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LOCAL ECONOMIC DEVELOPMENT: ITS POTENTIAL AND QUALITY IN THE CONTEXT OF GLOBALIZATION

Abstract: This article is devoted to studying the impact of globalization of local economic development quality of regions. The study is based on the example of Ukraine, which in 2014 has implemented decentralization reform and become a follower of globalization basic concept, based on subsidiarity and decentralized financial regional development. The study's main purpose is to identify the positive and negative aspects of the development of local self-regulation in the process of global transformation in Ukraine. To this end, a study was conducted based on the latest published statistics on regional production, population, average income, international trade, and foreign direct investment. As a result, it allowed identifying the main areas that form the potential for economic development based on foreign direct investment activity. It should be noted that the main aspect of regional development quality is financing, so an analysis of the entrepreneurial activity of the regions, an analysis of the funding for the regional development support fund, and the main areas of financing by international funds was conducted. The main problems of quality of economic development related to globalization were also identified, which relate to the uncontrolled activities of Transnational corporations, which reduces the resource potential of Ukraine and reduces the level of economic security.

Keywords: Globalization; Local Economic Development; Quality of Economic Development; Transnational Corporations (TNCs); Decentralization.

1. Introduction

The processes of globalization of the world economy form new patterns and change the field of responsibility for quality of local economic development. Despite the fact that common efforts should solve many problems of society in the conditions of globalization, the economic development of certain regions depends entirely on the activity of their inhabitants. In particular, after six years of decentralization reforms, people in Ukraine already understand that their level of income

and financial well-being does not depend directly on the state, the government, the president, or international funds, but rather on their activities. Therefore, completion of decentralization processes will put the responsibility for regional development on their leaders, who must do everything possible to make the public not an object but a subject of governance.

In the conditions of globalization and democratic changes in Ukraine after 2014, which also touched the decentralization of state power structures, economy, and

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integration processes in the European Union (EU) became a real challenge for practical activities. Despite the elaboration of normative-legal bases of economic development of regions, implementation of the program is a great challenge because of the local government inefficiency, which through their inertia does not contribute to the entrepreneurship development, despite the great potential of almost every region of Ukraine. Despite the general negative trend in the economic development of regions, however, some territorial societies were able to activate their potential through the use of internal resources and global financial support.

Thus, the article's primary goal is to reveal the potential and quality of local economic development, considering the benefits of globalization processes.

2. Literature overview

The issue of local economic development in the context of globalization is quite studied in the literature. In particular, Medeiros (2020) studied the impact of globalization factors on regions' planning and economic development. Jovanova K. (2017) examines the issue of local economic growth using the example of the state of Ohio, which attracts investment from around the world through the formation of economic development networks. Although for progressive states, regions, and cities, the issues of decentralized management are beneficial, in many countries, such distribution of state finances is not always effective. Such a situation we can see in Albania (Toska & Bejko, 2020), Poland (Onyshko, 2017), and Ukraine (Mozhaikina & Egorova, 2013; Bobrovnyk, 2019), among others. Corona (2021), in her study, questions the positive effect of globalization on local economic development. The author studied the impact of transnational organizations on the formation of economies in Switzerland and Mexico, where local entrepreneurs, through the rapid growth of international trade, suffer

from challenging competition and the inability to market their goods.

Analysis of the local economic development theory allows us to conclude that this concept is perceived differently depending on the role of the researcher in society. The complexity of an unambiguous definition of this concept is also due to the different goals set by the actors interested in developing territories. In particular, according to WorldBank (2006), local economic development is the common work of the local population to achieve economic growth, which will bring economic benefits and improve the lives of all members of a given community. In turn, as defined by Professor Iannone D. (2006) of Cleveland State University, local economic development is the activity of local governments, entrepreneurs, and other stakeholders to maximize financial resources, increase well-being, employment opportunities, and improve the quality of life of citizens. At the same time, the local authorities are responsible for shaping a favorable economic environment that promotes economic development. Such territorial societies can interact with other regions on a competitive basis, competing for investors and attracting foreign direct investments. The presence of international competitors in the market makes it possible to lower prices for products, improve their quality and level of service. As a result, it allows increasing tax inflows to the local budget. As a result, increased tax collections improve the region's infrastructure and employment levels, which will even better impact local economic development.

Although many researchers shift the responsibility for local economic development to local authorities, other researchers believe that the public is the main driving force of territorial development. Analyzing the nature of public participation in 22 countries, Kenneth and Heiko (2008) note that this form of activity, human happiness, democracy, and economic well-being is a crucial condition and component of the life world of modern man. Therefore,

there has been a growing interest in public participation among both researchers and practitioners in recent years.

Despite the fact that globalization processes and territorial development are themselves contradictory factors, the modern foundations of globalization are built on the one hand on decentralization, and on the other hand, on subsidiarity. Unfortunately, the interrelations of these foundations of local economic development are not sufficiently studied in Ukraine.

3. Research methodology

This study is conducted on the example of Ukraine, which in 2014 began the reform of decentralization. Empirical research is carried out based on statistical data of the National Bank of Ukraine and the State Statistics Service, which allowed the creation of the key regional development indicators for 2019 by region.

The methods of grouping and analysis allow getting the level of regional production and foreign economic activity by region. The average indicators of regional development and leaders of economic activity are determined. Using the methods of induction and deduction, the main positive and negative factors of global influence on the level of economic development of regions are identified. This allowed forming a number of recommendations on the regional development of Ukraine.

4. Results

As mentioned above, the fundamental values of globalization processes are subsidiarity and decentralization. The importance of subsidiarity is seen as a prerequisite for a political order based on government freedom. According to this principle, the state guarantees citizens freedom and independence, local and regional self-government. In the institutional context, the principle of subsidiarity reflects that the

international community or the state can have only those powers that cannot be independently solved within a family, company, city, or region. In the context of the EU, subsidiarity implies that functions that representatives by vested authority cannot fulfill on their own must be delegated to a higher level. At the same time, any transfer of powers should be done with respect for the national identity and powers of the regions (Onyshko, 2017).

In turn, the essence of decentralization is the performance of local public administration by a special body, which citizens elect in a form and structure determined by the majority. Such voluntary institutions of civil society acting along with the state are called the “third sector” and constitute the so-called “third pillar” of the socio-political system along with state power and economic institutions (Halásková & Halásková, 2014)

The territorial structure of Ukraine has changed significantly since 2014 after the start of decentralization reforms. Modern local self-governance in Ukrainian cities considers the desire of local communities to manage their affairs and the needs of state power, which has become an integral part of independent local economic development (Izdebski, 2006).

At the beginning of the XXI century, globalization along with European integration and decentralization introduced significant changes in the formation of the political environment and local government, namely carried out:

- expansion of the boundaries of public activity, which is based on competition rather than ensuring the proportionality of the distribution of resources;
- increasing local and regional development more in economic or financial directions and less in social, cultural and political directions (Halásková & Halásková, 2014)

- different interpretations of the concepts of “citizenship” and “democracy,” given the different levels of financial well-being and political vision;
- dominance of economic processes over politics, local governments no longer control most economical processes.

An essential element of globalization is the interception of state and global power by territorial on the one hand, and on the other hand, the increasing influence of international organizations, transnational companies with significant impact on regional development. Regularities, values, and norms related to specific economic interests of Western states play a decisive role. At the same time, these economic interests go against the support and development of national traditions and culture. For example, through the role of the United States in the modern world economy, globalization in the cultural dimension often takes the form of “Americanization” or even “McDonaldization” (Ritzer, 1997). On the one hand, globalization affects the diversity of competitiveness of individual territories and their communities. It contributes to their development and takes a stance expressed in the desire of communities to achieve a high degree of self-determination. Such processes often activate local and regional communities, which seek to displace international cultural expansion, and at the same time to recover and preserve their cultural roots, history, traditions, and interests, not marginal values.

It can be concluded that globalization is a process full of paradoxes, which is seen in the context of localization and regional development.

The global economic development goals defined by the UN 2030 Agenda concretize the conceptual framework of economic development of territories by defining qualitative approaches to territorial integration, the development of cities and communities, and their role in connecting

communities (OECD Publishing, 2016). In addition, recognizing the multifactorial nature of the modern concept of “quality of life,” the latest interpretation entails economic growth, industrialization, innovation, entrepreneurship, justice, human rights, and public-private partnerships. Participants in large-scale consultations conducted by the UN concluded that the achievement of all economic and social goals requires action at the local level. An extremely important part of the economic development framework to 2030 is to take into account the growing effectiveness of entrepreneurs as key actors in economic development. The Rio de Janeiro Conference resolution “Future We Want” (2012) states that opportunities for people to influence their own lives and future, participate in decision-making, and express their thoughts are fundamental to economic development.

Thus, we can summarize the theoretical aspects of globalization's impact on local economic development and make a comparative table 1.

Globalization processes are accompanied by the development of industry towards the use of intangible resources and innovative technologies. As a result, the center of gravity of community development planning is gradually shifting towards sustainability, long-term strategic vision, partnership, flexible planning order, and comprehensive business development programs. The key characteristics of local economic strategy formation in the context of globalization become technological innovation, modernization of jobs, labour content of workers, the emergence of internal local economic driving forces based on competition, local factor conditions, information, creativity, and knowledge. In this context, strategic planning is directed toward the financial goals of the city or region based on the objective possibilities that exist for a given local area. Thus, preconditions for stimulating innovative development of local entrepreneurs, who plan to do business in their market, are created.

Table 1. Comparison of globalization standards in economic development with industrial ones

Standards of industrial economy	Standards of regional economy in the context of globalization
The key factor in starting a business is cheap labour and material resources	The key factor in starting a business is innovation and new knowledge
Formation of the market by various types of business without the use of new technologies and highly qualified personnel	Presence on the market of high-tech companies and qualified staff
Natural and physical resources are the main competitive advantage	Intellectual and intangible resources make up a significant part of capital
Business development based on government plans	Business development based on partnership
The presence of conflict between different sectors of society	Establishing cooperation to achieve a synergistic effect

Source: author's development

At the same time, municipal authorities must also create favourable conditions for local economic development by developing institutional structures and authorities, improving the economic situation and

opportunities, developing social capital and stability of the ecological state of the region. The main components of local economic development are shown in Figure 1.

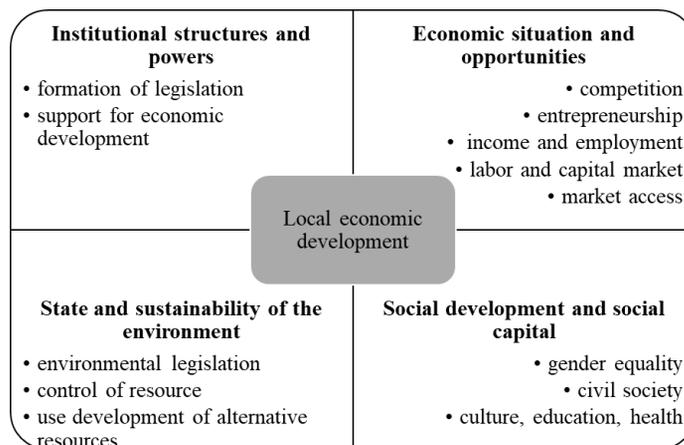


Figure 1. Components of a favorable environment for local economic development and its quality

Source: author's development

Today, for many developing countries, the issue of economic development directly depends on the attraction of financial resources. The financing of business and economy is the main problem also for Ukraine. Today, our state's financial system is built on bank lending, which cannot support the economic development of regions by providing affordable loans. Many developed

countries have grants, taxes, capital, loans, non-cash contributions, sponsorship, and volunteer work as accepted forms of financing of regional development.

In Ukraine, on the other hand, the following methods of financing are available in theory:

- industrial development bonds;
- financing through an increase in the tax base;

- industrial zones for enterprises;
- direct/subsidized loans;
- construction concessions;
- tax benefits;
- subsidies for public utilities.

The typology of financial support depends on the legal environment that allows the

application of one or another means of financing. In globalization, the primary means of financing regions is international trade, which Ukrainian enterprises carry out.

Let's consider the main indicators of the regional structure of production and international trade of Ukraine as of 2019.

Table 2. Regional production and international trade of Ukraine in 2019

Region	GRP, mln USD	Export, mln USD	Import, mln USD
Kiev city	40234,4	12491,4	25690,3
Dnipropetrovsk	16550,2	7907,2	5522,2
Kharkiv	10494,4	1415,1	1745,8
Kiev	9268,5	1948,4	4112,3
Lviv	9087,0	2202,1	3087,7
Donetsk	8688,4	4631,6	2224,4
Odessa	8356,3	1384,1	1881,1
Poltava	7939,9	2102,4	1360,2
Zaporizhzhya	6577,8	3080,6	1529,8
Vinnitsa	5473,0	1455,3	631,6
Cherkassy	4386,2	863,5	477,4
Mykolayiv	3917,8	2152,5	988,5
Ivano-Frankivsk	3673,8	911,4	831,8
Zhitomir	3614,2	719,0	568,6
Khmelnitsky	3518,4	642,3	564,0
Chernihiv	3305,1	807,3	419,4
Sumy	3214,2	883,4	656,5
Lutsk	3205,9	694,0	1455,9
Kirovograd	3097,2	707,0	250,1
Rivne	2855,0	440,2	382,6
Kherson	2625,2	268,1	407,1
Uzhgorod	2598,9	1490,0	1471,2
Ternopil	2421,7	434,3	450,1
Chernivetsi	1765,3	213,8	208,6
Lugansk	1707,6	152,9	253,0
Middle regional value	6743,1	1999,9	2286,8

Source: compiled by the author based on the reports of the National Bank of Ukraine, 2020

This table shows the rating of regions of Ukraine by regional domestic product. It should be noted that Kyiv, Dnipropetrovsk, Kharkiv, Kyiv, Lviv, Donetsk, and Odesa regions are particularly economically active. Although in international activity, the leaders are Kyiv, Dnepropetrovsk, Donetsk, and Zaporizhzhya regions. On average, the volume of imports slightly exceeds the volume of exports.

The Ukrainian authorities constantly carry out various measures to stimulate exports

from all regions. For this purpose, favorable conditions for export activities are created based on the preparation of regulatory and legal support and the establishment of investment support. Nowadays, one of the main export problems in Ukraine is the issue of technology and intellectual property transfer. Therefore, the government has created and improved normative documents that regulate the issues of intellectual property, copyright, and related rights, legal protection of intellectual property, and

protection of inventors.

Since 2017, Ukraine has been able to improve its institutional capacity by creating an office for export promotion. Today, this office plays a central role in shaping regional export potential.

Thus, while analyzing the total volume of regional exports, it is necessary to assess the increased importance of Ukraine in global value chains. It is explained by two factors: the resource and labor potential of the country. Ukraine has a lower labor cost than other countries, which allows attracting foreign investors in the formation of new businesses aimed at international activities. Also, additional investments attracted in the automotive industry would enable increasing the level of employment of the regional population. Furthermore, special attention should be paid to increasing the volume of exports through developing the sphere of telecommunications and intelligent computer technologies.

But despite constant activities on the part of the state and international organizations, it is necessary to continue improving competition protection policy and work on increasing the financial interaction mechanism efficiency. Furthermore, it is essential to strengthening the innovative production component, which can be achieved through the activation of

technology transfer. It is crucial that the production of new technologies occurs within the state at the level of institutions and research organizations and not through the transfer of ready-made technological solutions from the production facilities of other countries (OECD, 2020).

In numerous contemporary studies, it is thought that increased participation of regions in international economic processes promotes increased investment in the development of their economies and positively impacts the overall socio-economic development of regions. Thus, it would be fair to expect impulses of social development in the regions where the most significant dynamic of international activity of regions is observed. Thus, the Dnepropetrovsk region, Donetsk, Zaporizhzhya, Lviv, Mykolaiv, and Poltava regions have the most significant potential today. However, this view may be wrong precisely because of the failure to consider that the modern dynamics of world economic relations are determined not so much by exports of products as foreign direct investment. So, if we assume that income growth per capita is an indicator that correlates with parameters of international activity of regions, we can trace regional dynamics of such changes (Table 3).

Table 3. Ukrainian Regions Rating based on Dynamics of Personal Income and Foreign Direct Investments

Region	Monthly income per inhabitant, thousand USD	Monthly income per inhabitant, thousand USD
Kiev city	7,6	6,53
Dnipropetrovsk	3,9	1,21
Kharkiv	3,5	0,55
Kiev	3,4	0,54
Lviv	3,4	0,92
Donetsk	3,3	0,85
Odessa	3,1	0,29
Poltava	3,0	0,45
Zaporizhzhya	3,0	0,19
Vinnitsa	3,0	0,15
Cherkassy	2,9	0,28

Region	Monthly income per inhabitant, thousand USD	Monthly income per inhabitant, thousand USD
Mykolayiv	2,8	0,21
Ivano-Frankivsk	2,8	0,45
Zhitomir	2,7	0,16
Khmelnitsky	2,7	0,30
Chernihiv	2,7	0,08
Sumy	2,7	0,24
Lutsk	2,6	0,53
Kirovograd	2,5	0,12
Rivne	2,4	0,30
Kherson	2,4	0,05
Uzhgorod	2,3	0,06
Ternopil	2,2	0,29
Chernivetsi	1,8	0,34
Lugansk	1,1	0,21
Middle regional value	2,9	0,6

Source: compiled by the author based on the reports of the State Statistics Service of Ukraine, 2020

The table shows that Kyiv, Dnipropetrovsk, Lviv, Donetsk, and Kyiv have the most significant economic potential. In general, the regions of Ukraine are characterized by the fact that foreign companies form their own foreign trade flows, mainly imports.

Another source of financing local economic development is the State Regional Development Fund. The State Fund of Regional Development is one of the main instruments of the state, which embodies the vision of predictable and sustainable economic and social development of regions. As of 2021, 4.5 million UAH from the state budget is supposed to support regions. However, it should be noted that this figure was only 50% of the one stipulated by the Budget Code (Government portal, 2021).. Accordingly, it can be argued that this form of financing of the regions has only a supportive function but not a developmental one.

Another source of funding is international funds, which contribute to local economic development. Today, no country can overcome global problems on its own, so partnership, cooperation, and cohesion in

overcoming global challenges play a decisive role in achieving the goals of economic development, relying on national, regional, and local strategies for sustainable development. High-income countries are obliged by the 2030 Agenda to support other countries in overcoming global and local challenges.

The main global objective of such organizations is to ensure that developed countries fully meet their official development assistance commitments to local economic development. It includes the duties made by many developed countries to achieve the target of 0.7% of their gross national income (GNI) for developing countries and 0.15-0.20% of their GNI for the least developed countries.

Today a large number of projects aimed at supporting regional development are available for Ukraine. Different international organizations initiate these projects to solve the local population's problems and increase economic activity. Let's consider some of the programs that are available for residents and businesses in Ukraine in 2021 (Table 4).

Table 4. Overview of the main current international programs of local economic development

Funding initiator organization	Program Description
UN	The UN program provides countries with access to knowledge and resources to create better living standards and address global and national challenges in human development. The main areas of funding include: Support for projects to develop democratic values in the regions. Development of energy and environmental projects. Solving problems related to poverty. https://ukraine.un.org/en/sdgs/10/funding
EU	European Union's program with financial and technical support for regional development offers today more than 250 projects which are implemented in various fields of activity. These projects are available for all regions and cities of Ukraine. The primary purpose of financing is infrastructure development and improvement of nuclear safety. Funding for projects in Ukraine is provided in the form of grants. https://ec.europa.eu/commission/presscorner/detail/en/IP_14_413
SDC	The program of the Swiss Cooperation Office with the countries of Eastern Europe is based on the implementation of democratic values in society. Main activities are: Supporting social, legal, and economic reforms. Organizing education for young people and the unemployed. Improving basic infrastructure, in particular health care and rural development. https://www.eda.admin.ch/deza/en/home/countries/ukraine.html
GIZ	Deutsche Gesellschaft fuer Internationale Zusammenarbeit (German Society for International Cooperation) aims at regional economic development in Ukraine and primarily provides funding for problems connected with unemployment. https://www.giz.de/en/worldwide/32413.html
SIDA	The Swedish International Development Cooperation Agency (SIDA) funds environmental protection and education for the economic development of the regions. https://www.sida.se/en/sidas-international-work/ukraine
CIDA	The Council of Europe offers today a program to strengthen local democracy and support local government reforms in Ukraine and strengthen the institutional framework of the formation of local government. http://www.cidafund.co.za/
CUSAID	The Canadian International Development Agency (CIDA) is developing the regions according to their problems using special events aimed at development and humanitarian aid. https://www.usaid.gov/uk/ukraine

The Paris Declaration of 2005 establishes five main principles for the provision of official aid:

- developing countries design their development strategies, improve their institutions, and resist corruption;
- donor countries help other countries in line with these strategies;
- donor countries coordinate their actions, simplify their procedures, and exchange information;
- developing countries and donors

focus on production and on identifying results;

- donors and developing country partners assess overall development results.

Donor programs are structured according to regional economic development goals, creating global motivation of financing, stimulating governments, local authorities, and businesses to develop according to the demands of the global market, taking into account the prospects of its development. Ukraine is a recipient of such financial

assistance, as it belongs to the group of countries with lower than average incomes.

5. Discussion

Despite the fact that today's global processes for many countries have a beneficial impact on economic development and its quality, many researchers see in this impact threats (Shevchenko et al., 2020). In particular, the most threatening is TNCs standards of social behaviour and the environmental consequences of the activities of such companies on the territory of Ukraine. In particular, given the weighty resource potential of Ukraine, many TNCs use it, degrading the environment and impoverishing the reserve of natural resources of Ukraine.

The presence of such threats requires a structural reorganization of national and regional management, which is impossible without an acceptable level of economic security at the regional level (Melnik et al., 2009). Ukraine does not yet have a clear direction of state development, slows down the process of economic integration, allows to fight effectively the negative, and uses the positive effects of globalization.

The interaction of regional economies with the global economic environment, the formation of which is caused by globalization, currently has no levers of regulation. First of all, it can be explained by the fact that today there is no scientific substantiation of the problem. Hence, there is no theoretical and methodological substantiation of the globalization of regional economies (Tretyak & Gordienko, 2011).

The most rational is to predict and prevent economic security threats rather than analyse their negative consequences. Ensuring an

acceptable level of economic security at the regional level today is impossible without implementing a structural reorganization of regional management. Some of the most important general factors in this context are: reforming the tax system, improving the region's investment climate, ensuring effective protection of property rights, improving regulatory and corporate legislation, developing financial and stock markets, and limiting monopolism among international companies (Vasilchenko et al., 2015).

6. Conclusion

Thus, the article identifies the potential for the economic development and its quality of some regions based on the analysis of regional business activity and the inflow of foreign direct investment per capita in the region. As a result, we can conclude that the most significant potential will have those regions that can contribute to business development. It is necessary to create a favorable environment formed by the relevant work of institutions, effective management of natural resources, and social and economic development. Despite the fact that globalization presupposes the principle of subsidiarity, ie, the possibility of solving the problem at the highest level when it is impossible to solve it on a territorial basis, in fact, the economic development of the region can occur only through the development of social activity and entrepreneurship. At the same time, given the strong influence of multinational companies that create cheaper and better products, new productions should be based on innovation, creativity, and a unique approach.

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