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**THEORETICAL-METHODICAL APPROACHES TO MONITORING OF THE LEVEL OF SOCIO-ECONOMIC DEVELOPMENT OF TERRITORIAL UNITS AND NATIONAL ECONOMY IN CONDITIONS OF DECENTRALIZATION**

**Abstract:** The paper outlines the nature and main components of provision of regions' socio-economic development in conditions of decentrali-

zation. The condition of decentralization reform implementation in Ukraine and main problems of forming of efficient institutional architectonics to facilitate the reform implementation and to secure the improvement of the regions' social and economic development at current stage are examined. Institutional forms and elements of decentralization are systematized and their nature and functioning principles are defined. The paper analyzes the peculiarities of traditional monitoring system of territorial units' socio-economic development used in Ukraine. Improvement of methodical approaches to monitoring of socio-economic development is suggested. It is based on calculation of comparative integral estimations of dynamic coefficients of socio-economic development of national socio-economic system at three levels: global, national and regional. The use of suggested methodical approaches contributes to defining of an integral picture of socio-economic development, tendency vectors and misbalances of maintenance of social and economic results at the moment of estimation. Success of decentralization reform is manifested in the completeness of its implementation, which should result in not only adjustment of administrative-territorial structure of the country and improvement of institutional and managerial architectonics, but also in extension of activity and efficiency of local communities in the context of their impact on the development of both education, medicine, social and housing infrastructure and the areas of culture, social provision, energy efficiency, transport, etc.

**Keywords:** decentralization, socio-economic development level, territorial units, national economy.

**JEL classification:** O22, O31, O32

## Introduction

Substantial number of scientific works of domestic and foreign scientists, analytical reports of ministries and departments, state and private rating agencies is devoted to the issues of analysis of territorial units' socio-economic development. Nevertheless, there is the need to form an efficient system of monitoring of socio-economic development in current conditions of transformation of economic relations and socio-economic systems and reforming of institutional and legal framework of socio-economic development of Ukraine, which is characterized by gradual implementation of European standards and ongoing processes of decentralization against the background of complicated geopolitical and eco-

conomic challenges. The monitoring system should contribute to quick decision making and defining of its impact on the relevant processes.

**The paper aims** to improve theoretical-methodological foundations of monitoring of socio-economic development of territorial units and national economy in conditions of decentralization.

**Research results.**

The following are the important features of monitoring of socio-economic development of territorial units and national economy:

- 1) forming of relevant system of parameters that objectively characterize the condition and development of processes under research;
- 2) development of the system of analysis and unified representation of data combining various aspects of socio-economic development;
- 3) defining of basis for comparisons, which can comprise relevant parameters, similar achievements of other countries in the field or the highest results achieved in a certain region of a country.
- 4) methodical approaches to processing and interpretation of data in the most convenient form, which allow for making quick and strategic decisions to improve the controllability of the process of socio-economic development according to target priorities.

We also agree with an opinion of Makara O.V. that “it is necessary to distinguish between the total and problem-oriented monitoring. The task and content of the first one is to constantly analyze and diagnose socio-economic situations on a scale of the whole country and main units of its state structure. Socio-economic problem in the diversity of its all components is the subject of total monitoring. The objective of problem-oriented monitoring is to detect the development tendencies of solution of a certain social, economic, ecological problem selected according to some criteria, recognized as socially significant and requiring special public attention for many years. Discrete phenomena that arise in the depth of a certain situation at some territory are the subject of problem-oriented monitoring” (Makara, 2009).

Based on the objective and goals of our research, in particular monitoring of socio-economic development of territorial units and national econ-

omy in conditions of decentralization, we have selected the following vectors of monitoring:

1) Monitoring of the level of socio-economic development of Ukraine in global surrounding that defines the Ukraine's place among other countries in some rankings and defines the efficiency of state policy, promoting of democracy, development of economy and social sphere.

2) Monitoring of the dynamics of socio-economic processes development in territorial units and national economy that creates preconditions for prognosis of the paces and directions of economic growth.

3) Monitoring of socio-economic development of territorial units under the impact of decentralization processes that contributes to defining of main perspectives, bottlenecks and regional misbalances.

We agree with considerations of scientists Chernova O.V. and Sushko K.V that "the change in international economic rankings positions reveals economic changes in the country from the viewpoint of independent evaluation. Analysis of the dynamics of international economic rankings positions contributes to defining some patterns and problems of current conditions of the country's economy. The rankings are beneficial for the country and for revealing the perspectives of its economy, contributing to solution of primary problems" (Chernova, 2017).

The carried out review of sources has contributed to revealing the following flaws of traditional monitoring system of socio-economic development of territorial units in Ukraine:

1) lack (excluding a few macroeconomic indicators) of target basis (tree of objectives) for defining the level of socio-economic development in the context of efficiency of state and regional (territorial) management;

2) calculation of the dynamics of economic processes not taking into consideration the inflation index or the exchange rate of national currency, hampering making objective conclusions regarding the level of economic growth;

3) inconsistency and incomparability of the parameters of social and economic development due to the use of different measurement units;

4) lack of efficient mechanisms of making decisions in case of finding significant deviations of socio-economic development from the planned

tendencies considering the interrelations between socio-economic processes and phenomena.

In order to overcome the mentioned flaws, we suggest improving of methodical approaches to monitoring of socio-economic development of territorial units and the state in general based on calculation of comparative integral estimations of dynamic coefficients of socio-economic development of national socio-economic system at three levels: global, national and regional. The use of suggested methodical approaches contributes to defining of an integral picture of socio-economic development, tendency vectors and misbalances of maintenance of social and economic results at the moment of estimation. Moreover, the following three approaches to calculation of economic parameters are suggested in order to determine the real condition and tendencies of socio-economic development:

1) analysis of nominal parameters of economic processes development that statistically define the trends of economy development and relevant structural changes in socio-economic condition of territorial and national socio-economic systems;

2) analysis of the intensity of economic processes using the relative parameters per capita that illustrate the mutual impact of demographic and economic processes of territories;

3) analysis of national economy development based on monetary parity that indirectly characterizes the impact of inflation processes on forming of economic parameters and defines the economy impact on stability of national currency and real economic growth.

The level of gaps in the dynamics of parameters calculated according to suggested approaches indirectly illustrates the degree of socio-economic stability of transformation processes in national socio-economic system.

Estimation algorithm includes the following stages:

1. Defining the key parameters and indicators of social and economic development. According to methodic approaches used by the Ministry of Economic Development and Trade of Ukraine (Ministry of Economic Development and Trade of Ukraine, 2019; State Statistics Service of

Ukraine, 2019) and European statistics (Eurostat, 2019), the key parameters of socio-economic development can be grouped the following way:

- National accounts (NA): GDP, national income, gross added value, gross output of goods and services.
- Investment and foreign economic activity (I - FEA): volumes of capital investment, volumes of foreign direct investment, export, import;
- Entrepreneurship development (ED): number of legal entities, number of small enterprises, volumes of income, profitability of enterprises;
- Development of internal market and infrastructure (IM-I): volumes of domestic goods turnover, construction activities, freight transportation, providing of telecommunication services;
- Human development parameters (HD): population, birth rate, mortality rate, average life expectancy.
- Labour market parameters (LM): number of economically active population, employment rate, unemployment rate, average wages.

Obviously, the list does not illustrate the level of socio-economic development to the fullest extent. Substantial share of important parameters and indicators is lacking and each of the listed parameters requires more thorough analysis and detailed elaboration. However, while selecting the parameters we were following one of the major rules of monitoring, namely the selection of a limited number of key parameters sufficient for defining the general trends of phenomenon or process development with further detailed elaboration and profound analysis of the most perspective or problematic development directions.

2. Collecting statistical data and calculating of relevant parameters. To secure comparability of parameters at all levels the economic indicators are suggested to be calculated per capita. The approach contributes to more objective estimation of the paces of economic growth and their impact on social sphere (Stehnei, 2018).

3. Determining the basis for comparison. We consider the target parameters of socio-economic development defined in relevant strategies broken down into their implementation periods to be optimal parameters for comparison. However, considering that the 2020 Strategy of Socio-Economic Development of Ukraine, Goals of Sustainable Development of

Ukraine and other strategic documents define most of parameters as the benchmarks without distinct break down into implementation periods and that some parameters in the approved documents are contradictory or lacking, we have taken basic parameters for 2014 to verify the abovementioned methodics. It is explained by the fact that decentralization reform entered into force in 2014, which in the subjective point of view should have the positive impact on the level of socio-economic development of both Ukrainian regions and the country in general.

4. Selecting the methodical approach to estimation. Methodical approaches to estimation include the following stages:

1) The parameters of estimation of socio-economic development are suggested to be standardized by one of the formulas:

1.1. Standardization of the process development in dynamics:

$$\text{for progressors} \quad \text{SI} = \frac{\left(\frac{I_b^t}{I_c^t \times k_i}\right) \times 100 - 100}{10}, \quad (1)$$

$$\text{for regressors:} \quad \text{SI} = \left(\frac{I_b^t}{I_c^t \times k_i}\right) \times 100 - 100 \times (-1), \quad (2)$$

where, SI – standardized *i*th parameter of development of social or economic process; progressor – parameter, the growth of which leads to improvement of socio-economic condition, and regressor is the parameter, the growth of which leads to deterioration of socio-economic condition;

$I_b^t$  – value of parameter in the basic period;

$I_c^t$  – value of parameter in the comparative period;

$k_i$  – coefficient of monetary parity that shows the ratio of the value of national currency in basic period to comparative period. It is calculated by formula:

$$k_i = \frac{RC_b}{RC_c} \quad (3)$$

where,  $RC_b$  and  $RC_c$  – value of national currency against dollar in basic and comparative periods.

The use of the formula helps detecting the real growth (+) or fall (-) of the parameter under research in the period under research in points.

1.2. standardizing against the reference standard:

$$\text{for progressors} \quad \text{SI} = \left( \frac{[(\frac{I_r^t}{I_s^t}) \times 100 - 100]}{10} \right), \quad (4)$$

$$\text{for regressors:} \quad \text{SI} = \left( \frac{[(\frac{I_s^t}{I_r^t}) \times 100 - 100]}{10} \right), \quad (5)$$

where,  $I_r^t$  – parameter value for an object under research;

$I_s^t$  – value of the reference standard parameter

The use of the formula helps detecting if the object under research exceeds (+) or lags behind (-) a certain parameter against the reference standard value by the 10-point scale.

2) Selection of the method to calculate integral parameter. Currently there are many methodics used to measure the data and to settle a single integral rate that characterizes some process or phenomena (Stehnei, 2019). However, due to quite different parameters and indicators that characterize various aspects of socio-economic development of Ukraine as well as the requirements regarding the universal nature of conducted monitoring depending on its objective, we have selected the simplest additive method of calculation of integral points that allows for random change of the number and the list of indicators. Integral parameter by each estimation direction is defined by formula:

$$\text{Sd} = \sum \downarrow (i-1) \uparrow n), \quad (6)$$

where,  $\text{Sd}$  – integral parameter of the development of a process or a phenomenon within the corresponding group (macroeconomic development, labour market, investment, etc);

$n$  – number of parameters in the sample.

The use of suggested methodical approaches will secure summarizing the results of monitoring of the country's or its regions' socio-economic development according to single measurement scale, monitoring the development of socio-economic processes in real time and timely detection

of bottlenecks and directions of their development (strengthening, stabilization or reducing of manifestation), which is a convenient instrument to develop a model and imitate the consequences of certain decisions.

### **Conclusion**

Traditional approaches to monitoring of socio-economic development used in reporting of authorities and Cabinet of Ministers are based on nominal statistical data that does not account the changes in currency rates. The results of calculations show that Ukrainian economy grows by most of economic parameters, which is considered as the positive phenomenon that is in the foundation of projecting and decision-making. In our opinion, the objective system of monitoring, unlike the one used currently, should take into account the inflation component, and main macroeconomic parameters should be calculated per capita. It will make the conclusions and prognosis regarding the level of economic development more objective and enable comparison of relevant parameters both in dynamics and at various aggregation levels (country, region, territorial community). Moreover, monitoring should be based not only on the development of parameters in dynamics, but also efficient management of economic processes displayed in certain normative (target) parameters defined in relevant planning documents. Suggested methodic approaches regarding the monitoring of socio-economic condition of territorial units enables observing the development of socio-economic processes in real time based on summarizing of the results of analysis of socio-economic development by the single measurement scale.

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