricultural sector, taking into account the interests of stakeholders. With the beginning of the decentralization reform (2016), more attention is paid to rural areas, in particular, the issue of ensuring socio-economic development of the village becomes especially important in the context of decentralization, transfer of significant powers, resources and responsibilities. In addition, there is a growing need to manage the interaction of rural stakeholders.

Today, determining the prospects for social development of rural areas of Ukraine on the basis of the stakeholder approach is an important area of socio-economic research of Ukrainian scientists. The problems of socio-economic development of rural areas and the peculiarities of its management are represented in the works of I.F. Balanyuk, O.M. Borodin, O.G. Pin, I.V. Goncharenko, V.S. Diesperov, A.V. Klyuchnik, M.Y. Malik, V.Ya. Mesel-Veselyak, O.M. Grave, P.T. Sabluk, V.K. Tereshchenko, O.V. Shebanina, O.G. Shpikulyak, O.V. Khodakivska and others.

However, the difficult situation in rural areas of Ukraine and the current challenges facing the country require in-depth research on trends and problems of sustainable social development of rural areas in order to develop effective economic approaches to stimulate their development, including the stakeholder approach.

Social Development of Rural Areas: Key Concepts and Principles

Within the study of stakeholder interaction management as a component of social development of rural areas, we have to pay attention to such definitions as "socio-economic development", "social development", "village", "rural areas", "stakeholders" and so on.

The draft Law "On the Principles of the Administrative and Territorial System of Ukraine" № 2804 from 24.01.2020 stipulates that settlements and villages belong to rural settlements. The village is one of the types of settlements and is the smallest administrative-territorial unit in Ukraine. Regarding the definition of "village", the etymology of the Ukrainian word

village comes from the ancient. * selo (“settlement, yards, buildings”, “field, land”), which is considered as related to the Latin. solum (“soil”) (Melnychuk et al., 2006). Also in the Old Slavic language, the word village means “field”.

The settlement is a place with a total population of not less than 5 thousand inhabitants, the formation and development of which is associated with the location of enterprises, railway junctions, hydraulic, other structures and facilities, and which has social, communal and transport infrastructure. In turn, the village is a settlement with a total population of fewer than 5 thousand inhabitants, which has social, communal and transport infrastructure.

Regarding the concept of “rural areas”, there is no single approach to its definition. The legislation of Ukraine (the Law “On Agricultural Advisory Activities”, 2004) defines the concept of “rural area” as areas outside cities and are mainly areas of agricultural production and rural development. Also, rural areas are the administrative territory of villages, settlements, with the exception of urban-type settlements.

EU legislation interprets the concept of “rural area” (territory) as a territory located at a considerable distance from the business activity of the centres and experiencing certain difficulties with obtaining the necessary set of economic and social benefits. That is, according to the above definition according to EU regulations, “rural territory” and “rural area” can be considered as identical concepts.

In the draft Law of Ukraine “On streamlining the rural settlement network, deepening the principles of local self-government in rural areas and promoting deurbanization of the population” rural area is considered as an area where rural settlements (villages, settlements), agricultural and other lands, forests, reservoirs, objects of transport and other infrastructure served by inhabitants of rural settlements.

In its work, Azhaman I.A. noted that the concept of “rural area” is a set of people, territories and other resources of the social landscape and small settlements outside the immediate sphere of economic activity of large urban centers (Azhaman, 2018). In turn, Baranovsky M.O. suggests considering the concept of “rural areas” in terms of administrative, industrial, settlement, territorial and integrated approaches (Baranovsky, 2018). Based on these approaches, we can generalize the concept of “rural areas” as a complex entity that performs various functions, including areas outside urban settlements, and areas that are the basis for the development of agriculture and settlements, rural society and businesses.

According to Mazur A., rural areas include: population, agricultural and other lands outside rural settlements, self-government bodies and civic organizations. The concept of “rural area” should be used for each individual settlement, but not rural territories as a whole. The contradiction between rural areas and industrially oriented infrastructure forms the concept of “local economy”, in which products and services can already be produced (Mazur, 2017).

The classification of rural areas into “rural areas”, “largely rural areas” is used mainly to introduce different approaches to their financing from the EU’s centralized CAP funds. This approach does not carry a methodological burden in determining the essence of the concept of rural development in European science and practice, but is used for reasons of differentiated distribution of funds from the central level to the regions (Kostiuchenko, 2017).

Thus, systematizing different approaches to the interpretation of the concepts of “rural area” and “rural territory”, it can be noted that they have not received a clear distinction in the scientific and economic literature and in regulations, i.e. they are conditionally identical. Accordingly, the concept of “rural area” can be defined as an area that is located outside cities and urban settlements, characterized by certain environmental, logistical, industrial, natural, resource, cultural, historical and other differences in which the objects of production, socio-cultural, housing, other infrastructure facilities and on which rural residents live, agricultural economic entities carry out production and economic activities and rural industrial and civil construction is carried out.

In the context of rural development, the definition of “development” can be generalized as a complex dynamic process, directed movement, which leads to a change in the state of the object. Accordingly, the definition of “socio-economic development” should be considered as a complex and dynamic process aimed at transforming the socio-economic system (eg, rural areas) through a set of quantitative and qualitatively new changes in production, investment and innovation, technical and technological, economic-legal, socio-cultural spheres of life in order to improve welfare, improve working conditions and meet the socio-cultural needs of society.

Regarding the concept of “social development”, the definition of Gavrilenko I.M., Melnyk P.V., Nedyukhy M.P. is more appropriate. Thus, in their opinion, development in the general sense is the whole set of economic, social, political and spiritual processes, the result of which is a qualitative transformation in society. In the narrow sense – it is,

first of all, fundamental changes in the social sphere: social relations, social structure, institutions and processes. That is – these qualitative transformations lead to changes in this type of society, the foundations of social order and the social system as a whole (Gavrilenko et al., 2001).

Rural development means a purposeful change of institutional, economic, environmental, demographic, social, cultural, household and other important factors that determine the direction and directly affect the growth of quality of life of the rural population and ensure the prevention or overcoming of poverty, not just a more comfortable existence in poverty. Rural development is based on the full realization of property/use rights, effective use and control of local communities over local resources.

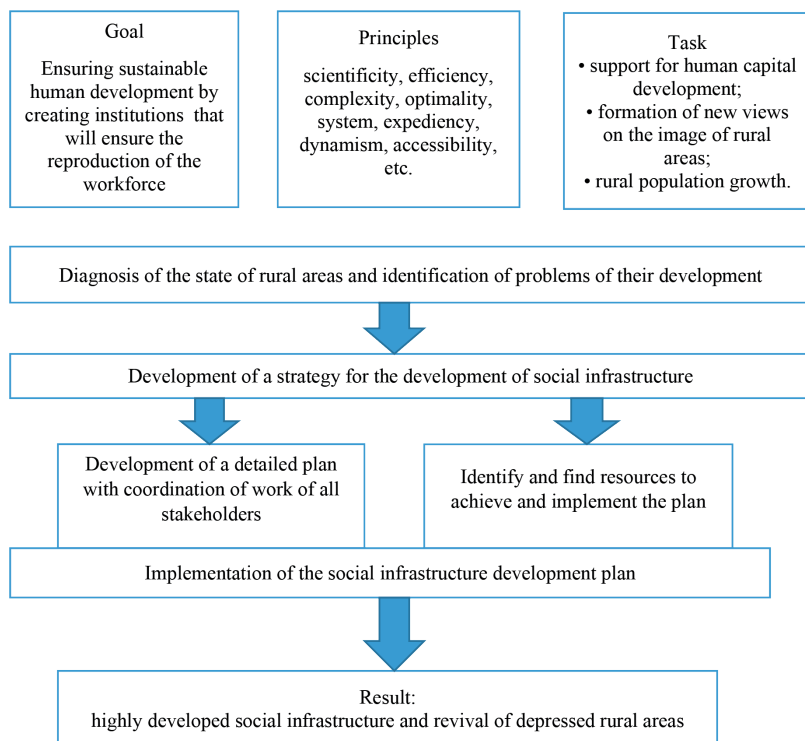
One of the main components of the social development of the village is the existing social infrastructure, ie its general condition.

R. Brol notes that “...human is a consumer not only of quantitative but primarily of qualitative results of the functioning of social infrastructure, which should be understood as a system consisting of institutions and institutions that provide non-productive services (consumer type), in an organized manner...” (Brol, 2004).

It is also worth noting the position of V.P. Ryabokon and L.A. Rarok, that the level of development of social infrastructure of rural areas largely depends on the development of agricultural production and at the same time there is a reverse process – the level of development of infrastructure depends on the level of production in rural areas (Ryabokon & Rarok, 2016).

Social infrastructure involves the implementation of a number of tasks aimed at one object – a person and should be based on scientifically sound principles. The process of social infrastructure development requires a certain mechanism (model) that will coordinate this process so that there is no certain differentiation in financial needs, in the provision of certain institutions and institutions that meet the needs of the population (fig. 3.3.1).

The formation of an attractive image of rural areas, the development of human potential, positive changes in the demographic situation are inevitably associated with the development of social infrastructure. During 30 years of independent development, Ukraine has lost the enormous potential of rural areas, as a result of which many enterprises have ceased to operate, and as a result of job losses and deteriorating living conditions, more than 2/3 of the population has left rural settlements. Under such conditions, the development of rural areas is possible only with the involvement of all relevant stakeholders.



*Fig. 3.3.1. Conceptual model
of social development of rural infrastructure
Source: built by the author based on Vasylishyn et al., 2021*

Accordingly, the next key definition in our study is “stakeholders”. Since current socio-economic trends require effective management models and mechanisms, taking into account the interests of a wide range of stakeholders, it is advisable to consider a stakeholder approach.

Stakeholders are all individuals or groups of individuals who are or may be involved in the functioning of an organization at both the local and global levels. That is, a stakeholder is any person or group of persons who may in any way influence the activities of an enterprise/firm/corporation/institution/territorial unit, etc. or feel the impact of these activities, as well as any person or group of persons who may be useful or interested in the success of activities and improving the functioning of the institution (administrative unit) (Tretyak & Andreieva, 2020).

So, to ensure sustainable results, the management of social development in rural areas must also take into account the specifics of the interaction of key stakeholders.

One of the central directions of rural development is the development of the agro-industrial complex. Strengthening the competitiveness of agriculture in Ukraine is an important area of development, however, the organization of effective activities hinders certain difficulties in the interaction of key stakeholders in agriculture. Current trends in economic development require the business environment to take into account the interests of a wide range of stakeholders that have a positive and negative impact on the performance of agricultural enterprises.

The diversity of stakeholders, as well as the goals and forms of interaction between them, necessitated their systematization, in particular for more effective assessment, structuring of their interests and goals for the development of effective management decisions. Given the above, it is quite reasonable to divide the key stakeholders of the agro-industrial complex into two groups: external stakeholders and internal stakeholders.

External stakeholders should include:

- ♦ suppliers who are interested in: simplifying the procedures for selecting suppliers; growth of financial capacity of the organization; ensuring the regularity of supply orders, fulfilling the terms of contracts; order stability; conclusion of exclusive agreements;
- ♦ buyers who are interested in: expanding the range of products, increasing its novelty and availability; improving product quality, guaranteeing its safety; lower prices; compliance of the organization's strategy with the principles of forming long-term business relationships;
- ♦ investors who are interested in: increasing the return on capital; accelerating cash flows; growth of market share; improving the quality of corporate governance; ensuring the balance of the investment portfolio;
- ♦ distributors, dealers, intermediaries (partners) who are interested in: optimizing the production structure and improving management efficiency; strengthening the financial capacity of the organization; improving the quality and competitiveness of products; the discipline of execution of budget terms; regularity of deliveries, service support and after-sales service;
- ♦ financial organizations that are interested in: increasing the solvency of the organization; good credit history; improving the efficiency of cash flow management;
- ♦ Mass media and public organizations that are interested in: development and ensuring a stable situation; environmental safety and

environmental protection; information openness, including business; implementation of social and charitable projects; ensuring social responsibility;

- ♦ central and local public authorities, ministries that are interested in: development of responsible economic activities; ensuring the implementation of state regulatory policy in the field of agricultural activities; ensuring the implementation of environmental, economic, energy, public and food security programs; infrastructure development; improving the effectiveness of social policy; ensuring employment growth; compliance with the law;

- ♦ the population that is interested in increasing consumption, reducing consumption costs;

- ♦ international institutions and organizations interested in supporting the implementation of agricultural and food policy in Ukraine, development and implementation of development programs in the agricultural sector, related sectors of processing industry and services, as well as rural development programs;

- ♦ agricultural research institutions and educational establishments that are interested in: conducting research relevant to agricultural producers, creating world-class innovations, disseminating knowledge related to agriculture (Tretyak & Andreieva, 2020).

Internal stakeholders should include:

- ♦ shareholders (owners) who are interested in: maximizing shareholder value; profit growth; growth in the number of dividends; growing market share of the organization; rising stock prices;

- ♦ top managers who are interested in: growth of their own income; raising the social status associated with work in the organization; reducing the number and scale of official conflicts;

- ♦ employees interested in wage growth, incentives; expanding career opportunities; improving working conditions and social guarantees; growth of job satisfaction;

- ♦ trade unions of workers who are interested in: fulfilling and ensuring the economic and social rights and interests of workers in the agro-industrial complex, agriculture, food and processing industry, service, related sectors, student youth and other categories of organizations.

It should be understood that the presence of a significant number of stakeholders in the agro-industrial complex leads to conflicts during their interaction. For example, the economic interests of households and small producers may conflict with the economic interests of large agricultural

holdings. The most appropriate is the organization of interaction between stakeholders on the criteria of their position, influence, stability and willingness to cooperate. Depending on these criteria, a strategy of interaction with stakeholders is chosen (for example, the Anglo-Saxon or Japanese-German models) (Tretyak & Andreieva, 2020).

That is, the main purpose of organizing effective interaction of stakeholders in the development of agriculture is to prevent and reduce the number of conflicts between them, as well as to establish communication processes to effectively use available resources and attract additional on the path to sustainable development.

Problems of development of rural areas of Ukraine are a consequence of long-term negative trends in the economic and social development of the country. Analysis of scientific literature on the problems of rural development in Ukraine showed that among the main problems scientists identify the following: the depopulation of the population, degradation of the rural economy, the devastation of territories, the decline of social infrastructure, inefficient territorial communities (Fig. 3.3.2).

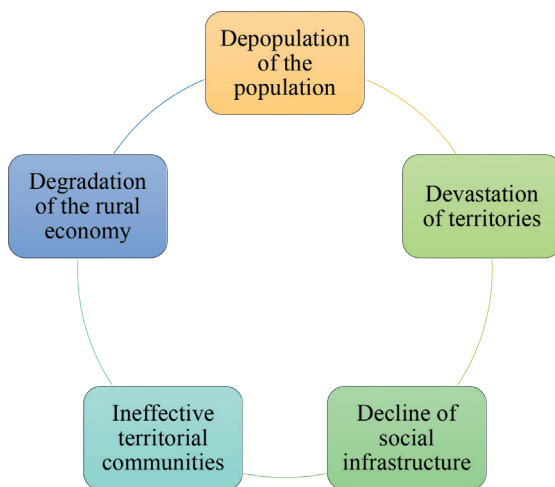


Fig. 3.3.2. The main problems of development of rural areas of Ukraine
 Source: Poliakova O. et al., 2020

As we mentioned above, the UN has been working for many years to solve the problems of rural development in the world. In 2021, a new World Social Report 2021 (UN, 2021) was presented, dedicated

to the social and economic problems of the rural population. It outlines a number of strategic principles that countries must take into account to ensure sustainable development of rural areas (Fig. 3.3.3).

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- i. Assigning rural development an active and preceding role in the overall development process, instead of treating it as an appendage of an urbancentred development model;
 - ii. Utilizing the potential of in situ urbanization as a model of rural development and for achieving a more sustainable rural-urban spatial combination;
 - iii. Directing rural development away from environmental damage and towards environmental protection;
 - iv. Being aware that the new digital and frontier technologies are undercutting the technological basis of the rural-urban divide and making active use of these technologies for ending this division;
 - v. Recognizing that the potential of new technologies is not limited to agriculture only but extend to the expansion of remote work, manufacturing based on 3D printing, and a whole range of new activities that can revitalize and rejuvenate rural societies;
 - vi. Choosing agricultural models after re-examining them through the prism of sustainable development;
 - vii. Acknowledging that rural development strategy has to be country specific because of its greater dependence on the local physical and institutional conditions.

Fig. 3.3.3. Strategic principles for rural development efforts

Source: built by the author based on UN, 2021

Focusing on these principles in developing a national strategy for rural development will help identify key drivers of rural development, choose the optimal model of social and environmental change, harmoniously implement technological advances for sustainable growth in the future. In addition, these principles aim to maintain a balance between rural stakeholders.

Features of social development of rural areas in Ukraine and in the Kharkiv region

Almost every country in the world has its own more or less developed rural areas. Differences in area, climatic and geographical conditions, political transformations and transformations of public administration form certain features of these territories for each country. This imposes certain differences in the principles and models of social development of rural areas. Ukraine has the largest territory among European countries

(603.5 thousand km²), the second is France (544.0 thousand km²). The peculiarity of the territory of Ukraine is that the majority of all land is agricultural – 70.8% (State Statistics Service, 2020). Therefore, agricultural activity and life of the rural population should be one of the priorities of state policy (State Statistics Service, 2020).

Sustainable social development of the region (territory) is possible only under conditions of balanced economic, social, political, legal (efficiency of civil society structures and political institutions, political culture, system of relations between authorities) and ecological (assimilation potential of the region, features of natural resources reproduction, state environment) groups of factors. The economic component includes the efficiency of reproduction processes in the region (territory), the degree of infrastructure development (market and production), spatial differentiation of the territory, involvement and processes of globalization and economic integration of entities (Gutorova, 2016).

For Ukraine, where the level of urbanization is one of the lowest in Europe, and the share of agricultural production in the structure of GDP is the highest among European countries, rural development policy should be one of the priorities in the state regional policy. The main indicators of rural development usually include economic efficiency, environmental security and social justice. It should be noted that the social sphere of the village is a priority criterion for the development of rural areas because without the primary satisfaction of human needs (peasant) it is impossible to ensure sustainable development of the territorial unit (Fig. 3.3.4).

An important aspect of the formation of national policy for rural development (including social development) is the analysis of the leading experience of other countries, such as the European Union (EU). The concept of rural development of the EU countries was developed in the 80s of the twentieth century (FAO, 2010) and it was then that a common legal framework was formed to ensure the development of rural areas.

Approaches to rural development in the EU at the national and regional levels have some differences, according to which the following concepts of rural development can be distinguished:

- ♦ the concept of identification of rural development with the general modernization of agriculture and agro-industrial complex (AIC). It is based on the industry model (based on the development of the sector);
- ♦ the concept of “bridging the gap” or “convergence”, which aims to reduce the differences between the most backward rural areas and other sectors of the economy. It is based on the redistributive model;

♦ a concept that considers rural development as the development of rural areas in general, through the integrated use of available resources (human, physical, natural, etc.) and integration between all components and industries at the local level. It is based on the territorial model.

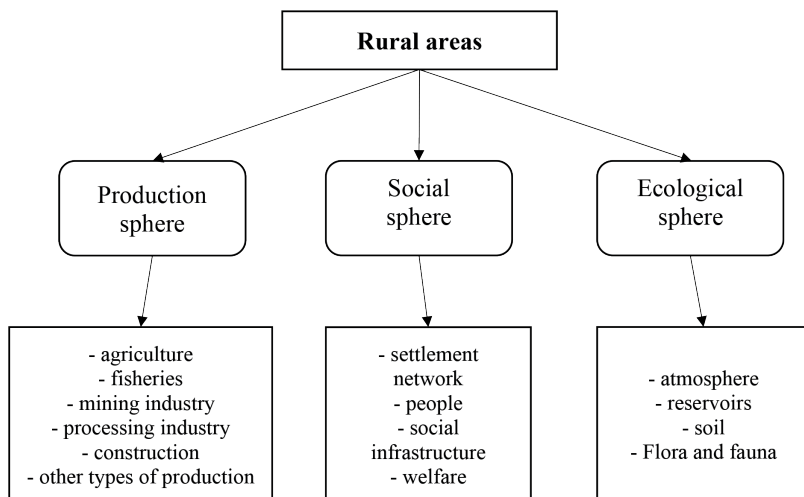


Fig. 3.3.4. Functional structure of rural areas

Source: built by the author based on FAO, 2010

Rural development policy has a number of common objectives with other European Structural and Investment Funds (ESIF) and is funded by the European Agricultural Fund for Rural Development (EAFRD). About 100 billion euros were allocated for the implementation of the program in 2014–2020, and each EU member state received financial allocations for a seven-year period (EU Statistical Factsheet, 2020).

The key programs of union initiatives in the field of rural development are:

♦ INTERREG – European program of interregional and transnational cooperation. The total budget is 4.875 billion euros;

♦ AQUAL – a program aimed at combating discrimination and unequal conditions in the labor market. The total budget is 2.847 billion euros;

♦ LIDER + – a program to support projects that are implemented with the joint participation of rural areas and increase involvement at the local level. The total budget is 2.02 billion euros (EUROPE 2020 Targets, 2020).

Analysis of the volume and structure of funding for EU rural development programs for 2014–2020 shows that the leaders in the number of existing programs in the EU are France (30 programs with a share of funding of 11.5%), Italy (23 programs with a share of funding of 10.5%), Spain (19 programs with a share of funding of 8.4%), Germany (15 programs with a share of funding of 9.5%) (EU Statistical Factsheet, 2020).

In Ukraine, funding for regional development projects is supported by the State Fund for Regional Development (SFRD) and some program initiatives of the state, but the scale of funding is much smaller. In particular, according to the State Fund for Rural Development for 2015–2020, the Cabinet of Ministers of Ukraine approved for implementation in the Kharkiv region 41 projects totaling 4.192 billion UAH (SFRD, 2020).

The development of rural areas of Ukraine is significantly dependent on the socio-economic performance of enterprises operating in the sectors of agriculture, fisheries and forestry. This is a natural connection, because these industries are located in the countryside, automatically becoming a key area of employment of peasants. Despite various demotivating factors, the general unattractiveness of agricultural employment in Ukraine, the industry remains one of the main in the use of labor (Table 3.3.1). During the period 2015–2019, the number of people employed in agriculture, forestry and fisheries in Ukraine was about 3 million people (EUROPE 2020 Targets, 2020).

The relative stability of the number of employees is a confirmation of the stability of development, the results of entrepreneurial management, which took place until recently. In particular, agricultural activity for natural reasons accumulates a relatively stable labor force.

*Table 3.3.1. Dynamics of employment
by main types of economic activity in Ukraine, 2015 – 2019*

	Number of employed population, thousand people					Number of employees, thousand people				
	2015	2016	2017	2018	2019	2015	2016	2017	2018	2019
Total	18073,3	16443,2	16276,9	16156,4	16360,9	6078,0	5778,1	5713,9	5714,6	5808,6
Agriculture, forestry and fisheries	3091,4	2870,6	2866,5	2860,7	2937,6	591,3	569,4	583,4	558,1	540,5

	Number of employed population, thousand people					Number of employees, thousand people				
	2015	2016	2017	2018	2019	2015	2016	2017	2018	2019
Industry	2898,2	2573,9	2494,8	2440,6	2426,0	2363,0	2241,4	2168,4	2142,6	2092,0
Construction	746,4	642,1	644,5	644,3	665,3	276,4	239,2	241,7	251,9	266,1

Source: built by the author based on EUROPE 2020 Targets, 2020

Solving employment problems is one of the important aspects of improving the welfare of the rural population, which is achievable, including by maintaining the socio-economic performance of enterprises. Criteria for achieving the socio-economic performance of agricultural enterprises depend on the overall development of the economy. The social component is not in the first place – business minimizes employment to optimize labor costs, which is manifested at the national and regional levels. At the national and regional levels, the socio-economic effectiveness of entrepreneurship in terms of employment and motivation does not meet the needs of rural development. After all, agricultural producers are primarily concerned about their own business profits, although in recent years the industry has seen a significant increase in wages (Table 3.3.2).

Table 3.3.2. Dynamics of the ratio of the average monthly salary of workers in “rural” industries, 2014 – 2018

	Number of employed population, thousand people				
	2014	2015	2016	2017	2018
Average	3480	4195	5183	7104	8865
Agriculture, forestry and fisheries	2556	3309	4195	6057	7557
Industry	3988	4789	5902	7631	9633
Construction	2860	3551	4731	6251	7845

Source: built by the author based on EUROPE 2020 Targets, 2020

One of the reasons for this is the lack of labor, including skilled labor, due to the depopulation of villages and the outflow of workers to work abroad.

Since the Kharkiv region occupies key positions in Ukraine in terms of the gross harvest of wheat, sunflower and other crops (Program of SED, 2017), when determining the directions of social development of rural areas of the region, it is necessary to take into account the peculiarities of local production and enterprise activities.

Agriculture has two key areas – livestock and crop production. For 2019, the volume index of gross agricultural output in all categories of farms, compared to 2018, is expected at 100.2%. The index of gross output in the crop sector is expected at 100.1%, in the livestock sector – 100.5% (State Statistics Service, 2018). The average monthly salary of one full-time employee in the field of agriculture for January – November 2019 amounted to 7897 UAH, which is 20.9% more than in 2018 (State Statistics Service, 2020). With the growth of the minimum wage from September 1, 2020, an increase in the average monthly wage in agriculture and among the population of rural areas of the region was expected. Thus on the average across the Kharkiv area the salary of regular employees of area for January-September, 2019 makes 8906 UAH (across Ukraine – 10260 UAH), which has increased to the corresponding period of last year by 19,9% (across Ukraine – by 19,2%) (Fig.3.3.5). The index of real wages, in % to the corresponding period of the previous year, for January-September 2019 is 108.3%.

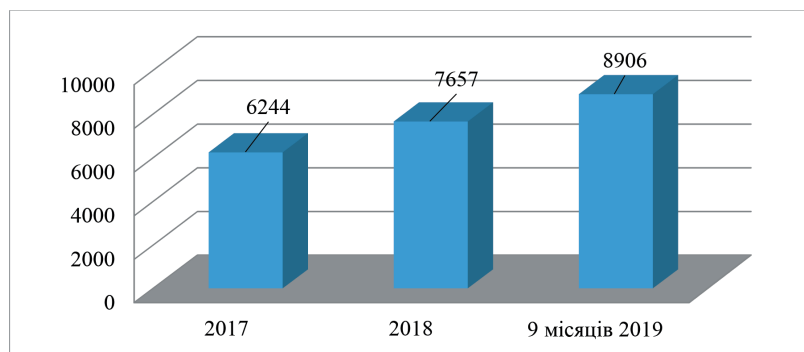


Fig. 3.3.5. Dynamics of the average salary of full-time employees in the Kharkiv region for 2017–2019, UAH
Source: built by the author based on State Statistics Service, 2020

An important aspect of social development is also employment and the labor market in the region.

The unemployment rate in the region among the population aged 15–70 (according to the ILO methodology) decreased from 5.1% in the first half of 2018 to 5.0% in the first half of 2019 and remains lower than in Ukraine as a whole (8.5%) (State Statistics Service, 2020).

The average number of full-time employees in January-August 2019 was 549.0 thousand people, which is 12.5 thousand people less than in the corresponding period of the previous year. The number of employees in wholesale trade (by 3.6 thousand people), public administration (by 3.2 thousand people), health care (by 3.1 thousand people), education (by 2.5 thousand) decreased the most. persons). Conversely, the number of people employed in industry (by 2.6 thousand people), financial activities (by 0.9 thousand people), agriculture (by 0.8 thousand people) increased (Prospects of social and economic development for Ukraine, 2020). That is, in recent years the attractiveness of the agricultural sector for workers has increased. This can be attributed to a slight increase in wages and a gradual improvement in technological working conditions in the agricultural sector.

The health sector is an important component of the social sphere and has a significant impact on the overall assessment of the social development of the territory. In recent years, Ukraine has undergone processes of modernization of health care, which have quite mixed results, but are aimed at improving the quality and accessibility of medical care to every resident of the region (including rural residents).

The medical network of the region unites 1173 institutions and subjects of health care management (State Statistics Service of Kharkiv Region, 2021). The work of the industry is provided by almost 10.0 thousand doctors and 18.0 thousand junior specialists with medical education. The staffing rate of these specialists in public health facilities is 80.3% and 84.5%, respectively.

The next component of social development of rural areas of the region is education. Rural education is usually debatable, as most villages and settlements have direct access only to pre-school and secondary education. At the same time, in the Kharkiv region, several higher education institutions have divisions located outside the city of Kharkiv.

Considering the situation in the field of education in the Kharkiv region, we note that as of early 2019 in the region there were 746 preschools of all types and forms of ownership (State Statistics Service of Kharkiv Region, 2021), of which 207 – are part of general secondary education,

including 8 regional subordination. More than half of these institutions are rural. At the beginning of 2018, more than 79.9 thousand children aged 1 to 6 attended preschool education.

Regarding general secondary education, there are 51 basic institutions of general secondary education with 58 branches in the region (in the 2018/2019 academic year – 44 basic institutions of general secondary education with 52 branches).

Residents of rural areas of Kharkiv region also have access to higher education, as Kharkiv region is one of the most powerful educational centers in Ukraine with a significant number of free educational institutions (institutions of higher education).

Regarding the cultural component of social development of rural areas of Kharkiv region, there are 2162 cultural institutions of all systems and departments in the region, of which 1177 – in rural areas. These are libraries, clubs, museums, theaters, etc. (Haponenko, 2018).

Thus, in the Kharkiv region there is active work to ensure stable social development of rural areas, although there are certain “bottlenecks” and “gaps” in the development of certain components (unstable demographic situation, infrastructure problems, the need for technical re-equipment and decent wages for rural workers farms).

Conclusions

Thus, we can conclude that the assessment of the situation in the social development of rural areas is an important component of the development of the state as a whole. The development of rural areas in the economically developed countries of the world in the period from 2007 to 2019 was influenced by several key factors: transformation processes in connection with the transition to a post-industrial type of economic system; intensification of globalization processes; growing demand for environmentally friendly agricultural products; increasing the share of employees as freelancers; growing global demand for agricultural products. One of the main trends that influenced the development of rural areas in economically developed countries was the active diversification of economic activity, which took place within the development of the world economy and changes in its structure during the study period.

The analysis of the components of social development of Kharkiv region showed that the high level of urbanization of the region and the gradual reduction of the rural population over the decades have

a negative impact on the development of rural areas of the region. The analysis of statistical information revealed a set of demographic problems, insufficient wages, declining employment, problems with access to educational and health care facilities, etc. Moreover, although the availability of developed social infrastructure in the regional center partially compensates for the limitations of rural areas, but the issue of ensuring their sustainable social development and the formation of social infrastructure remains relevant in the future.

Positive for rural areas of countries with developed economic systems are bilateral migration processes, when against the background of migration of rural youth to cities in the opposite direction is the migration of older people with stable financial status. Factors that cause migration of the population to rural areas are: getting a job by specialists within the framework of rural development (managers, educators, health care workers, etc.); increasing the share of the self-employed, including freelancers who migrate to rural areas, mainly near large cities; improving infrastructure, especially transport and information; promoting a healthy lifestyle; lower real estate value compared to cities. At the same time, it should be noted that, despite the existence of bilateral migration processes, the share of the rural population in economically developed countries is declining.

To sum up, in conditions of socio-economic instability and constant change, one of the most effective approaches to ensuring sustainable social development of rural areas is the stakeholder approach. It ensures that the interests of the majority of stakeholders are taken into account and involves them in building a successful future for the territory.

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AFTERWORD

Modern conditions for the development of globalization processes and strengthening trends in territorial development make it necessary to improve existing management models. The world's scientific and practical achievements and experience of developed countries demonstrate a wide variety of approaches, models and tools for ensuring sustainable socio-economic development of territories. At the same time, in conditions of uncertainty in both global and national economies, management approaches based on the theory of stakeholders are becoming the most widespread and widely used, which provides for managing the development of territories based on effective interaction of various actors.

The introduction of the concept of inclusive development both at the national and territorial levels, and at the level of individual economic agents is accompanied by the elimination of barriers to managing the interaction of stakeholders in ensuring sustainable development of territories, strengthening public-private partnership, strengthening social infrastructure, benefits from the interaction of all sectors of the economy and society, increasing the synergy of using the potential of interested business structures, increasing competitiveness, activating the business environment, development of Corporate Social Responsibility programs.

Human-centered stakeholder approaches to managing territorial development involve effective interaction of each member of society. The development of territories is closely linked to stakeholder capital, which is provided by human resources, their intellectual and innovative components, and active interaction in ensuring territorial development.

Decentralization reforms in Ukraine are aimed at attracting the financial and economic resources of all subjects, as stakeholders in the development of territories, to ensure a balanced growth of territorial systems.

The authors of the monograph enthusiastically worked out a wide range of aspects of managing the interaction of stakeholders in ensuring sustainable development of territories, summarized approaches, practices, tools and effects of interaction of stakeholders, understanding that economic science and practice is at the beginning of a long path of reforms and the formation of not only an optimistic vision, but also the trajectory of a successful future of Ukraine.

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