

# Conceptualizing Functional Distribution of Authority to Regulation Social, Ecological, and Economic Development of Micro-Regions

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**Abstract:** Objective necessity to conceptualize functional distribution of authority to regulation social, ecological, and economic development of micro-regions has been substantiated to provide efficiency of their policy regulation as well as effective regulating functions. The content of principles to be a basis to regulation social, ecological, and economic development of micro-regions has been shown and developed. Functional and target structure of mechanism to regulation social, ecological, and economic development of micro-region has been proposed. A role of each regulation subsystem has been identified; its purpose and functions have been determined; components and regulation tools have been listed.

## Introduction

Regional development is under constant effect of environmental factors (i.e. legal, political, institutional, economic, ecological, technological etc.) stipulating origination of like risks which comprehensive effect is seen disproportions (contradictions) of indices characterizing social, economic, and ecological development of regions. First of all, solution of problems connected with liquidation of disproportionality, ebbing and avoiding of above factors effect on regional development means government intervention through management and regulation. It is conceptualization of functional distribution of authorities concerning regulation of social, ecological, and economic development of regions and micro-regions which identifying current problems will be able to substantiate the importance of multilevel management and regulation on the part of the government, to systemize functions at different management levels, and open the door to implementation of the functions by micro-regions to solve conceivable problems.

## Analysis of recent researches

Theoretical and methodological foundations of the research have been formed by works of national and world scientists.

Problems of divisions of functions and authorities among governmental bodies have been covered by such national scientists as V. Averianov, V. Kniaziev, V. Luhovy and others. For example, approach by V. Averianov [1] concerning relations between state management and local government notes the importance of the following: constitutional assurance of local government, its independence and autonomy “to solve local problems within the limits of Constitution and Laws of Ukraine” (Article 140 of Constitution of Ukraine); implementation of management activity on the part of local management entities in the service of a state through realization of authorities delegated by it (i. 3 of Article 143 of Constitution of Ukraine); possibility of controlling activity by the state as well as its regulation bodies in the context of local government [2].

H. Atamanchuk, V. Bakumenko, and N. Nyzhnyk suggest the necessity to form methodological foundations to analyze state and managerial relations. Thus, V. Bakumenko believes that “systematic approach makes it possible to identify a strategy of a research; it can involve structural and functional, system and functioning, system and genetical and other approaches” [3].

Papers by V. Vorotin, Ya. Zhalilo [4], M. Koretsky, S. Mocherny and others concern processes of management and regulation on the part of the state. S. Mocherny considers that regulation is both means and mechanism of subordination of something to certain organization of actions or management function providing activity and progress of events and processes within the given parameters [5]. M. Koretsky determines mechanism of the state supervision of economy as a system of means, regulations, techniques, and stimuli by means of each government can regulation economic processes providing implementation of social and economic functions [6].

At the same time, integral, logically relevant, and hierarchic idea of functions concerning regulation of social, ecological, and economic development of micro-regions is hardly available in scientific sources.

### **Separation of a part of shared problem unsolved earlier**

From the viewpoint of multiplicity of scientific approaches depended upon functional load of state and regions (especially micro-regions) as for the regulation of social, ecological, and economic development it is required to intensify research in the context of formation of conceptual foundations of functional distribution of authorities in terms of such regulation. Their implementation will step up the development; intensify both activity and creativity of territorial communities while solving local problems.

The paper objective is to form conceptual approaches of functional distribution of authorities to regulation social, ecological, and economic development of micro-regions.

### **Statement of basic material**

Socially oriented market-type economy means intensification of role of regions which multisided development involves arrangement of essential environment for life of local territorial communities. Research interprets "region" idea in different ways. From the viewpoint of territorial approach following conceptual ideas of "region" are differentiated: mega-, meso-, meta-, macro-, micro-, and mini-regions. Local administrative-territorial entities in Ukraine having no own powerful potential for their development need more influential center; today they are forming specific social, ecological, and economic systems. We believe that they should be considered as micro-regions. Precisely such a functional society offers more possibilities for each of its members through reaching cumulative or/and synergic effect owing to common accumulation of all types of resources.

Both positioning and considering of local administrative and territorial entities (ATEs) of Ukraine as micro-regions, substantiating the importance of social, ecological, and economic policy regionalization as well as purposeful behaviour by entities to be regulated involve implementation of theoretically substantiated approaches to develop basic conceptual papers where it is expedient to perform vectorization of functional distribution of authorities to regulation social, ecological, and economic development in the context of national, regional, and local levels.

Local ATEs can be considered as basic economic regions with well-defined borders (the features are lost in the context of further separation); they are relatively integral renewable social, ecological, and economic systems with their own economy and geography, labour resources and finance, environmental assets. As a rule, they are currently characterized by very poor development level. That very time local ATEs being administratively defined and closed renewable systems having resources to improve their situation and implement adequate measures should be considered as a source of territorial structuring of social, ecological, and economic activities; specifically as micro-regions (local social, ecological, and economic subsystems).

Action plan of social, ecological, and economic character is formed in each ATE. Region having significant resources is basic; within it the action plan is implemented. Regional subsystems of lower level (district, town, urban-type settlement, and village) are restricted in resources and possibilities to implement social, ecological, and economic events. National social, ecological, and economic policy should provide state priority obtaining and form conditions to meet local

requirements with the help of regions and micro-regions themselves. In this context legislative consolidation of rights, authorities and responsibility between different branches of government as well as distribution of functions between different hierarchic levels play important part. Either lack of imperfection of legislative consolidation of authorities between legislative, executive, and jurisdictional branches potentiates conflicts among them. As a result it weakens efficiency of social, economic, and ecological policies. The above is statement of the fact that social, economic, and ecological policy at macro-, meso-, and micro-levels is impossible under the conditions of legislative vacuum. That intensifies the importance to conceptualize functional distribution of authorities to regulation social, ecological, and economic development of micro-regions which should involve:

- determination of strategic targets and lines as well as improvement of activities of all entities for which such development and regulation are provided;
- formation of vectors and mechanisms to provide economic, social, and ecological development by entities of regulation effect at different levels;
- goal-directed activities by non-government organizations; institutions of market infrastructure; society; physical persons and volunteers.

Features of the implemented state policy to regulation development of regions are mirrored in predictions, prognosis, concepts, and programs of economic and social development of Ukraine, its certain regions, special programs of economic, scientific and technological, and social progress. As analysis of available legal and program documents has explained current practice involves illogical multivectorness to regulation social, ecological, and economic development of regions which complicates supporting of their balanced and integrated regulation. Thus, regional policy concerning regional development support should be integral part of national policy as it can reconcile the interests of state, regions, economic entities and consumers as well as various community groups and social classes. It would be very expedient to base policy to regulation development of regions (micro-regions) in Ukraine on the Concept regulation social, ecological, and economic development of micro-regions.

The Concept of functional distribution of authorities to regulation social, ecological, and economic development of micro-regions is concerned as one of the most important strategic documents required to reach such types of development through regulation effect of all entities taking part in it (state bodies of different levels, institutions of market infrastructure, society). It should mirror target and tasks to regulation development of micro-regions, means to reach it, and functional load on entities.

Such a Concept will cover theoretical principles explaining essence of social, ecological, and economic development of micro-regions as well as their regulation at different levels in the context of available historical and political-legal environment through theoretically substantiated definition of target, tasks, principles, mechanism of such regulation, and development of a system to provide that.

We suppose that structurally the Concept of functional distribution of authorities to regulation social, ecological, and economic development of micro-regions should be represented as follows:

Chapter 1. Prerequisites stipulating the necessity to provide social, ecological, and economic development of micro-regions and regulation them as well as the importance to redistribute functions between different regulation levels.

Chapter 2. Goal of the Concept of social, ecological, and economic development of micro-regions and their regulation as well as tasks and principles of such regulation.

Chapter 3. Criteria of functional distribution of social, ecological, and economic development of micro-regions regulation between national, regional, and local levels.

Chapter 4. Functional load on regulation entities in terms of social, ecological, and economic development of micro-regions at local level.

Chapter 5. Development of the system to provide the social, ecological, and economic development of micro-regions and their regulation as well as mechanism providing operation of its subsystems.

Weakness of social, ecological, and economic development of micro-regions and inability of regulation effects being a result of the fact that functional targets of concerning operations of regulation effect entities and aims of such development are unlocated; the weakness is deepened due to inconvenience of processes concerning preparation of managerial decisions and their implementation, availability of bureaucratic barriers and lack of clear and substantiated separation of competences between different state and non-state entities of regulation effect, fuzziness of targets and real priorities of social, ecological, and economic development of micro-regions. Such a situation is typical for economic sphere, social sphere (for example, provision of services for elderly people), and ecological sphere (for example, environmental protection). That opens the door to poor performance in the field of regulation of social, ecological, and economic development of micro-regions and improper performance of regulation functions.

Those problems as well as other ones need urgent solution. Moreover, one of the first stages in the process should become revision of functional load and tasks of state institutions as for the regulation of development of micro-regions. Among other things we mean conceptualization.

The Concept of functional distribution of authorities to regulation social, ecological, and economic development of micro-regions as well as tasks and principles of such regulation should be of general, fundamental character.

Its formation should be based upon implementation of theoretically substantiated approach to management and regulation of social, ecological, and economic development of micro-regions at different levels through consideration of specific environment to empower operation of such development components and objective structure for its regulation.

Thus, target of the Concept of functional distribution of authorities to regulation social, ecological, and economic development of micro-regions is their efficient social, ecological, and economic development and regulation through well-adjusted distribution of functions between different levels for maximum use of potential of micro-regions as part of their territory integral and balanced development.

Conceptualization of functional distribution of authorities to regulation social, ecological, and economic development of micro-regions should involve departmental component in terms of approaches; it should be based on the determination of strategic aims and guideposts for social, ecological, and economic development, principal lines and mechanisms of their implementation at different levels.

In this context following principles should become fundamental: balanced, effective, and territorial management; purposefulness; complexity; adequacy; economic, social, and ecological efficiency.

Ideas of well-adjusted management in social, ecological, and economic sphere are: responsibility of government for balanced development; participation of society in the processes of preparation and making managerial decisions to achieve such development; responsibility of governmental bodies as executives of state functions for social, economic, and ecological decisions; ecological and economic loss compensation for damage inflicted to environment, society, and local population.

Principles of effective social, ecological, and economic management are: accountability, transparency, and public easement. Accountability principle is based upon responsibility of officials from governmental authorities for their actions (inactivity) in social, ecological, and economic sphere; it foresees doings and measures in the case of illegal, mistaken, and incompetence activities on the part of managerial structures. Transparency principle means application of mechanisms, techniques, and tools empowering access of society to information data concerning governance access to managerial decisions made in social, economic, and ecological spheres as well as to their results. Public easement principle means common activities of governmental bodies, society, and other stakeholders in the process of formation and implementation of social, ecological, and economic policy.

Principles of territorial management in terms of social, ecological, and economic sphere are: subsidiarity, decentralization, partnership, and programming.

Subsidiarity principle is: governmental bodies of higher level solve only those regional and local problems which cannot be solved independently by lower-level managers due to lack of authorities or resources. That very time, subsidiarity principle not only concerns “distribution of power”; it also acts on social, economic, ecological, and other spheres of social life creating prerequisites for normal life of society.

Decentralization as a principle of territorial management is in: redistribution of authorities between national and regional levels; tightened responsibility of micro-regions and settlements for solving local problems and making decisions; stimulation of local initiatives; creation of motivation environment for practical solution of local social, ecological, and economic problems. The items become more topical in the context of implementation of process to form united territorial communities.

Partnership principle is based upon cooperation between entities regulation different-level social, ecological, and economic spheres within ATEs.

Program and target principle means elaboration of program documents for social, ecological, and economic development of certain territory on the basis of Public Private Partnership.

Research relied upon provisions of the Concept of Administrative Reform in Ukraine [7] and the Concept of National Regional Policy [8] has been performed. It concerned problems of development of local ATEs as objects of regional economy. It has used world practice to apply organizational and functional mechanisms providing implementation of regional development concepts. Thus, it is expedient to consider that functional distribution of authorities to regulation social, ecological, and economic development of micro-regions between national, regional, and local levels depends on a number of objective reasons connected with belonging of business entities and activities of urban-type settlements to different forms of ownership (national, regional, municipal).

Taking into consideration the above, determine belonging of objective structure to be regulationed to entities rather than their belonging to certain form of ownership. That will be the main criterion to distribute regulation functions of development of micro-regions between national, regional, and local levels.

Allocation of certain part of functions to regulation social, ecological, and economic development of micro-regions up to national level should be based on the following:

- legislation should define functions and authorities; it should also adjust operating procedures for governmental authorities to provide such development;
- self-governing authorities should coordinate their activities to regulation development of micro-regions;
- government should take part in solving local problems to provide activities of governmental bodies based upon concept of justice (through respect for civil rights and provision of social services);
- governmental and managerial services should be provided for entities and physical persons;
- as a basis, government should take its regulation over social, economic, and ecological processes involving priority criterion of meeting the requirements of society and population;
- economic, social, and ecological security of the state should be guaranteed and ensured.

Allocation of a part of functions to regulation social, ecological, and economic development of micro-regions up to regional level should be based on the following:

- local authorities should perform executive functions, for example, care of public assets and their rational use;
- government should fulfill obligations to budget. Damage done to the state should be compensated completely;
- natural-resources potential of the territory should be used rationally;
- economic entities should adhere to enforceable standards to manufacture quality product;
- transport services as well as housing and public services should be provided;
- legislation should be implemented in the context of operation of branches of tertiary sector of national economy;

- territorial authorities should be empowered for specific competence to regulation social, ecological, and economic development; among other things those concerning either branch management of functional management within certain territory (for example, financial management etc.);

- local authorities should have full powers following provision of governmental services (for example, licensing of the activities of institutions of health protection, education, tourist industry, administration of e-register of experts working in the field of environmental protection);

- social and ecological programs (including target complex ones) should be implemented;

- local budgets should be managed; the money should be used to solve social, economic, and ecological problems of the region (micro-region);

activities by local authorities, institutions of market infrastructure and public organizations should have information analysis support as for the regulation over social, ecological, and economic development of the region (micro-region);

- regional investment activities should be favourable;

- regional economic, social, and ecological safety should be ensured.

Allocation of certain part of functions to regulation social, ecological, and economic development of micro-regions to local level should be based the following:

- territory which cannot function in a mode of self-development should be stimulated;

- environment for origination and functioning of "growing point" should be formed;

- micro-region should perform certain functions (for example, management of municipal property; approval of program documentation concerning the development; budgeting and control over its execution etc.).

Social, ecological, and economic development of micro-regions is regulationled through corresponding mechanisms. In turn, functions concerning governmental regulation of development of micro-regions are implemented through managerial functions by the executive branch divided «vertically» and «horizontally».

Contradictions originating in the process of distribution of functions and authorities according to regulation levels of social, ecological, and economic development of micro-regions result in disproportions during greater concentration of power and its decentralization. Lack of clear substantiation of possible combination to use and combine centralized model to regulation economy and decentralized one cannot create conditions for regulatory policy success as for implementation of functions by regulation entities at local level (micro-regions are meant).

It should be noted that current regulatory effect on development of micro-regions is still based on narrow departmental approach making it impossible to develop a model of democratic regulation of such development at municipal level. That intensified the importance of functional distribution conceptualization to regulation social, ecological, and economic development of micro-regions.

All the above makes it possible to separate lines to improve efficiency of regulation effects on social, ecological, and economic development of micro-regions to specify functional load of regulation entities of such development in the context of suggested concept.

Under the conditions of developing market economy a process of functional distribution of authorities to regulation social, ecological, and economic development of micro-regions should proceed from the following:

centralized approach is essential during organizational stage; that will help to direct regulation effect on the part of the government to achieve integrated state policy;

- regulation decentralization through closeness of regulation effect entities to such effect objects will guarantee the most correct distribution of resources in terms of maximum effect;

- market mechanisms to regulation development of regions including micro-regions are not effective due to their poor development;

- limitation of resources to solve a number of problems to provide development of micro-regions and their regulation needs ranking of problems to select prior ones;

- distribution of resources (first of all financial) to help micro-region perform own functions should be based on a principle of resource potential accumulation in the context prior lines of such development.

Conceptualization of functional distribution of authorities to regulation social, ecological, and economic development of micro-regions is aimed at coordination of governmental, regional, and local interests as well as at adequate goal-oriented regulation effects.

Organizational and functional structure of regulation system for social, ecological, and economic development of micro-regions needs determination of functional mechanism for such regulation. It involves:

- participation of governmental bodies of different levels in regulation effects on the development;
- effect of public regulation institutions on development of micro-regions;
- regulation of micro-regional development through correcting effect of performance by market infrastructure institutions.

Setting sights on common target each of subsystems to regulation social, ecological, and economic development of micro-regions has its own goals, performs its own functions, and has meaningful content. Regulation at regional level is aimed at: integrated regulation of development in the process of implementation of regional ecological and economic, and social policies; and balance of regulation actions with resource possibilities of the micro-region.

Functional load of the systems activity makes it possible to demonstrate regulation mechanism for social, ecological, and economic development of micro-region as follows (Fig. 1).

Basic functional components of regulation subsystem for all types of development of micro-region at national level involve: legal regulation and managerial regulation; state programming for the development of objects of social sphere and ecological sphere; indicative planning; state business; fiscal regulation, monetary regulation, and price regulation; structural policy and regulation of investment activity; support for competitiveness of enterprises.

Each component of functional and special-purpose structure of regulation mechanism for development of micro-region implements its own functions providing by corresponding regulatory and legal framework.

Legal regulation should cover identification of basic lines to form and develop regulatory and legal foundations to regulation social, ecological, and economic development of micro-regions as well as activities by all participants of regulation effects.

As the research of institutional regulation over development of micro-regions has demonstrated current system of regulatory and legal support is characterized by disadvantages and implementation problems: imperfection of legislation giving micro-regions a role of passive participants despite processes take part at their territories; the failure is intensified by the fact that legislative foundations to regulation development of micro-regions are often formed according to situation, as required; unfinished mechanisms to implement the legislative foundations which makes them inefficient; instability of Ukrainian legislation stipulating uncertainty of market players under the conditions of their functioning.

Managerial regulation over social, ecological, and economic development of micro-regions should be based on a system of regulation effects on the performance of their entity structure. Activity component of governmental bodies of different levels engaged in problems concerning the regulation of development of the micro-regions should foresee application of mechanisms using limitations of industrial activity and other types of activity; we mean regulatory procedures, licensing, certifying, which imperfection stipulates negative externalities (economic outcomes, social outcomes, and ecological and economic ones).

The following should be among new tools to regulation development of micro-regions both at national and regional levels: strengthening of regional budgets to empower implementation of measures to provide their development and to improve living standards of population (for example, coordinated events to eliminate ecological contradictions); support of business activity (for example, of informational and consultative nature).

Imperfection of the measures to regulation development of micro-regions depends on: weakness of financial base of local authorities; poor provision of information of society on own activity on the part of such regulation entities.

Increase in regulation components and means at regional level in their aggregate should become the feature which will mirror tendencies of transformation of regulation system for social, ecological, and economic development of micro-regions. Such decentralization will stipulate improvement of economic, social, and ecological independence of micro-regions as well as increase in responsibility of local government agencies and their officers for managerial decisions made by them.

Institutional regulation by institutional formations of market economy should become inevitable component of functional and purpose-oriented structure of mechanism to regulation development of micro-regions. Subsystem of institutional regulation will be formed with the help of following functional components: public and private partnership; financial support, insurance of commercial activity and its audit, monetary control, material and technical support of objects, institutional regulation over activity. Reflected in actions by market infrastructure institutions strengthening of institutional regulation over social, ecological, and economic development of micro-regions will make it possible to intensify rates of regulation mechanism formation both on the part of economic entities and on the part of market infrastructure institutions.

Progress of components and means of monetary regulation involves the development of a network of municipal financial institutions to provide centralized services for bodies of regional and municipal management, business entities and organizations financed by local budget. To do that it is not required to carry on a policy of squeezing of small banks; on the contrary, their development should be stimulated. It is necessary to form business mix which is determinant for every specific bank; moreover, it is necessary to form environment for interbank competition.

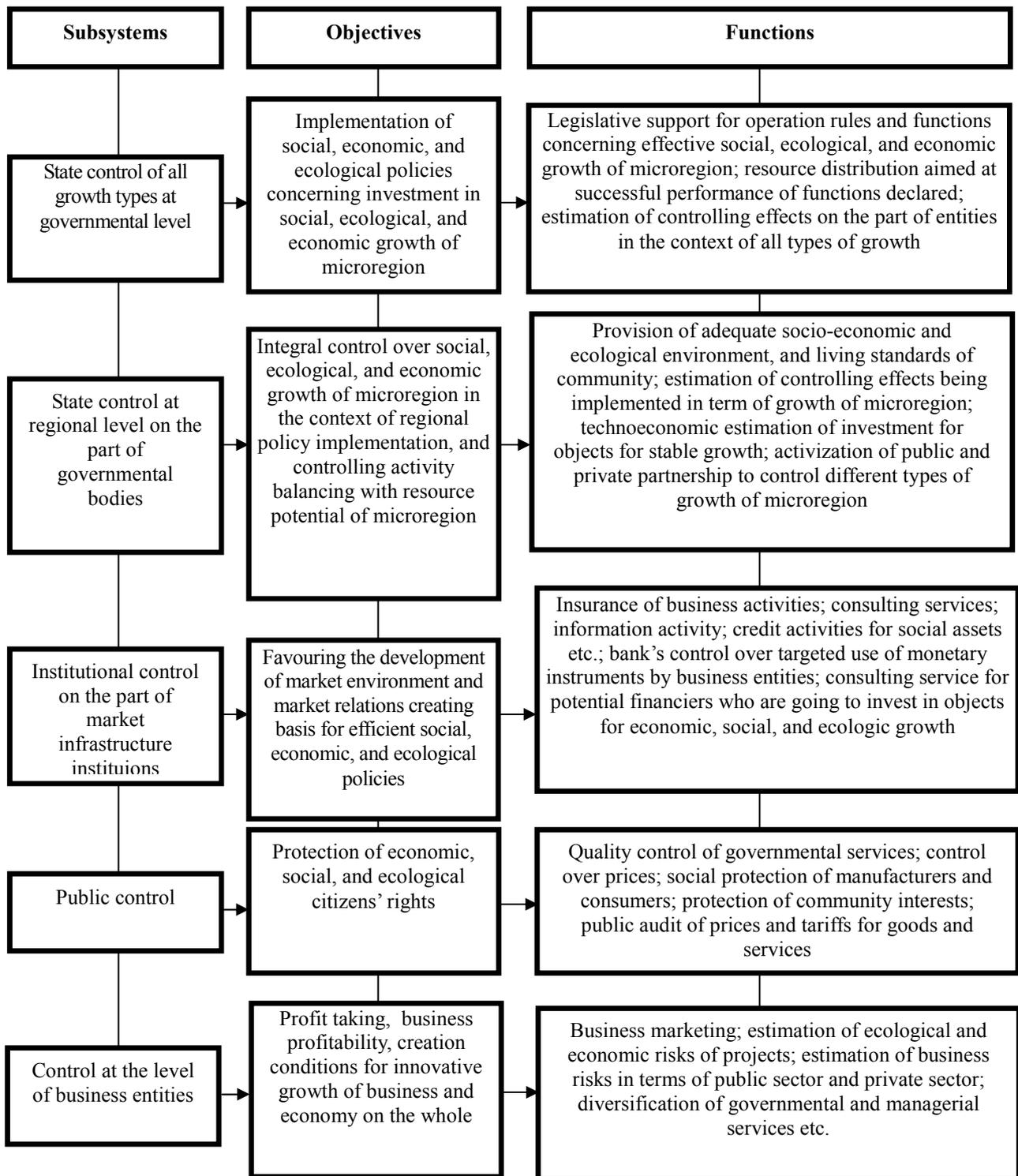


Fig. 1. Proposed functional and purpose-oriented structure of regulation mechanism for social, ecological, and economic development of micro-region

In the context of the proposed structural and logic scheme of functional and purpose-oriented structure of mechanism to regulation social, ecological, and economic development of micro-region (see Fig. 1) subsystems of national and regional regulation forming descending regulation effects as well as regulation subsystem on the part of market infrastructure institutions implementing horizontal regulation should be complemented with a subsystem of public regulation to provide ascending regulation effects.

Intensification of public role while solving problems of operation and development of micro-regions is performed through certain mechanisms and means. Basic mechanisms are: legal provision for mechanism supporting programs of activities of public organizations to regulation all

types of such development; engaging of public members for certain lines of local development regulation. In this context use of different mechanisms and means of public participation to solve problems of local development and local events should be rather differentiated and adequate.

### Conclusions and prospects for future research

The proposed functional and purpose-oriented structure of mechanism to regulation social, ecological, and economic development of micro-region is indicative of objective need to improve functional distribution of authorities to regulation such development between national level and regional one.

Substantiation of importance to activate regulation over social, ecological, and economic development of micro-regions straight at the level of economic entities is upcoming idea.

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