

Review Paper

The Interaction between Regional Policy and Economic Development

Maryna Volosiuk^{1*}, Grygorii Monastyrskyi², Ihor Sirenko¹, Stanislav Fedenchuk² and Volodymyr Kisilevych²

¹Department of Management, Faculty of Marine Economics, Admiral Makarov National University of Shipbuilding, Mykolaiv, Ukraine

²Department of Management, Public Administration and Personal, Faculty of Economics and Management, West Ukrainian National University, Ternopil, Ukraine

*Corresponding author: maryna.volosiuk@gmail.com (ORCID ID: 0000-0002-0612-6988)

Received: 15-10-2023

Revised: 29-01-2024

Accepted: 09-02-2024

ABSTRACT

Currently, a global trend toward intensification of processes at the subregional level and development of integration processes is observed. The development of the activities of Ukraine's regions represents the outlined trend in the form of intensification of disintegration processes, primarily economic ones. The purpose of the academic paper is to analyze the interaction between the features of regional policy and economic development. The research was conducted using general scientific methods: synthesis, analysis, abstraction, specification, comparison, and generalization. In the course of the research, the role of the political regional concept in shaping the specifics of economic processes has been investigated. It has been determined that the synergistic context of individual regional political models should be positioned as an effective concept of management policy. Priority approaches to the formation and implementation of regional policy in Ukraine have been highlighted, and the problems of regional development have been identified. The basic components of the newest paradigm of regional policy at the current stage of development have been proposed. A universal model of the innovative concept of synergistic regional political strategy has been developed, and its effectiveness in the current economic realities has been predicted. It has been proven that the synergistic approach is focused on effective communication and the formation of effective interconnections. The practical significance of the research results lies in the expediency of their use in the formation of regional policy to achieve the goals of improving the efficiency of their economic activity. Based on the research results, priority areas for further scientific studies on the relevant topic are proposed, and the necessity of practical testing of theoretical and methodological developments in the field of research is substantiated.

HIGHLIGHTS

- ① Ukraine's contemporary economic development endeavors to bolster its international standing and elevate the transparency and openness levels of its social policies, with a crucial role attributed to the regional component.
- ② The pursuit of an effective regional policy hinges upon simplifying management structures while embracing a synergistic model of economic potential management, emphasizing internal optimization mechanisms for desired outcomes.

Keywords: Regional policy, local development, territorial community, management paradigm, management technologies, strategic model, disproportion, concept, synergy, disintegration

How to cite this article: Volosiuk, M., Monastyrskyi, G., Sirenko, I., Fedenchuk, S. and Kisilevych, V. (2024). The Interaction between Regional Policy and Economic Development. *Econ. Aff.*, 69(Special Issue): 381-388.

Source of Support: None; **Conflict of Interest:** None



Ukraine's modern economic development is determined by strengthening the country's position in the international arena, as well as by increasing the level of openness and transparency of social policy. The regional component plays a crucial role in these processes.

Many works of modern scholars are devoted to studying the specifics of implementing an effective regional policy as the basis for an innovative model of strategic management of economic development. Some scientists (Bobrovska *et al.* 2023) see the priority in the policy of integrated economic development of the region, analyzing the mechanisms of its formation. Scientists argue that the level of effectiveness of the regional policy system directly affects the feasibility and validity of management decisions in terms of economic development.

Some researchers believe that the basic principle of implementing an effective regional policy is the simplicity of management structures. At the same time, a synergistic model of economic potential management should be based on the formation of internal conditions for optimizing the system in the required vector (Kotukov *et al.* 2023).

A number of modern scholars (Mozhaikina *et al.* 2023) believe that synergistic regional management is focused on the trends in economic system development, which implies the existence of certain locations with limited or no control. Some scholars have described the phenomenon of the formation of regional financial performance of economic activity, which is determined by the influence of many factors (Nesterenko, 2021).

The general issues of the political context of particular strategic models of regional development, as one of the sources of forming the political concept of synergistic management, have been thoroughly studied in the scientific works of modern scholars (Vermenych, 2021; Vyshnevskaya, 2023). Certain issues of challenges and risks accompanying the process of optimizing the political aspect of the management process are reflected in the studies of several contemporary scholars (Zheliak, 2022; Neustroiev, 2021).

However, the practical methods of creating the synergy effect of the potential for interaction between regional policy and economic development have not been sufficiently studied, and, therefore,

require further scientific consideration. At the same time, there is no single conceptual approach to the formation of a universal model of such interaction.

The purpose of the academic paper is to analyze the aspects of interaction between regional policy and economic development in the process of forming a management paradigm based on synergistic management.

Literature Review

The theoretical and methodological basis of the research is formed by the results of fundamental and analytical and generalizing scientific explorations in the interdisciplinary concept. The issues of using a synergistic approach to the process of forming a management paradigm based on the interaction of regional policy and economic activity have been studied in the scientific works of both foreign and domestic scholars.

The features of forming a strategy for a synergistic management paradigm are described in the scientific works of a number of contemporary scholars (Dziamulych, 2023; Vasyliuk *et al.* 2021), whose achievements position a critical analysis of existing approaches to financial support for sustainable development of regions.

Studying concepts in certain areas of regional policy is conducted by scientists (Christopherson *et al.* 2020; Wu *et al.* 2020), who consider strategic, crisis management and corporate governance as components of a single system. It is necessary to highlight the studies of scholars (Bustani *et al.* 2022; Surya *et al.* 2021), in which the issues of development of political governance and system-synergistic economic paradigm are considered in the aspect of effective convergence.

The materials of the scientists' studies (Bergman *et al.* 2020), where the concept of the chain of economic efficiency formation on the basis of regional policy is being developed, can be considered a good example of the practical orientation of scientific developments in the field of research.

Considering the essence of innovative approaches to managing strategic economic development, modern scholars (Grillitsch *et al.* 2020) explore the potential for synergy, positioning them as basic aspects of justifying the motives and vectors of regional policy in relation to economic activity.

A significant contribution to the optimization of the regional development paradigm from the perspective of strategic synergy of politics and economics was made by some representatives of modern scientific schools (Pintar *et al.* 2022). Following the above, some scholars have described in detail the algorithms and tools for synergizing modern models of regional policy and economic development (Shani *et al.* 2020). Several studies of contemporary scholars are devoted to the risks of the concept of synergistic interaction of political and economic development (Christodoulou *et al.* 2020).

Despite the significant amount of research results on the subject, a number of issues remain unresolved regarding the formation of an effective concept of interaction between regional policy and economic development as the basis for an innovative model of strategic management. The study of these issues remains relevant.

MATERIALS AND METHODS

The theoretical and methodological framework of the research is formed on the basis of the dialectical method, systematic approach, and priority principles of conducting comprehensive studies.

The research process involved a number of general scientific and special methods of cognition, in particular, abstraction, analysis and synthesis, comparison, specification, induction, generalization. The methods of analysis and synthesis are used in the process of identifying the stages and factors of development, as well as the most influential elements of the object under study. The inductive method is used for the predictive analysis of the expected efficiency of interaction between political and economic aspects of regional development. By means of the method of abstraction, the concept of an integral process of the management system in the sector of economic activity is formed. Concretization and abstraction were involved in the process of forming a universal model of strategic management in the context of synergizing regional policy and economic development.

RESULTS

The need to intensify the introduction of the latest management algorithms at all levels of the economic system is tangentially related to the intensification of the process of implementing the principles of

sustainable development. The situation is caused by the irreversible rapid institutional transformation of the economic environment on a global scale. The phenomenon of diversification of the traditional management paradigm contributes to the formation of the concept of synergistic management as the basis of an innovative model of strategic management based on the interaction of regional policy and economic development.

Currently, the state must formulate strategic guidelines that can consolidate its regions. Thus, the course of interregional integration should include actualization of the role of regions, delegation of new functions to local governments, and, at the same time, introduction of a strong centralized regional policy reflecting national development priorities.

The current situation in Ukraine is characterized by regional disintegration of economic processes. There is a need to develop an effective regional policy of Ukraine aimed at consolidating the regions and society as a whole. The economic and political innovations of the recent period objectively require the development and further implementation of an innovative concept and model of regional policy implementation. At the same time, the new paradigm of regional policy should take into account the transformation in the field of state regulation of territorial development that is taking place in Ukraine, as well as the need to form the institutional framework for regional policy (Novak *et al.* 2022).

The analytics of the processes of Ukraine's regional development shows the presence of negative trends manifesting in the deepening of interregional contradictions, increasing disparities and actualization of social-economic issues in the region. The main reason for the formation of such trends is the lack of a synergistic and effective regional policy paradigm, as well as the lack of consistency of the legal framework in the area under study.

Intensification of economic performance in the regional aspect requires diversification of the structure of the regional economic base taking into account new technological capabilities, stimulation of investments in priority sectors of the economy, introduction of an effective system of support for

the business sector, and promotion of infrastructure modernization. External factors that intensify the processes of regional policy transformation are globalization and integration trends. The integration processes that are taking place nowadays, as well as their perspective aspect, are positioned as prerequisites for the obvious need to increase Ukraine's competitiveness, in particular, in the regional context. It is necessary to recognize that the existing traditional model of regional policy is the primary cause of disintegration trends threatening the process of social consolidation.

The main current challenges facing the regional development paradigm in terms of the interaction of political and economic aspects include as follows:

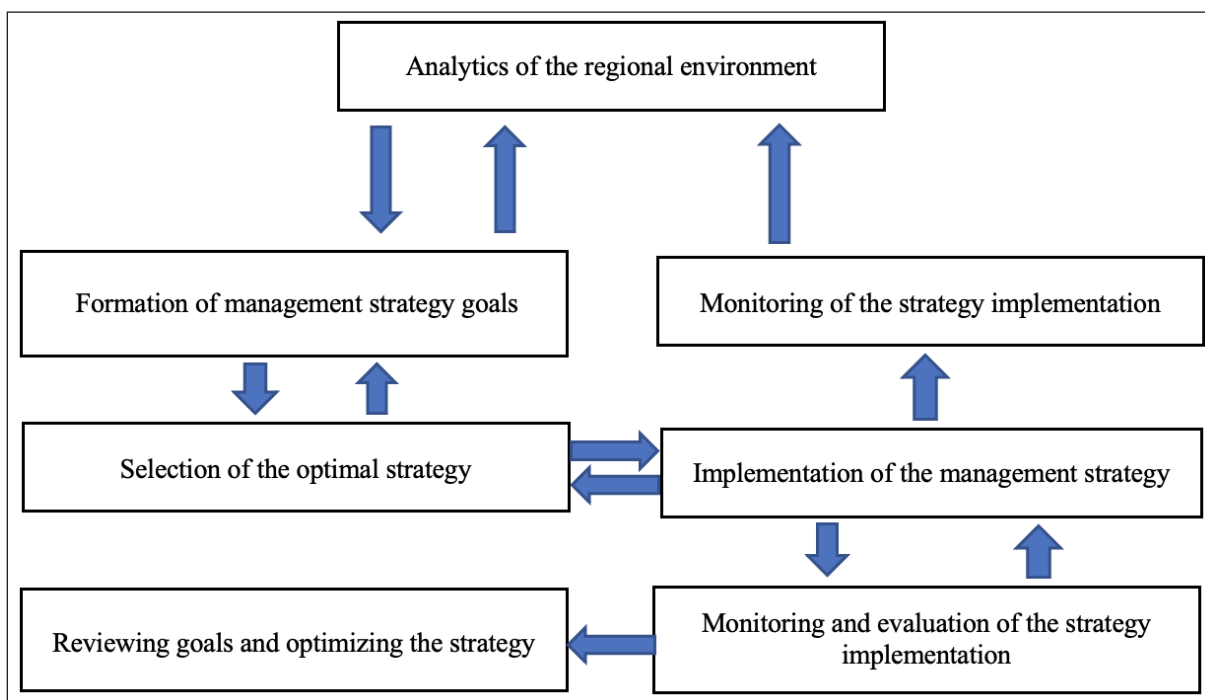
- ♦ disruption of the balance of effective interaction between central and regional policies;
- ♦ the threat of aggravation of the phenomenon of interregional disproportionality due to political regionalization;
- ♦ significant differentiation of regions by the level of economic development;
- ♦ regional asymmetry in the system of budgetary relations.

Regional economic disintegration is reflected in the negative dynamics of internal consolidation of the economic space and the weakening of interregional ties. The major prerequisites for the disintegration process are the asymmetric nature of management activities, priority orientation to the foreign market, regionalization of public life, and excessive politicization of the economy.

The management system is considered to be the highest level of structural organization in the region (Fig. 1). It reflects the essential concept of regional policy, serving to maximize the effective realization of the region's natural resource and social-economic potential through effective management decisions.

The development and implementation of effective tools for strategic regional management is a powerful means of overcoming the crisis. At the same time, the development goals are achieved through current economic policy, in particular, reforms, subsidies, or through the use of structural regulators, such as restructuring and tax policy, as well as through regional strategic management.

It should be noted that the deepening differentiation of regional development levels is positioned as both a cause and a consequence of the aggravation



Source: Compiled by the author.

Fig. 1: The structure of the regional management strategy based on the interaction of regional policy and economic development

of disintegration processes. In view of this, the primary goal of regional policy nowadays is to integrate regions into a single political and economic space while preserving regional diversity to the maximum extent possible. The functionality of state levers of control is seen in the coherence of interests at different functional levels, as well as the implementation of European principles of subsidiary practice, the introduction of unified conditions for economic development for all regions (Kostiukevych *et al.* 2020).

Within the framework of the outlined concept, the primary task of regional policy is to form institutional and regulatory prerequisites for transforming the local self-government system, which requires the adoption or improvement of a number of legislative acts on regional development. It is crucial to develop a qualitatively new model of interaction between political and economic aspects of regional development, which will expand the powers and financial capabilities of territorial communities.

The formation of synergistic approaches to the strategic management of economic development and optimization of tools to stimulate it is positioned as a priority direction of regional policy. The concept outlined should contain optimized regional economic development strategies, taking into account the priority of the long-term perspective, providing for the stimulation of innovative pilot projects, implementation of an effective system of monitoring regional development, identification of issues hindering the development of territories with signs of repression, with further preparation of programs to optimize the situation (Danyliuk *et al.* 2020).

The development of strategic program documents for regional development should provide for specific activities of local authorities to implement long-term economic goals. It is worth noting that it is necessary to actively interact with business structures and civil society institutions in the process of developing and implementing strategies for political and economic regional development. In addition, an important component of the strategy is the formation of the region's image, which is based on the individuality and competitive advantages of the region.

In order to ensure sustainable social-economic development of the regions and level the

disproportions of their economic potential, it is necessary to revise the budget policy, which should be an effective tool with the aim of strengthening the regional economic potential, encouraging local authorities to increase their own sources of financing, and improving the efficiency of internal financial control at the local and regional levels.

The basic principle of the concept of responsible regionalism, which is positioned as an expression of the interaction between regional policy and economic development, is the expansion of political and economic functionality at the regional level, with a proportional increase in the level of responsibility to society. The introduction of public administration principles and approaches, the search for new models of economic relations and mutual benefits can significantly accelerate the integration process of the political and economic components of regional development.

The proposed approach will facilitate active consolidation and optimal strategic development of the state both in the regional context and in general. The policy of responsible regionalization should provide for an individualized solution to regional problems exclusively from the standpoint of regional interests.

The implementation of effective activities of business entities, the increase in their performance indicators require optimization of a set of aspects regarding innovative development prospects, growth of competitiveness, introduction of the latest effective management tools, as well as the development of management approaches that can mitigate adaptation processes to the conditions of globalization of market processes (Tsimoshynska *et al.* 2021).

The innovative paradigm of synergistic regional governance is based on the system-synergistic concept of interaction between political and economic development. From the standpoint of prioritizing long-term economic efficiency, the process should initiate positive dynamics of transformations within the region and stimulate it to continuous self-development.

The successful experience of managing the productivity and competitiveness of economic entities on a regional scale indicates the need for timely implementation of relevant individual

management methods, functions, and organizational structure as a prerequisite for effective regional management in the strategic aspect.

The current innovative model of regional development in the concept of synergistic effect should position the interaction of regional policy and economic growth as a kind of hub of interrelated principles and levers that contribute to the competitiveness of market formations, while highlighting systematic, efficient, and flexible, balanced and risk minimization as the primary features of an effective management system.

The analysis of the issues related to the implementation of Ukraine's regional policy makes it possible to conclude that a new paradigm of regional policy needs to be developed and tested in practice. The main content of the latter should be focused on creating favorable preconditions for active regional economic development, actualization of areas of mutual responsibility, and strengthening the financial self-sufficiency of the regions. The processes of integration cooperation should become the basis of a regional development strategy, from routine social-economic processes to large-scale investment.

Considering the foregoing, an obvious priority should be given to the role of the synergy concept in developing strategic advantages of the regional management paradigm, which is manifested in the effective interaction of economic entities with the external environment and with each other, as well as in creating effective interrelations with the regional political field. The synergistic context of individual strategic models of regional development should be positioned as a promising concept of management policy. Such measures, taken together, will make it possible to level the existing regional disproportion in the investment and economic sphere and identify reserves for increasing the level of political and economic efficiency of the regions, taking into account a combination of factors influencing the internal and external environment.

DISCUSSION

Analyzing the basis of effective interaction of regional development policy in terms of synergy is a popular object of scientific inquiry of modern scientists. For instance, some researchers (Balland *et al.* 2021) are convinced that the modern approach

to the formation of a synergistic model of regional governance includes a wide range of conceptual frameworks reflecting diverse standpoints on the process of strategy formation and implementation.

The newest viewpoints on the transformation of the strategic regional management paradigm provide, first and foremost, for radical dynamics of the model of interaction between regional political and economic processes. Its newest version, according to some scholars (Aiginger *et al.* 2020), provides for a targeted vectorial approach to the synergization of political and economic functional algorithms. At the same time, some authors (Malizia *et al.* 2020) argue that the basis for developing an effective system of synergistic strategic regional management is a reasonable choice and analysis of the effects of interaction in individual vectors and subsystems of the object of economic activity.

According to the results of studies conducted by modern scholars (Jones *et al.* 2020), the country's prospective development, intensification of the growth of its social-economic functionality, and the establishment of democratic social principles directly depend on the efforts of the regions.

At the same time, some researchers (Asher *et al.* 2020), defining the essence and features of the effective transformation of regional policy, highlight the main issues of regional development, consider the main causes and consequences of regional development imbalances, and identify strategic priorities and features of the new regional policy. Based on the conclusions of the studies of the cited authors, the concept of synergy is considered nowadays as the main prerequisite for developing effective strategic regional management, while the traditional goals of qualitative transformation of management processes require the formation of innovative conceptual grounds. The authors believe that this approach, which has a scientific and historical background, should become the basis of modern regional policy. It will stimulate the development of the idea of systematicity and form the prerequisites for the successful improvement of the organizational and communication regional structure. We can only partially agree with the conclusions of scientists since the recommendations of such a plan are characterized by a superficial descriptive nature, defining only the general vector

of transformations towards the synchronization of regional governance models.

The results of scientific research and studies presented above convince us of the need to actualize the topic under study, given the rapid globalization of the economic environment and the transformation of traditional forms of regional management strategy. The proposed approach to the formation of a synergistic model of interaction between politics and economics in the regional format will significantly improve the level of productivity and efficiency of economic activity, implement innovative solutions in the social-economic sphere and guarantee the vector nature of regional development in the framework of the sustainability concept.

CONCLUSION

The research has examined the multifaceted nature of the concept of strategic regional management in the synergistic context of the political and economic components of regional development, as well as the role of the political regional concept in shaping the specifics of economic processes. It has been determined that the synergistic strategy of regional management positions the factorability of ensuring the effective interaction of individual economic subsystems with the subsequent formation of cooperative effects at different levels, which catalyzes the growth of their efficiency.

In the course of the research, it has been determined that the synergistic context of individual regional political models should be positioned as an effective concept of management policy. The priority approaches to the formation and implementation of the regional policy strategy in Ukraine have been highlighted, and the problems of regional development have been identified. In the course of the research, the basic constituent elements of the newest paradigm of Ukraine's regional policy at the present stage of economic development have been proposed; a universal model of the innovative concept of synergistic regional political strategy has been developed and its effectiveness in the economic realities of today has been predicted. It has been proven that the synergistic approach is focused on effective communication and the formation of effective interconnections.

The research demonstrated why the establishment of the system of strategic regional management should prioritize operational and informational analytics of synergistic effects. Based on the research results, priority areas for further scientific studies on the relevant topic are proposed, and the necessity of practical testing of theoretical and methodological developments in the field of research is substantiated.

Currently, an effective public administration system should be based on the implementation of a regional development strategy formed on the basis of the principles of sustainable economy and the interaction of regional policy and economic growth. Moreover, there is a need for further practical studies of the risks and challenges related to the model of synergistic strategic regional management.

REFERENCES

- Aiginger, K. and Rodrik, D. 2020. Rebirth of Industrial Policy and an Agenda for the Twenty-First Century. *J. Ind. Compet. Trade* **20**: 189–207.
- Asher, S. and Novosad, P. 2020. Rural Roads and Local Economic Development. *American Economic Review*, **110**(3): 797–823.
- Balland, P.-A. and Boschma, R. 2021. Complementary interregional linkages and Smart Specialisation: an empirical study on European regions. *Regional Studies*, **55**(6): 1059–1070.
- Bergman, E.M. and Feser, E.J. 2020. *Industrial and regional clusters: concepts and comparative applications*. Morgantown: Regional Research Institute, West Virginia University. <https://researchrepository.wvu.edu/rri-web-book/5/>
- Bobrovska, O. Yu. and Korniiievskiyi, S.V. 2023. *Policy of Integrated Economic Development of the Region: Mechanisms of Formation and Implementation*. Dnipro: DRIDU NADU, 185 p. <http://biblio.umsf.dp.ua/jspui/handle/123456789/5968>
- Bristow, G. and Healy, A. 2020. Regional resilience: an agency perspective. *Handbook on regional economic resilience*. Edward Elgar Publishing. <https://doi.org/10.4337/9781785360862.00008>
- Bustani, B., Khaddafi, M. and Ilham, R.N. 2022. Regional Financial Management System of Regency/City Regional Original Income in Aceh Province Period Year 2016–2020. *International Journal of Educational Review, Law and Social Sciences (IJERLAS)*, **2**(3), 459–468. <https://radjapublika.com/index.php/IJERLAS/article/view/277>
- Christodoulou, A. and Christidis, P. 2020. Bridges across borders: A clustering approach to support EU regional policy. *Journal of Transport Geography*, **83**.
- Christopherson, S. and Clark, J. 2020. *Remaking Regional Economies: Power, Labor and Firm Strategies*. Routledge. <https://doi.org/10.4324/9781003071334>

- Danyliuk, V., Riepina, I., Shafalyuk, O., Kovylyna, M. and Nitsenko, V. 2020. Functional and investment strategies of technical development of enterprises. *Naukovyi Visnyk Natsionalnoho Hirnychoho Universytetu*, (3): 115-121.
- Dziamulych, M. 2023. Financial support for sustainable development of the region. *Economic Forum*, **1**(3): 128–133.
- Filatov, S. and Filatova, V. 2023. Clusters as an instrument of economic development of ukrainian regions. *Scientific Notes of the University "KROK"*, **4**(72): 102-110.
- Grillitsch, M. and Sotarauta, M. 2020. Trinity of change agency, regional development paths and opportunity spaces. *Progress in Human Geography*, **44**(4): 704–723.
- Jones, C. and Munday, M. 2020. Capital ownership, innovation and regional development policy in the economic periphery: An energy industry case. *Local Economy*, **35**(6): 545–565.
- Kostiukevych, R., Mishchuk, H., Zhidebekkyzy, A., Nakonieczny, J. and Akimov, O. 2020. The impact of european integration processes on the investment potential and institutional maturity of rural communities. *Economics and Sociology*, **13**(3): 46-63.
- Kotukov, O.A. and Mykytas, I.M. 2023. Theoretical and methodological substantiation of the strategy for planning regional economic development. *The 1st International scientific and practical conference "Global science: prospects and innovations" Cognum Publishing House, Liverpool, United Kingdom*. 282 p. <https://sci-conf.com.ua/wp-content/uploads/2023/09/GLOBAL-SCIENCE-PROSPECTS-AND-INNOVATIONS-7-9.09.23.pdf#page=252>
- Malizia, E., Feser, E.J., Renski, H. and Drucker, J. 2020. Understanding local economic development. *Routledge*.
- Mozhaikina, N.V. and Rud, D.I. 2020. *Regional Policy of Territorial Development Management*. Internet conferences of KhNUMG named after O.M. Beketov.
- Nesterenko, S.S. 2021. Conceptual foundations of strategic management of regional systems for ensuring competitive development. *Economic Space*, **167**: 31–37.
- Neustroiev, Y. G. 2021. Ensuring the Economic Security of the Region. *Agrosvit*, **12**: 39–44.
- Novak, A., Pravdyvets, O., Chornyi, O., Sumbaieva, L., Akimova, L. and Akimov, O. 2022. Financial and economic security in the field of financial markets at the stage of european integration. *International Journal of Professional Business Review*, **7**(5).
- Pintar, N. and Scherngell, T. 2022. The complex nature of regional knowledge production: Evidence on European regions. *Research Policy*, **51**(8).
- Shani, L., Efroni, Y. and Mannor, S. 2020. Adaptive Trust Region Policy Optimization: Global Convergence and Faster Rates for Regularized MDPs. *Proceedings of the AAAI Conference on Artificial Intelligence*, **34**(04): 5668–5675.
- Surya, B., Saleh, H., Idris, M. and Ahmad, D.N.A. 2021. Rural agribusiness-based agropolitan area development and environmental management sustainability: Regional economic growth perspectives. *International Journal of Energy Economics and Policy*, **11**(1): 142–157.
- Tsimoshynska, O., Koval, M., Kryshtal, H., Filipishyna, L., Arsawan, W.E. and Koval, V. 2021. Investing in road construction infrastructure projects under public-private partnership in the form of concession. *Naukovyi Visnyk Natsionalnoho Hirnychoho Universytetu*, (2): 184-192. <https://doi.org/10.33271/nvngu/2021-2/184>
- Vasyliuk, S. and Shafiieva, L. 2021. Determinants of economic policy in the system of sustainable development of the region. *Economy and society*, (27). <https://doi.org/10.32782/2524-0072/2021-27-31>
- Vermenych, Y. 2021. Globalization vs. Localization: Dialectics of Interaction in the Modern World. *International Relations of Ukraine: Scientific Searches and Findings*, **30**: 207–224.
- Vyshnevskaya, O.M. 2023. Social and economic development of the region: security, public-private partnership and insurance. *Digital Economy and Economic Security*, **4**(04): 89–96.
- Wu, H., Li, Y., Hao, Y., Ren, S. and Zhang, P. 2020. Environmental decentralization, local government competition, and regional green development: Evidence from China. *Science of the total environment*, 708. <https://doi.org/10.1016/j.scitotenv.2019.135085>
- Zheliak, A.A. 2022. Current state and strategy of regional policy in ukraine. *The 9th International scientific and practical conference "Modern research in world science" SPC "Sci-conf. com. ua"*, Lviv.