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Banking University, Lviv, Ukraine;**Poznan University of Technology, Poland;**e-mail: mariya.khmelyarchuk@put.poznan.pl; ORCID ID: 0000-0002-9800-4709;***MANAGEMENT FEATURES OF THE STATE FUND FOR REGIONAL DEVELOPMENT OF UKRAINE UNDER THE CONDITIONS OF CURRENT CHALLENGES**

Abstract. The article summarizes the arguments and counterarguments within the scientific discussion on the resource management of the State Fund for Regional Development of Ukraine (Fund). The main purpose of the study is to assess the effectiveness of resource management of this Fund from the standpoint of improving the effectiveness of state financial support for regional development in Ukraine. Systematization of literature sources and approaches to solving the problem of effective use of state budget funds to finance regional development goals showed that in general there is a positive assessment of the feasibility of the State Fund for Regional development in Ukraine, but there are significant shortcomings and problems in financing regional development measures. The urgency of solving this scientific problem is that being a significant budgetary resource for the implementation of goals and objectives of regional development, the Fund is not used effectively due to improper management.

The study of the peculiarities of the resource management of the State Fund for Regional Development of Ukraine in modern challenges was conducted from the standpoint of assessing compliance with national legislation of budgetary discipline, economic and social feasibility and taking into account the following factors: ensuring full compliance with budget legislation of Ukraine; absence of violations of terms of distribution of means of fund; absence of violations in planning, selection and approval of investment programs and regional development projects; directing the established share of Funds resources to the economic development of the regions; timely and full development of resources at the planned facilities; an effective system of internal control over the effective use of budget funds; based on the results of the study, conclusions were prepared. The methodological tools of the study were the methods of economic and statistical analysis, grouping, comparisons, index analysis and factor analysis. The research period is 2016—2020.

The article presents the results of the empirical analysis, which showed that there are systemic problems in the organization of resource management of the State Fund for Regional Development. The study empirically confirms and theoretically proves that it is necessary to update the provisions of Article 241 of the Budget Code of Ukraine to determine the resources of this Fund in the amount of at least one percent of the total fund of the State Budget of Ukraine; the distribution of the fund's funds should take into account territorial differentiation according to the regional human development index; identification of additional criteria for selection of regional development projects that will ensure the achievement of positive economic changes in the regions; organize an effective system of internal control and internal audit. The results of the study can be useful for use in research and in the activities of state, regional and local governments in terms of taking into account the peculiarities of the management of the State Fund for Regional Development in Ukraine.

Keywords: state budget, state fund for regional development, management efficiency, investment programs and projects, regional development, financial support.

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ОСОБЛИВОСТІ МЕНЕДЖМЕНТУ ДЕРЖАВНОГО ФОНДУ РЕГІОНАЛЬНОГО РОЗВИТКУ УКРАЇНИ В УМОВАХ СУЧАСНИХ ВИКЛИКІВ

Анотація. Узагальнено аргументи і контраргументи в межах наукової дискусії з питання управління коштами державного фонду регіонального розвитку України. Основною метою проведеного дослідження є оцінка ефективності управління коштами зазначеного фонду з позиції підвищення ефективності державної фінансової підтримки регіонального розвитку в Україні. Систематизація літературних джерел і підходів до розв'язання проблеми ефективного використання коштів державного бюджету для фінансування цілей регіонального розвитку засвідчила, що загалом існує позитивна оцінка доцільності функціонування державного фонду регіонального розвитку в Україні, але водночас існують і суттєві недоліки та проблеми щодо забезпечення фінансування заходів розвитку регіонів. Актуальність розв'язання наукової проблеми полягає в тому, що, будучи вагомим бюджетним ресурсом для реалізації цілей і завдань регіонального розвитку, кошти фонду використовуються недостатньо ефективно через неналежний його менеджмент.

Дослідження питання особливостей менеджменту державного фонду регіонального розвитку України в умовах сучасних викликів проведено з позиції оцінки дотримання національного законодавства бюджетної дисципліни, економічної та соціальної доцільності та з урахуванням таких факторів: забезпечення повного дотримання бюджетного законодавства України; відсутності порушень строків розподілу коштів фонду; відсутності порушень при плануванні, відборі та затвердженні інвестиційних програм і проєктів регіонального розвитку; спрямування встановленої частки коштів фонду на економічний розвиток регіонів; своєчасне і в повному обсязі освоєння коштів на запланованих об'єктах; дієва система внутрішнього контролю ефективного використання бюджетних коштів; за результатами дослідження підготовлено висновки. Методичним інструментарієм проведеного дослідження стали методи економіко-статистичного аналізу, групування, порівнянь, індексного аналізу і факторного аналізу. Періодом дослідження обрано 2016—2020 роки.

Представлено результати емпіричного аналізу, який засвідчив, що мають місце системні проблеми щодо організації менеджменту державного фонду регіонального розвитку. Дослідження емпірично підтверджує і теоретично доводить, що потрібно поновити положення статті 24¹ Бюджетного кодексу України щодо визначення ресурсів фонду в обсязі не менше ніж один відсоток від загального фонду Державного бюджету України; розподіл коштів фонду має враховувати територіальну диференціацію за індексом регіонального людського розвитку; визначення додаткових критеріїв відбору проєктів регіонального розвитку, які забезпечать досягнення позитивних економічних змін у регіонах; організувати ефективну систему внутрішнього контролю і внутрішнього аудиту. Результати проведеного дослідження можуть бути корисними для використання в наукових дослідженнях і в діяльності органів державного, регіонального і місцевого управління щодо особливостей менеджменту державного фонду регіонального розвитку в Україні.

Ключові слова: державний бюджет, державний фонд регіонального розвитку, ефективність управління, інвестиційні програми і проєкти, регіональний розвиток, фінансова підтримка.

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Introduction. Since 2000, Ukraine has been undergoing a rather complex process of reforming public administration of regional development, first of all of the state regional policy, which in an open economy should ensure the transition to a new quality of national economy development, increasing competitiveness of all regions of the country both in external and internal markets, which should reduce the disproportion and imbalance of the economy and the severity of human development problems, promote its inclusiveness, as well as new standards for the ability of central and local governments and self-government to implement this policy.

However, in the context of the systemic political and economic crisis of society, insignificant intermediate results of transformation of the Ukrainian economy into the market did not eliminate the signs of its crisis: macroeconomic instability, increasing uneven development of regions, increasing their differentiation and disproportion. Modern provision of state financial support for the development of the regions of Ukraine is not effective enough, rather unstable and there are constant changes in it, which slows down further regional development and requires improvement, taking into account European standards. This applies, first of all, to the resource management of the State Fund for Regional Development (hereinafter the Fund).

Analysis of recent research and publications. Studies of the views of Ukrainian scholars on the using of resources from the State Fund for Regional Development showed a fairly detailed coverage. In particular, when considering the theoretical foundations of the Fund, S. Romaniuk proceeds from the need for redistributive mechanisms in the disproportionate development of regions, which allows to direct funds to the development of less developed regions, but redistributive regional policy should not become a policy of total equalization (Romaniuk, 2013). [1]. O. Shyshko explores the problematic issues of the methodology of distribution of the regional funds (Shyshko, 2013) [2].

I. Lunina and O. Bulana study the peculiarities of using the Fund's resources and substantiate proposals to change its spending priorities in the direction of activating the internal factors of economic growth of the regions (Lunina and Bulana, 2018) [3]. V. Oparin and N. Pjontko hold the position that the regional funds are spent mainly on social projects and solving local current problems that have a weak impact on the economic growth of the territories (Oparin and Pjontko, 2017) [4]. At the same time, the issue of using the regional funds, primarily for the economic development of the regions, needs to be significantly improved.

The purpose of the article is to study the effectiveness of the resource management of the State Fund for Regional Development, aimed at economic growth of the regions.

Presentation of the main research material. In our opinion, the effectiveness of the of resource management of the State Fund for Regional Development at all levels of government should testify:

- ensuring full compliance with the budget legislation of Ukraine;
- absence of violations of the terms of distribution of the regional funds;
- absence of violations in the planning, selection and approval of investment programs and regional development projects;
- directing the established share of the regional funds to the economic development of the regions;
- timely and full development of funds at the planned facilities;
- an effective system of internal control over the effective use of budget funds both at the level of the central executive body and the level of executive power of the regions.

In accordance with these factors, we will analyze in more detail the effectiveness of resource management of the state fund for regional development.

The Budget Code of Ukraine [5] stipulates that the State Fund for Regional Development is created during the drafting of the State Budget of Ukraine and its forecast for the next two budget periods and is determined at least 1 percent of the projected revenues of the general fund of the draft State Budget of Ukraine for the relevant period. It should be noted that this rule of law has a positive effect on management decisions on regional development, as it makes state budget expenditures more predictable each year.

However, the Law of Ukraine «On Amendments to the Budget Code of Ukraine» of 20.12.2016 № 1789 [6] excluded the position on the formation of the state fund of regional development at the expense of the general fund of the State Budget of Ukraine. In addition, in particular for 2016, 2017, 2018, 2019, 2020 [7—11], the provisions on the formation of this Fund in the amount of not less than 1 percent. The sources of formation of the State Fund for Regional Development in 2017—2019 were the general and special funds of the State Budget of Ukraine. In our opinion, this has created significant risks of non-financing of a number of regional development projects selected on a competitive basis and approved by the Cabinet of Ministers of Ukraine.

These changes made it possible to approve the Fund's resources in annual state budgets in the amount of less than 1 percent of the projected revenues of the general fund of the state budget, as well as to approve budget allocations not only for general but also for special fund, which has unstable sources of its formation (Fig.).

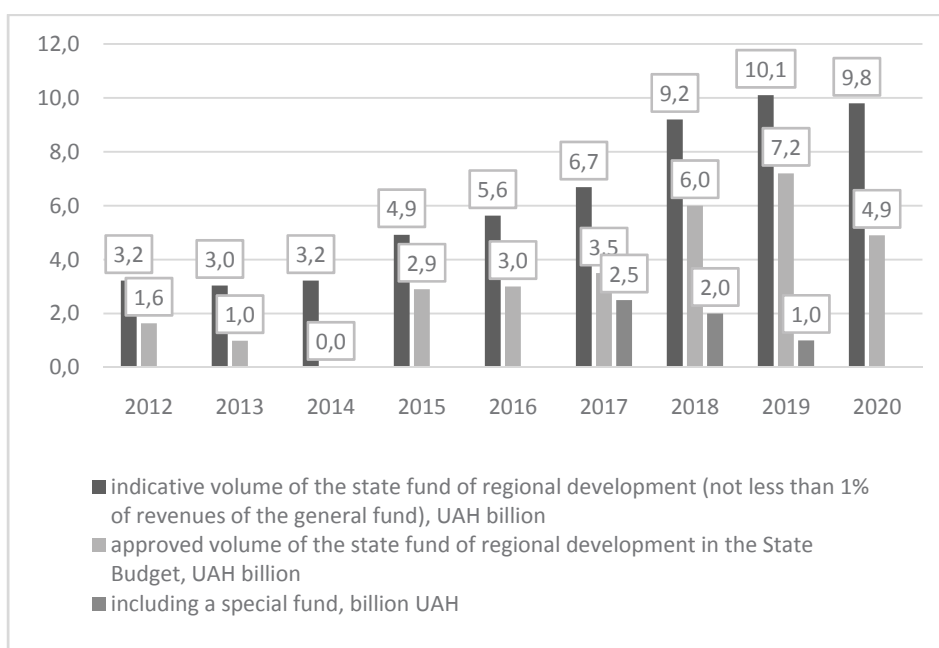


Fig. Dynamics of the resources volumes of the State Fund for Regional Development in 2012—2020

Source: compiled by authors on the basis of indicators of the State Budget of Ukraine for 2012—2020.

In particular, in 2018, due to the lack of actual revenues to the special fund, the resources of the State Fund for Regional Development were financed at the level of 67 percent of the approved amount of 6.0 billion UAH. Of the approved amount of the special fund of 2.0 billion UAH, appropriations worth only 59.8 thousand UAH were opened, which made the implementation of investment programs and projects completely dependent on the sources of its formation and led to underfunding of 391 projects, or 48.5 percent of the total approved amount [12]. In 2019, the situation was improved. From the special fund 0.68 billion UAH was financed, or 68 percent of the planned amount [13].

The dynamics of indicative and approved volumes of the Fund for the period of its operation (2012—2020) indicates systemic problems in its filling.

The instability of the legislation is also evidenced by changes in the criteria for allocating the Fund's resources. Thus, until 2019, the distribution of resources between regions was carried out in such ratio: 80 percent of funds according to the population living in the region and 20 percent of funds — taking into account the level of socio-economic development of regions according to gross regional product per capita. The Law of Ukraine «On the State Budget of Ukraine for 2019», Articles 27 and 29 stipulated that 50 percent of the Fund's resources were distributed by the Cabinet of Ministers of Ukraine to implement the priorities of economic growth and living standards, the other 50 percent were distributed by the Cabinet of Ministers of Ukraine on such principle:

competitive selection conducted at the local and central level; on the proposals of people's deputies of Ukraine, provided to the Ministry of Regional Development, as well as financial support for the implementation of projects-winners of the «All-Ukrainian public budget». This approach to the distribution of funds shows the strengthening of the centralization of state power in Ukraine.

According to the results of conducted researches (Pukhyr, 2020) [14], improvement of the mechanism of distribution of resources of the state fund of regional development is considered in the context of application of the index of regional human development, which takes into account territorial differentiation by aggregate indicator and aims to reduce it, as well as adhering to the principles of inclusive development, both on the regional and state levels.

It is proved that the distribution of resources of the State Fund for Regional Development according to the criterion of population of the region provides significant annual budget funds for the leading regions in economic terms, because these regions are the home to the largest part of the population. The necessity of changing of the mechanism of distribution of this resources according to the regional human development index, which, in our opinion, provides the grounds of comparisons of socio-economic development of regions, disproportionate level and quality of life, the state of functioning of the system of state social standards and guarantees, was grounded (Table 1).

Table 1

**Calculation of the distribution of the resources of the State Fund
for Regional Development between the regions of Ukraine
using the regional human development index for 2016—2018**

| Regions | The planned volume of the Fund by the criterion of population, million UAH * | | | Estimated amount of 80% of the Fund's resources according to the index, million UAH | | |
|-------------------------------|--|--------|--------|---|----------|----------|
| | 2016 | 2017 | 2018 | 2016 | 2017 | 2018 |
| Ukraine | 2400,0 | 3500,0 | 6000,0 | 2235,0** | 2609,0** | 4468,4** |
| Autonomous Republic of Crimea | ... | ... | ... | ... | ... | ... |
| Vinnitsia | 89,2 | 173,0 | 178,7 | 96,6 | 110,6 | 181,9 |
| Volyn | 58,4 | 113,2 | 192,1 | 92,4 | 108,2 | 186,2 |
| Dnepropetrovsk | 181,3 | 212,6 | 336,1 | 94,4 | 110,2 | 110,2 |
| Donetsk | 238,1 | 279,1 | 777,7 | 100,0*** | 119,9*** | 200,6*** |
| Zhytomyr | 69,6 | 135,0 | 228,1 | 103,3 | 123,4 | 208,3 |
| Zakarpattia | 70,6 | 136,8 | 232,5 | 83,9 | 86,4 | 168,3 |
| Zaporozhye | 97,6 | 114,5 | 195,3 | 86,3 | 109,2 | 185,3 |
| Ivano-Frankivsk | 77,4 | 149,8 | 254,7 | 89,7 | 81,3 | 156,4 |
| Kyiv | 97,3 | 113,9 | 197,6 | 91,0 | 110,7 | 191,3 |
| Kirovograd | 54,2 | 63,6 | 108,5 | 103,5 | 120,4 | 210,0 |
| Luhansk | 123,2 | 238,6 | 401,3 | 97,5*** | 116,4*** | 195,1*** |
| Lviv | 142,2 | 166,6 | 286,3 | 81,5 | 91,9 | 158,1 |
| Mykolaiv | 64,9 | 75,7 | 129,2 | 92,6 | 108,7 | 181,5 |
| Odessa | 133,9 | 156,8 | 269,5 | 94,1 | 111,7 | 194,7 |
| Poltava | 80,0 | 93,9 | 160,3 | 91,3 | 109,2 | 177,7 |
| Rivn | 65,3 | 126,1 | 214,7 | 97,0 | 118,4 | 198,9 |
| Sumy | 62,0 | 120,1 | 124,1 | 98,1 | 110,7 | 192,2 |
| Ternopil | 59,4 | 115,2 | 194,7 | 90,5 | 103,6 | 172,7 |
| Kharkiv | 151,5 | 177,7 | 305,2 | 76,6 | 97,5 | 164,9 |
| Kherson | 59,2 | 114,8 | 193,9 | 101,6 | 120,4 | 209,2 |
| Khmelnitskyi | 72,1 | 139,8 | 235,9 | 100,1 | 118,4 | 202,4 |
| Cherkasy | 69,1 | 81,1 | 138,3 | 94,5 | 115,3 | 193,0 |
| Chernivtsi | 50,9 | 98,6 | 167,6 | 79,4 | 83,3 | 150,5 |
| Chernihiv | 58,0 | 112,5 | 115,7 | 99,1 | 119,4 | 193,8 |
| Kyiv city | 174,6 | 191,0 | 331,6 | ** | ** | ** |
| Sevastopol city | ... | ... | ... | ... | ... | ... |

* Taking into account the calculation of 80% + 20%.

** Without taking into account the resources of the State Fund for Regional Development for the city of Kyiv.

*** Calculation based on indices for 2013.

Note. Compiled by the authors.

According to the results of the analysis of the regional human development index for 2016-2018, it was found that only five regions: Chernivtsi, Ivano-Frankivsk, Lviv, Kharkiv and Zakarpattia have the highest index — more than four, in particular, in 2018 from 4.2294 to 4.0233, with the «ideal» established by scientists — six [15]. The lowest indices belong to Kirovohrad (3.5257), Zhytomyr (3.5472), Kherson (3.5438) and Khmelnytsky (3.6188) regions. The calculation of the distribution of 80% of funds by the method proposed by the author showed a change in the format of state financial support. Thus, the region with the smallest population and the smallest index of regional human development — Kirovograd should be directed during 2016 — 2018 in 1.9 times more than as determined by the population criterion. The use of the method of distribution of 80 percent of the state fund for regional development according to the regional human development index makes it possible to improve the mechanism of its distribution for financial support of investment projects and regional development programs. The remaining 20 percent of the Fund's resources for the planned budget year, in contrast to the existing methodology, is directed to the implementation of national goals in the field of regional development.

Thus, according to the proposed approach, 80 percent of the State Regional Development Fund is directed to investment and innovation support of regional development, according to the criterion of regional human development, 20 percent of the Fund — to state financial support for regional development, namely: projects and programs fulfillment of tasks of the State Strategy of Regional Development and action plans for its implementation, financing of joint measures of agreements on regional development, state programs of development of problematic areas (depressed), other priority target programs at the national level and regional development projects defined by the Cabinet of Ministers of Ukraine.

Equally important in the management of the Fund's resources is the non-violation of the terms of its distribution and the absence of violations in the planning, selection and approval of investment programs and regional development projects.

Every year, most regions of Ukraine systematically violate the requirements of the Budget Code of Ukraine to submit to the Ministry of Development of Communities and Territories of Ukraine by May 1 of this year a list and description of selected investment programs and regional development projects for the planned year. However, the proposals of the regional state administration are submitted almost a year later, namely in the first half of the current budget year, and, importantly, not for the full amount of funds due to the region. Thus, according to the results of the audit of the Accounting Chamber of Ukraine, it was established that in 2017 during the first meeting of the Commission of the Ministry of Regional Development on April 13, 2017 only 17 percent of the Fund's resources were distributed among the regions and according to the results of the first meeting in 2018, which took place on March 1—30 [12] percent. At the same time, almost two thirds of the proposals submitted by the regions were returned for revision as most of the programs and projects did not meet the established procedure and criteria, namely.

As a result of such inefficient work on the Fund's resources management, the distribution of its first part was approved in early June 2017 [16], and in 2018 — in the third decade of May [17], in 2019 and in 2020 in the second decade of May [18; 19], however, it should be noted that in 2019 the list of investment programs and projects was amended by the Cabinet of Ministers of Ukraine 4 times (15.05.2019, 05.07.2019, 09.10.2019, and 04.12.2019) [20—22], ie with a significant delay, which was a violation of the Budget Code of Ukraine and did not contribute to their full and effective use.

The large dispersion of the Fund's resources to finance a significant number of regional development projects does not contribute to the effective management of the Fund's resources. It should be noted that the vast majority of projects are aimed at solving current social problems, namely: construction, reconstruction and overhaul of schools, kindergartens, hospitals, clinics, cultural and sports facilities, maintenance of public roads, construction and reconstruction of water mains. Thus, if in 2012, the year of the Fund's establishment, 523 investment projects were approved for implementation, then in 2017 — 803, in 2018 — 806, in 2019 — 704 [18; 20—22], at the first stage of 2020 — 456 [19] projects of regional development, of which 221 projects or 48.5 percent of the total number of projects are projects for the reconstruction of education, health care, sports

facilities and utilities in all regions of Ukraine. The largest number of reconstruction projects funded by the Fund in 2020 is carried out in Vinnytsia — 19 projects, Ternopil — 16, Zakarpattia — 14, Lviv — 13, Donetsk, Zhytomyr and Luhansk regions — 12 objects in each region. Overhaul projects account for 23.7 percent (108 facilities) of the total number of projects to be funded by the Fund. It is important to note that in some regions the Fund's resources are not used for capital repairs. These are Kirovohrad, Mykolaiv, Poltava, Rivne regions and the city of Kyiv, at the same time in these regions the least dispersion of the Fund's resources (*Table 2*), which indicates, in our opinion, positive management decisions on the concentration of funds on important projects for the region.

Table 2

Regional development investment projects in 2017—2020 by regions

| Regions | Number of implemented projects | | | |
|-------------------------------|--------------------------------|------|------|------|
| | 2017 | 2018 | 2019 | 2020 |
| Ukraine | 803 | 806 | 704 | 456 |
| Autonomous Republic of Crimea | ... | ... | ... | ... |
| Vinnytsia | 43 | 32 | 22 | 29 |
| Volyn | 22 | 25 | 22 | 13 |
| Dnepropetrovsk | 9 | 15 | 14 | 14 |
| Donetsk | 47 | 76 | 47 | 32 |
| Zhytomyr | 33 | 35 | 39 | 24 |
| Zakarpattia | 72 | 56 | 46 | 23 |
| Zaporozhye | 29 | 24 | 23 | 17 |
| Ivano-Frankivsk | 50 | 55 | 50 | 33 |
| Kyiv | 19 | 14 | 9 | 15 |
| Kirovograd | 8 | 9 | 10 | 7 |
| Luhansk | 57 | 65 | 58 | 23 |
| Lviv | 62 | 70 | 47 | 22 |
| Mykolaiv | 20 | 19 | 5 | 4 |
| Odessa | 15 | 9 | 14 | 11 |
| Poltava | 19 | 16 | 6 | 14 |
| Rivn | 14 | 26 | 19 | 13 |
| Sumy | 55 | 41 | 32 | 24 |
| Ternopil | 59 | 34 | 42 | 34 |
| Kharkiv | 12 | 13 | 22 | 20 |
| Kherson | 22 | 27 | 33 | 23 |
| Khmelnyskyi | 53 | 48 | 48 | 23 |
| Cherkasy | 13 | 29 | 31 | 10 |
| Chernivtsi | 23 | 38 | 27 | 11 |
| Chernihiv | 40 | 18 | 30 | 12 |
| Kyiv city | 7 | 12 | 8 | 5 |
| Sevastopol city | | ... | ... | ... |

Source: compiled by the authors on the basis of the orders of the Cabinet of Ministers of Ukraine [16—22].

The largest dispersion of the Fund's resources is observed in Vinnytsia, Donetsk, Zakarpattia, Ivano-Frankivsk, Luhansk, Lviv, Sumy, Ternopil and Khmelnytsky regions. Thus, in these regions the number of projects is in the range from 43 to 72 in 2017 and from 32 to 76 — in 2018.

At the same time, individual projects are aimed at ensuring the economic development of the territories. In particular, in 2020 it is the reconstruction and technical re-equipment of radio landing facilities of Mykolayiv International Airport and the development of engineering solutions for renaturalization of the hydrological condition of the Velykyi Kuyalnyk River in order to save the Kuyalnytsya estuary in Odesa region. Investment programs and projects for the creation of the infrastructure of industrial and innovation parks during the period of the Fund's operation were practically not approved.

This position of the authorities does not ensure the achievement of positive economic changes in the development of regions. It should be emphasized that in European countries up to 30 percent of all public investments are directed to increase the business capacity of the regions.

Important from the point of view of the efficiency of the Fund's resources management is its full using by the regions. However, of the funds provided in the state budget at the expense of general and special funds, the resources of the State Fund for Regional Development were used in 2017 by 88.3 percent, in 2018 — by 88.7 percent, and in 2019 only by 76.5 percent. It should be noted that no region used targeted open allocations, ie regions did not used the budget resources guaranteed by the state for the implementation of regional investment programs and projects. We believe that this result is caused by a complex mechanism of very long formation and approval of regional lists of investment programs and projects by the Ministry of Development of Communities and Territories of Ukraine together with the Verkhovna Rada Committee on Budget, as well as with People's Deputies of Ukraine, which significantly affects the violation of the terms of allocation of resources, and hence their use.

The inefficient management of the Fund's resources is evidenced by the fact that 532 regional development projects were launched in 2017, which is 66 percent of the funded amount, and actually completed — 401 projects, or 75 percent of the planned. In 2018, the situation worsened, because 450 projects, or 56 percent of the funded ones, were identified as start-ups, but only 212 projects or less than half of the planned ones were completed during the planned period [12], in 2019, 289 projects or 42 percent of the funded ones were completed, which is a result, first of all, of the inclusion by the regions in the list of investment programs and projects, proposals that did not fully meet the requirements set by the Cabinet of Ministers of Ukraine, as well as improper management actions, including: delays in tender procedures, amendments to projects already approved by the Cabinet of Ministers of Ukraine. Among the main reasons for the incomplete use of the Fund's resources is the approval of its expenditures in a special fund of the state budget, which was not provided with stable sources. The above-mentioned violations in the management of the Fund's resources both at the level of the central authority and at the level of executive power of the regions are largely the result of the lack of an effective system of control over the direction and use of budget funds, in particular, non-compliance with budget legislation, legislation on public procurement, legislation on urban planning of Ukraine.

Conclusions. Summing up the results of the research, we accented attention that being a significant budgetary resource for the implementation of goals and objectives of regional development, the resources of the State Fund for Regional Development are not used effectively enough due to inadequate management.

In order to increase the efficiency of management of resources of the State Fund for Regional Development it is necessary:

- to ensure adequate funding of the investment programs and projects from the State Fund for Regional Development by updating the provisions of Article 24¹ of the Budget Code of Ukraine to determine in the Project of the State Budget of Ukraine the volumes of the State Fund for Regional Development not less than 1 percent of the projected revenues of the general fund of the State Budget of Ukraine for the relevant budget period;

- to provide the changes in the mechanism for determining and allocating the volume of the State Fund for Regional Development. The distribution of the fund's resources should take into account the territorial differentiation according to the regional human development index and be aimed at its reduction, which will contribute to the observance of the principles of socially-oriented, inclusive development. According to this criterion, 80 percent of the State Fund for Regional Development is proposed to be directed to investment and innovation support of regional development, 20 percent of the fund — to state financial support for regional development, namely: projects and programs to ensure implementation of the State Strategy for Regional Development and action plans for its implementation;

- to make changes to the project selection procedure in terms of defining additional criteria for selection of regional development projects that ensure the achievement of positive economic changes in the regions in order to direct the Fund's resources to investment programs that will increase business capacity of regions, including the creation of industrial and innovation parks;

— to organize an effective system of internal control and internal audit in all regions, in accordance with Part 3 of Article 26 of the Budget Code of Ukraine in order to prevent ineffective management, violations of the law and inefficient use of state funds of regional development.

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