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**INSTITUTIONAL FRAMEWORK
FOR REGIONAL DEVELOPMENT REGULATION**

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**ІНСТИТУЦІОНАЛЬНЕ СЕРЕДОВИЩЕ РЕГУЛЮВАННЯ
РЕГІОНАЛЬНОГО РОЗВИТКУ**

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**ИНСТИТУЦИОНАЛЬНАЯ СРЕДА РЕГУЛИРОВАНИЯ
РЕГИОНАЛЬНОГО РАЗВИТИЯ**

The paper describes the genesis of theoretical approaches to the problems of institutional support for regional development. Institutional prerequisites for exploiting the potential of the regions are explored on the basis of theoretical principles and evaluation of the practical results of European countries. The institutional environment for regulating regional development in Ukraine is outlined. The main aspects that have to be taken into account in the current institutional environment have been formed. The main tasks that a functional self-regulatory control system should solve are determined.

Keywords: institutional environment; regional economy; regional development strategy; spatial development.

Fig.: 3. References: 20.

У статті розкрито генезу теоретичних підходів до проблем інституційного забезпечення регіонального розвитку. Грунтуючись на теоретичних засадах та оцінці практичних результатів європейських країн, досліджено інституціональні передумови використання потенціалу регіонів. Окреслено інституційне середовище регулювання регіонального розвитку в Україні. Сформувано основні аспекти, які мають бути враховані діючим інституційним середовищем. Визначено основні завдання, що повинна вирішувати функціонально-саморегулятивна система управління.

Ключові слова: інституційне середовище; регіональна економіка; стратегія регіонального розвитку; просторовий розвиток.

Рис.: 3. Бібл.: 20.

В статье раскрыто генеза теоретических подходов к проблемам институционального обеспечения регионального развития. Основываясь на теоретических основах и оценке практических результатов европейских стран, исследованы институциональные предпосылки использования потенциала регионов. Определены институциональная среда регулирования регионального развития в Украине. Сформированы основные аспекты, которые должны быть учтены действующим институциональной средой. Определены основные задачи, должна решать функционально-саморегулятивных система управления.

Ключевые слова: институциональная среда; региональная экономика; стратегия регионального развития; пространственное развитие.

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JEL Classification: R500; R580

Problem statement. Regional development in Ukraine requires the use of a significant amount of levers of government regulation. This is due to the following reasons: inability to resolve all issues within the contractual relationship between the authorities, local authorities and the public sector; heterogeneity of socio-economic and humanitarian development of separate parts of the country; the necessity of strengthened state influence on certain phenomena of social life in the regional dimension which results in regions having diverse interests, and there is a need to use mechanisms that would implement the state interest. Among the levers of state regulation of regional development special attention is paid to legal norms that must create a basis for stable development of regions and the most effective impact on the functioning of economic complexes.

Analysis of recent research hand publications. Literature on framework for regional development regulation is devoted to many scientific works of domestic economists, among which O. I. Amosha, M. P. Butko, V. M. Heyets, Z. V. Gerasimchuk, B. M. Danylyshyn, M. I. Dolishniy, S. I. Doroguntsov, V. I. Zakharchenko, I. I. Lukinov, S. V. Mocherny, T. V. Pepa, L. G. Chernyuk, M. G. Chumachenko, A. A. Chukhno, S. M. Scharlet etc.

Selection of previously unsettled parts of the general problem. The analysis of the results of scientific works shows the relevance of the issue of the institutional environment for regulating regional development, but in modern conditions of state formation, these issues require further research and analysis.

The purpose of the article is an analysis of the institutional environment for regulating regional development in modern conditions of state formation.

Statement material. The genesis of existing theoretical approaches to the problem of institutional support for regional development makes it possible to determine that the general understanding of the institutes is a set of public norms and rules formulated within a certain historical period which can be expressed either in the form of certain laws, regulations, restrictions (formal level), or in the form of moral and ethical norms, principles of behavior, traditions, etc., which are adhered to by the population in the process of existence (informal level). Implementation of laws, rules and settings of behavior of all the participants of public relations is provided by special entities, namely institutions. Under institutions there are formally or informally formed formations that ensure the activities of certain population groups and play a leading role in determining their place in the system of relations. The main task of the institution is to organize life of society, to reduce uncertainty in the process of its existence by establishing a permanent structure of human interaction; to create the mechanisms that provide a set of framework constraints, rules, guidelines, etc. Interacting with each other, institutions constitute an institutional mechanism, which is understood as the relationships between formal and informal institutions, as well as organizations that facilitate the implementation of democratic (good, appropriate) governance, provide consistency and adjustment of interests of different social groups, coordination of compatible activities on the way to achieving the declared goals of regional development.

Based on the theoretical foundations and evaluation of the practical results of European countries, the institutional prerequisites for the use of potential regions are:

- firstly, the availability of the effective system of regional management at the national and local levels that would make it possible to develop dynamically all spheres of economic activity which are concerned with the use of spatial competitive advantages;

- secondly, the creation of a powerful domestic market which functioning is a stimulating factor of economic activity in the region;

- thirdly, development of market infrastructure, the adaptability of which is aimed at using all the available benefits, increasing the effectiveness of economic mechanism, prevention of crisis events in the market;

- fourthly, the creation of investment attractiveness, which relies on the development of the positive attitude of all social groups to an active diversified economic activity, as well as creation of a favorable image of the region by domestic and foreign investors;

- fifthly, intensification of cross-border cooperation as a form of the spatial manifestation of the economic adversary [5, p. 310–311].

Shaping the legal and institutional framework for the functioning of the regions, the model for the spatial institutionalization European experience should be obtained. In modern Europe the trilateral system of relations between regions, the state and the European structures is practically developed. In other words, it is the priority to adapt and introduce European legal models of relations of the State, regions and territorial communities in Ukraine [5]. The cornerstone of such relations is decentralization of economic and managerial functions.

Given the nature of the functioning of the institutional environment, it should be noted that changes in the institution system occur very slowly. They can be accelerated through the transfer or borrowing of institutes from another public environment. Here, accordingly, there is a problem of their adaptation, adaptation to other national and cultural basis. The theoretical solution to this problem can be found in the theory of so-called transplantation of structures providing appropriate stages, methods and phases of transfer, as well as monitoring of consequences of their implementation. Taking into consideration the strategic direction of Ukraine's integration into the EU, institutional changes should take place in accordance with the EU's fundamental requirements in the field of regional development.

It is advisable to distinguish between the institutional environment and institutional support for the process of managing the development of a country or regions. The interaction of the region with the relevant institutional spheres forms the institutional provision of certain management activities.

The infrastructural environment refers to the current socio-economic and ecological framework of the region on which the public relations system is based, and institutional environment is a kind of legal result of internal relations within the system and external ones within the state.

Institutional support for management of regional development is based on the creation of appropriate conditions for the functioning of existing ones, and if necessary reorganization or establishment of such institutions, which would directly influence the processes of coordinating efforts for the development and implementation of spatial development strategies and projects.

Institutional environment for regulation of development of Ukraine and its regions comprises: the Constitution of Ukraine [3], the law of Ukraine «The principles of domestic and foreign policy» [17], «The principles of State regional Policy» [16], «The stimulation of Regions» [13], «The local state administrations» [11], «The local government in Ukraine» [10], «The transboundary cooperation» [14], «The voluntary amalgamation of community» [8], «The regulating urban development activities» [12], «The state target programs» [7], «The general scheme of planning the territory of Ukraine» [9], «The state forecasting and development of programs of economic and social development of Ukraine» [6] and other legislative acts of Ukraine, acts of Ukraine and the Ukrainian Cabinet of Ministers, the relevant international treaties of Ukraine, as well as the tax and budget codes of Ukraine, strategies for national and regional development are enacted with the consent of the Verkhovna Rada.

According to the Law of Ukraine «The principles of State regional Policy» [15], such priorities of state regional policy are identified, which are shown in Fig. 1.

The implementation of the state regional policy is based on the system of interrelated documents based on the development strategy of Ukraine, the general scheme of the planning of the territory of Ukraine, the planning of territories at regional and local levels.

Documents determining the State regional policy include:

- 1) state strategy of regional development of Ukraine;
- 2) action plan to implement the State strategy for regional development of Ukraine;
- 3) regional development strategies;
- 4) action plans to implement regional development strategies;
- 5) investment Programs (projects) aimed at the development of the regions [15].

The State strategy for regional development of Ukraine identifies:

- 1) trends and main problems of socio-economic development of the regions;
- 2) state regional policy priorities for the relevant period;
- 3) strategic goals and directions of regional development and interregional cooperation;
- 4) operational goals to ensure achievement of strategic goals;
- 5) main tasks, stages and mechanisms of their implementation;
- 6) system for monitoring and evaluating the effectiveness of the implementation of State strategy for regional development of Ukraine [15].

Regional development strategies must comply with the provisions of the State strategy for regional development:

- 1) trends and main problems of socio-economic development of the Autonomous Republic of Crimea, regions, cities of Kyiv and Sevastopol;
- 2) strategic objectives and regional development priorities for the respective period;
- 3) operational goals to ensure achievement of strategic goals;
- 4) main tasks, stages and mechanisms of their implementation;
- 5) system for monitoring and evaluating the effectiveness of regional development strategy [15].

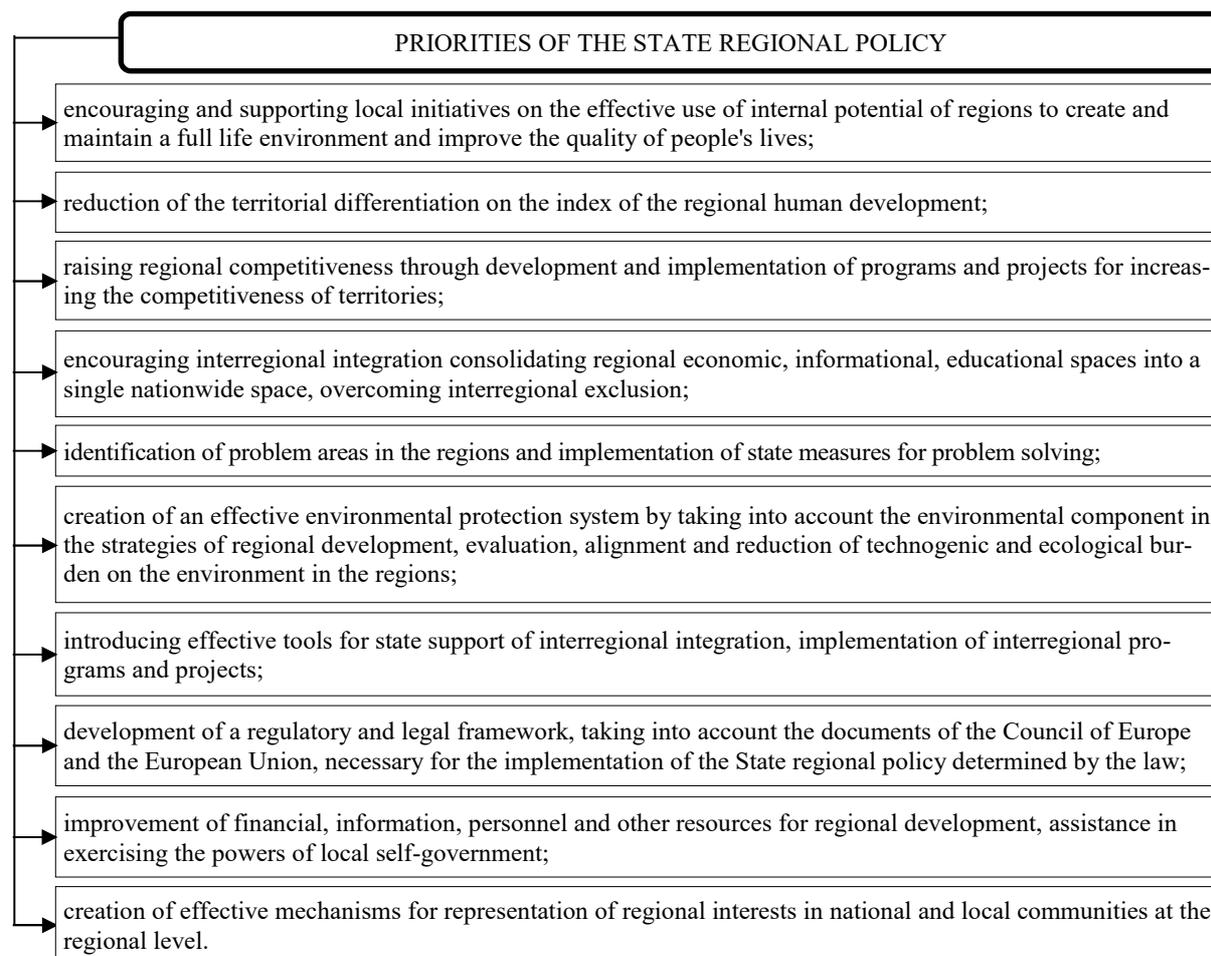


Fig. 1. Priorities of the state regional policy

In order to coordinate the activities of executive authorities with the obligatory involvement of local self-government bodies in the development and implementation of the state regional policy, as well as to coordinate industry forecasts of the regional development the Cabinet of Ministers of Ukraine, the Interdepartmental Coordinating Commission on Regional Development as a temporary consultative and advisory body may be created according to the strategic objectives of the state regional policy.

As stated in the regulation on the Interdepartmental Coordinating Commission on Regional Development issues [14], the main tasks of the Inter-Departmental Commission are:

1) ensuring coordination of actions of the executive authorities to ensure the development and implementation of the state regional policy, in particular, with the obligatory involvement of local authorities in the development and implementation of the state regional policy, as well as harmonization of sector development forecasts with the strategic objectives of the state national policy;

2) preparing proposals for the development and implementation of state regional policy;

3) formulating proposals for identifying mechanisms and ways to solve problematic issues that arise in the development and implementation of the state regional policy;

4) facilitating effectiveness of the executive authorities during the development and implementation of state regional policy;

5) developing proposals to ensure the interconnection and consistency of long-term strategies, plans and programs for development at the state, regional and local levels;

6) promoting the use of the positive experience of other countries, including the European ones, while improving the regulatory framework of the state regional policy [14].

Interdepartmental Commission is entitled:

- 1) to receive in the prescribed manner from executive authorities, local authorities, and enterprises, institutions and organizations information necessary to perform its tasks;
- 2) to involve representatives of executive bodies, local governments, enterprises, institutions and organizations (with the consent of their heads), as well as independent experts, representatives of civil society and mass media (as appropriate) in the work;
- 3) to form working groups, if necessary, to perform tasks on a permanent or temporary basis;
- 4) to organize conferences, seminars, meetings and other events [14].

Interdepartmental Commission performs the assigned tasks interacting with the bodies of executive power, local self-government bodies, enterprises, establishments and organizations. The meeting of the Interagency Commission is held in conformity with the decision of its Chairman.

To effectively implement the state regional policy the Verkhovna Rada of the Autonomous Republic of Crimea and the Council of Ministers of the Autonomous Republic of Crimea, regional, Kyiv, Sebastopol City councils and respective state administrations may establish Regional Development Agencies.

The co-founders of regional development agencies can also be regional chambers of commerce and industry, regional association of entrepreneurs, regional representatives of all-Ukrainian associations of local self-government bodies or associations of bodies of local governments of the region, higher education institutions, scientific institutions, and specialized public associations of the region.

Regional Development Agency is a non-profit institution that is established to effectively implement the state regional policy.

Typical regulation on Regional Development Agency [19] identifies the main functions and rights of the Agency.

The main functions of the Agency are:

- 1) to analyse the socio-economic situation, problems of development of the relevant region, to submit proposals to the Verkhovna Rada of the Autonomous Republic of Crimea, regional, Kyiv and Sevastopol city councils, Council of Ministers of the Autonomous Republic of Crimea, regions, Kyiv and Sevastopol city state administrations;
- 2) to study the experience of other states in implementation of regional policy and to prepare proposals for the use of positive experience in the region;
- 3) to provide assistance by means of organizing and conducting consultations on:
 - implementation of regional development policy and the action plan of programmes and regional development projects;
 - increasing investment attractiveness of the region, attraction of investment and credit resources, international technical assistance for regional development;
 - creation of conditions for institutional and infrastructural development of the region;
- 4) Participation:
 - to monitor the situation in the region whether the tasks assigned by the state strategy of regional development, action plan on implementation of regional strategy for development, programs and regional development projects are being fulfilled;
 - to develop proposals for legal regulation of regional development issues;
- 5) to inform the public about the activities of the Agency, in particular by placing the relevant information on its official website and in another acceptable way [19].

The agency has the authority:

- 1) to interact with executive authorities, their consultative-advisory bodies, local self-government bodies, enterprises, institutions and organizations, individuals and legal entities;

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2) to receive, in the prescribed manner, from executive authorities, local authorities, enterprises, institutions and organizations documents and information necessary for conducting their activities;

3) to form, if necessary, commissions and expert groups, hold contests, conferences, convene meetings to perform the assigned tasks;

4) to acquire, lease and alienate the order in accordance with the statutory procedure necessary for the proceeding of the immovable and movable property, to conclude contracts, to be a plaintiff and defendant in the courts [19].

Agency management bodies are supervisory board and executive body represented by the director of the agency.

Law of Ukraine "The principles of state regional policy" [15] reveals sources of funding of the state policy and principles the regional development financing is based on.

Sources of funding for the State regional policy are:

1) Funds of the state budget of Ukraine, in particular the State Fund for Regional Development;

2) Funds of local budgets;

3) Charitable donations;

4) Funds of international organizations;

5) Funds from other sources not prohibited by law [15].

Regional development financing is based on the following principles:

– compliance with the State strategy for regional development of Ukraine, relevant regional development strategy and implementation plans;

– competitive selection of programs (projects) of regional development;

– the effectiveness of the resources involved;

– capacity of facilities and entities, financed by the involved funds of the State Fund for Regional Development to provide independently further own funding or to refrain from local budgets;

– adequate financial and other participation of local self-government bodies in the jurisdiction or in the interests of which the relevant measures, programs or projects are implemented;

– impartial distribution of funds of the State Fund for Regional Development, taking into account the level of socio-economic development of administrative units [15].

The law of Ukraine «The principles of domestic and foreign policy» identifies the principles of domestic policy in the areas of local self-government development and stimulation of regional development:

- establishment of local government as a foundation of democracy, expansion of powers of local councils through decentralization of functions of State authorities, harmonization of national, regional and local interests;

- reforming intergovernmental relations in favor of local government, creating conditions for the development of economic autonomy of regions;

- improvement of the system of administrative and territorial structure on the principles of economic self-sufficiency and availability of administrative (managerial) and social services for consumers of these services;

- strengthening the material base of local self-government bodies and increasing the level of their resource support;

- strengthening the responsibility of representatives of local self-government bodies, village, township, city heads to the territorial communities that they have chosen;

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- development and implementation of projects of inter-regional economic relations and cross-border cooperation aimed at increasing the competitiveness of regions as a basis for their dynamic development;

- strengthening economic integration of regions using advantages of territorial division and cooperation of labor;

- creation of effective mechanisms to ensure active participation of communities and local self-government bodies in the development and implementation of state regional policy;

- achieving the high functional capacity of the regional potential of the regions, primarily by creating a system and technologies for attracting investments to train highly professional management personnel [16, art. 4].

The relations arising in the process of voluntary amalgamation of villages, towns and cities, as well as voluntary accession to amalgamated communities are governed by the law of Ukraine "The voluntary amalgamation of "communities" [7].

The neighboring territorial communities of villages, towns and cities are the subjects of voluntary amalgamation.

The amalgamated community which administrative center is defined as the city is a local community. Its center is defined as the village-village, the center of which is defined as village-country.

The voluntary amalgamation of territorial communities of villages and cities is carried out in accordance with the following conditions:

1) there can be no other territorial community in the united territorial community, which has its representative local self-government body;

2) the territory of the amalgamated community must be inseparable, the boundaries of the united territorial community are determined on the external boundaries of the jurisdiction of councils of territorial communities;

3) the amalgamated community should be located within the territory of the Autonomous Republic of Crimea, in one area;

4) when deciding on the voluntary amalgamation of communities, historical, natural, ethnic, cultural and other factors affecting the socio-economic development of the Amalgamated community are taken into account;

5) the quality and availability of public services provided in the amalgamated community may not be lower than before the merger [7].

Forms of state support for voluntary amalgamation of communities and accession to amalgamated community:

1) the state provides informational, educational, organizational, methodical and financial support for a voluntary amalgamation of communities and accession to amalgamated communities;

2) organizational support and informational and educational assistance for voluntary unification of communities and accession to amalgamated communities is provided by the Council of Ministers of the Autonomous Republic of Crimea, local state administrations;

3) methodical provision of voluntary amalgamation of communities and accession to amalgamated communities, determining the volume and form of support, is carried out by a central executive body that ensures the development and implementation of state policy in the area of territorial organization, administrative and territorial structure, development of local self-government;

4) the Cabinet of Ministers of Ukraine may acknowledge the united territorial community in a possible manner, provided that it is established according to the procedure defined in section II of this law, around the settlement defined by the perspective plan for the formation of territorial communities of region as the administrative center of the united territorial

community, as well as if the population of the united territorial community is not less than half the population of the territorial communities that had to enter such community in accordance with the perspective plan for the formation of community's territories of the Autonomous Republic of Crimea [7].

If the united territorial community council decided to refuse to provide consent for voluntary accession to another territorial community on its initiative, the Cabinet of Ministers of Ukraine may cancel the decision to recognize that such a joint Territorial Community is capable.

Financial support of the State to voluntary association of territorial communities of villages, towns and accession to amalgamated communities:

1) the state shall provide financial support to the voluntary amalgamation of villages, towns and cities and accession to amalgamated communities supplying the united territorial communities with funds in the form of subsidies to build an appropriate infrastructure in accordance with the plan of socio-economic development of such territorial communities;

2) proposals to provide financial support to the amalgamated community are made by the Council of Ministers of the Autonomous Republic of Crimea, corresponding regional state administration by the submission of the village, township, city Council of the united territorial community of the Cabinet of Ministers of Ukraine not later than July 15, which precedes the budget period in which such financial support is envisaged;

3) the total financial support is distributed between the budgets of amalgamated communities in proportion to the area of the amalgamated community and the number of rural population in such territorial community with equal importance of both these factors;

4) the total amount of subunits of the appropriate infrastructure of amalgamated community is determined by the law on the state budget of Ukraine;

5) the procedure for granting subventions from the state budget to amalgamated communities is established by the Cabinet of Ministers of Ukraine [7].

The issue of stimulating the development of the regions of Ukraine is determined by the law of Ukraine "The stimulating the development of regions" [12], which states the purpose and principles for stimulating the development of regions, state stimulation of regional promoting development of depressed areas, funding and reporting on stimulation of regional development.

Regional development promotion is carried out with the aim:

– to ensure the sustainable development of regions for the sake of Ukraine, increase living standards, overcome poverty and unemployment, create the middle class;

– to use effectively economic, scientific, labor potential, natural and other resources, as well as features of regions to achieve on this basis, an increase in the standard of living, optimum specialization of regions in the production of goods and services;

– to create equal conditions for dynamic, balanced socio-economic development of the regions of Ukraine;

– to ensure state social guarantees for every citizen, regardless of their place of residence;

– to overcome the depressive state of certain territories, solving the problems of environmental protection in a timely and complex manner [12].

Regional development promotion is carried out on the basis of:

– balance of national, regional and local development interests, state determination of evidence-based priority areas of regional development taking into account the proposals of local authorities;

– program-targeted approach to solving problems of socio-economic development, creation of favorable investment environment in the regions;

– the maximum compliance of services provided by the state authorities and local self-government bodies with the requirements of the consumers of these services;

- focus on competitive basis of funds of the state budget of Ukraine, local budgets, as well as other resources to achieve the most effective use for regional development purposes;
- cooperation and mutual responsibility of central and local executive authorities, local self-government bodies, scientific and public organizations and other entities in the implementation of regional development tasks [12].

Coordination of central and local executive authorities and local self-government bodies in the field of state stimulation of development of regions, implementation of regional development strategies is based on regional agreements between the Cabinet of Ministers of Ukraine and the Verkhovna Rada of the Autonomous Republic of Crimea, Oblast, Kyiv, Sebastopol City councils and shall be carried out in accordance with this law and other legislative acts.

The Regional Development Agreement provides for:

- joint measures of central and local executive authorities and local authorities on implementation of the state strategy of regional development in the region;
- joint measures of central and local executive authorities and local self-government bodies on implementation of regional development strategy;
- the procedure, volume, forms and terms of financing mutual measures, determined by the parties, according to the state budget of Ukraine and local budgets;
- the procedure for informing about the implementation of the regional development agreement;
- liability of the parties to the agreement for non-fulfilment or improper execution of its measures;
- procedure for amending the agreement;
- the procedure for entry into force and expiry [12].

The basic principles of state stimulation of the development of depressed areas are shown in Fig. 2.

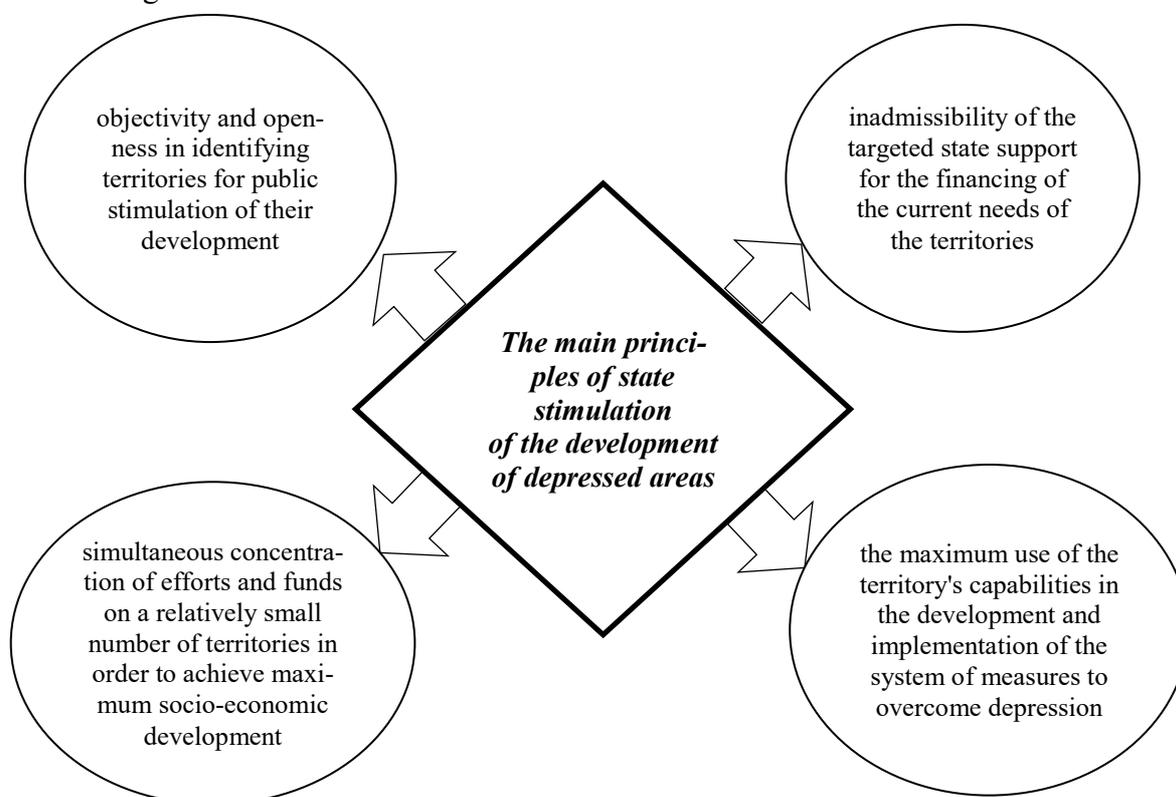


Fig. 2. The main principles of state stimulation of the development of depressed areas
Source: [12].

Financing of stimulation of regional development and overcoming of depression of territories is carried out at the expense of the funds foreseen for this purpose in laws of Ukraine on the state budget of Ukraine and decisions on local budgets (autonomous Republic of Crimea, regions, Municipal cities (Republican-autonomous Republic of Crimea) values and district budgets) for the relevant years and other sources in accordance with the legislation.

The amount of financing of the implementation of agreements on regional development and execution of programs for overcoming the state depression of territories is annually envisaged in the projects of the state budget of Ukraine and decisions on local budgets by relevant budget programs.

The Budget Code of Ukraine (article 24) identifies the main issues of the State Fund for Regional Development:

- the State Fund for Regional Development is created as a part of the General Fund of State budget;

- when drafting the state budget of Ukraine and the forecast of the state budget for the next scheduled two budget periods, the State Fund for Regional Development provides for at least 1 percent of the forecast amount of revenues of general draft state budget of Ukraine for the corresponding budget period;

- funds from the State Fund for Regional Development for implementation of investment programmers and regional development projects (including projects of co-operation and voluntary amalgamation of communities) are aimed at developing the infrastructure of the industrial and innovative parks and meet the priorities defined by the State strategy for regional development and corresponding regional development strategies [1].

The state strategy for regional development [17] identifies the objectives of the state regional policy and the main tasks of central and local executive authorities and local self-government bodies aimed at achieving these goals, as well as provides for the coherence of the state regional policy with other state policies aimed at territorial development.

The implementation of the strategy will determine an integrated approach to the development and implementation of the state regional policy, which will involve the combination of the following components: sectoral, territorial, management (Fig. 3).

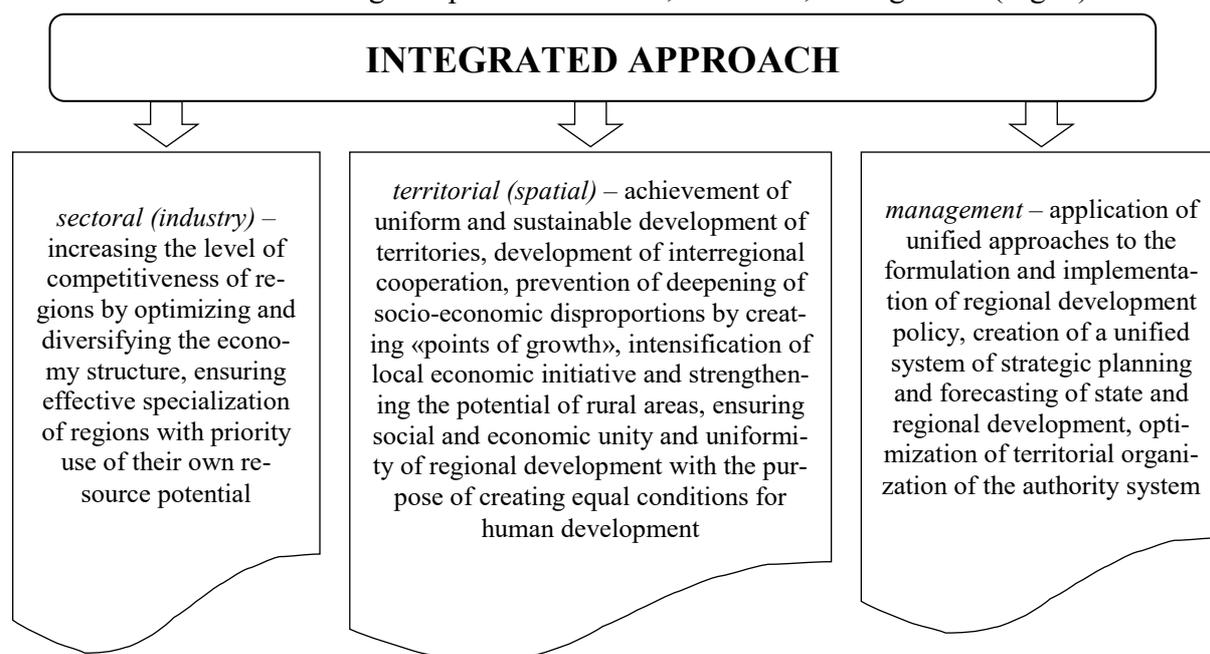


Fig. 3. Integrated approach to the development and implementation of the state regional policy
Source: [17].

The strategic purpose of implementing the state regional policy is to create conditions for dynamic, sustainable development of Ukraine's regions to ensure social and economic unity of the state, to increase the level of competitiveness of regions, intensification of economic activity, to improve the standard of living of the population, to ensure the state-guaranteed social and other standards for every citizen, regardless of their place of residence.

The strategic vision of regional development and the country as a whole is to solve existing problems through the use of internal and external opportunities of regions and territories. The purpose of strategic direction of the state regional policy is:

- human-oriented development and unity;
- achieving economic growth while using its own potential and implementing an effective state regional policy and, consequently, increasing the standard of living of the population;
- integration of regional economic, informational, educational, cultural space into the nationwide space, in which the person is capable of self-realization and improvement of quality of life regardless of the place of residence (unity Ukrainian space) [17].

The strategy states that the achievement of a certain goal will allow regions to become economically stronger, mutually integrated, and more independent in 2020 as a result of the implementation of an effective decentralization-based management model, deconcentration and subsidiarity. Standards and quality of life of people will reach a higher level, the opportunities to create and efficiently operate partnerships between society, government and business will increase.

Creating an effective and transparent mechanism for financial support of regional development requires consideration of the specific development of each region.

The strategy aims at identifying tasks and tools to solve social problems, raise the level of economic potential of territories, productivity of their economy, profitability of business and incomes and, consequently, create favourable conditions for social standards, quality of life and development of business environment. However, such interdependence requires to identify and implement an effective fiscal mechanism and redistribution mechanism, otherwise there is a real threat of excessive polarization and increased disparities between economically developed cities and the rest of the territory [17].

The active institutional environment of the regional development regulation ignores the fact that:

- Ukraine's regional landscape is severely destroyed due to annexation of Crimea and long military aggression of Russia in the east;
- regions should be considered as self-sufficient bodies, and regulation of their development is proposed only in terms of the revision of intergovernmental relations;
- regional development strategies and programs are not obligatory for implementation at all management levels;
- the purposes, objectives and priorities of spatial development do not imply global challenges, risks and threats, which arise as a result of Ukraine's integration into the world economic space;
- the level of regional and municipal management requires radical review and new personnel [18].

Moreover, in the current legal framework there are numerous institutional traps that will hinder the application of effective mechanisms of planning, organization and control of sustainable regional development. This largely causes regional differentiation, which in certain circumstances, may occur at a sub-regional level, and will also lead to incomplete use of local competitive advantages that reduces the potential opportunities of territorial communities in the complex development of their territories.

One of the most appropriate and effective ways to solve this problem may be the transition to functionally self-regulatory management.

The main tasks are:

– to create a rational system of local governance with regional development on the basis of clear identification of authorities and their degree of responsibility for effective implementation of public policy;

– to develop and implement effective employment programs at the level of each community as a basis for improvement of the quality of human potential and its capitalization;

– to introduce motivational mechanisms for increasing resource capacities of the regions in terms of use of available competitive advantages;

– to ensure permanent monitoring and implementation of systemic measures in the field of rational nature, environmental protection;

– to decrease the dependence of local budgets on intergovernmental transfers to achieve their full financial self-sufficiency as a basis for active economic, social and environmental policy in the regions [18].

Conclusions. The author has investigated the institutional environment of regional development regulation in Ukraine and formed the main aspects which should be taken into account by the current institutional environment, namely: Ukraine's regional landscape is severely destroyed due to annexation of Crimea and long military aggression of Russia in the east; regions should be considered as self-sufficient bodies, and regulation of their development is proposed only in terms of the revision of intergovernmental relations; regional development strategies and programs are not obligatory for implementation at all management levels; the purposes, objectives and priorities of spatial development do not imply global challenges, risks and threats, which arise as a result of Ukraine's integration into the world economic space; the level of regional and municipal management requires radical review and new personnel.

The main tasks, which should solve the functional and self-regulatory control system, are defined, among which: to create a rational system of local governance with regional development on the basis of clear identification of authorities and their degree of responsibility for effective implementation of public policy; to develop and implement effective employment programs at the level of each community as a basis for improvement of the quality of human potential and its capitalization; to introduce motivational mechanisms for increasing resource capacities of the regions in terms of use of available competitive advantages; to ensure permanent monitoring and implementation of systemic measures in the field of rational nature, environmental protection; to decrease the dependence of local budgets on intergovernmental transfers to achieve their full financial self-sufficiency as a basis for active economic, social and environmental policy in the regions.

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