



# Prospects of territorial communities' economic development in pandemic conditions



Nataliia Gavkalova,  
D-r of Economics, Professor,  
Head of Public Administration  
and Regional Economy  
Department





With the global threat of the COVID-19 pandemic, the existing models of public administration have failed to address pandemic prevention, prepare people to operate in such conditions, implement quarantine measures, organize health care, and gradually resolve the global crisis caused by the pandemic.



The June 2020 **Global Economic Prospects** describes both the immediate and near-term outlook for the impact of the pandemic and the long-term damage it has dealt to prospects for growth. The baseline forecast envisions a 5.2 percent contraction in global GDP in 2020.

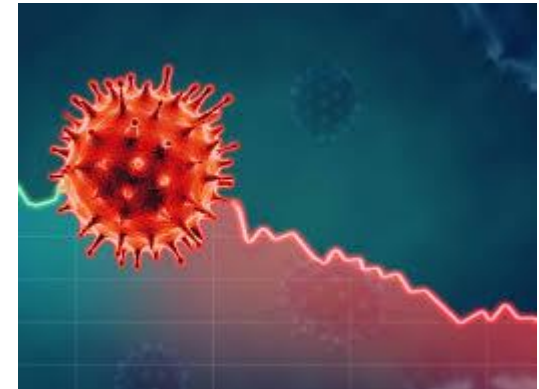
Over the longer horizon, the deep recessions triggered by the pandemic are expected to leave lasting scars through lower investment, an erosion of human capital through lost work and schooling, and fragmentation of global trade and supply linkages.

- The crisis highlights the need for urgent action to overcome pandemic and economic consequences, protect vulnerable populations, and set the stage for a lasting recovery





The June 2020 Global Economic Prospects looks beyond the near-term recession: setbacks to potential output - the level of output an economy can achieve at full capacity and full employment - and labor productivity. Efforts to contain COVID-19 in emerging and developing economies, including low-income economies with limited health care capacity, could precipitate deeper and longer recessions - a multi-decade trend of slowing potential and productivity growth. Many emerging and developing economies were already experiencing weaker growth before this crisis; the shock of COVID-19 now makes the challenges these economies face even harder.





Local economic development issues are increasingly important to territorial communities. This presentation clarifies the essence of the state policy of development of territorial communities in pandemic conditions, defines the basic approaches to its implementation, substantiates the necessity of streamlining relevant tasks between different levels of public administration and improvement of specific mechanisms, which will provide communities with more rights regarding economic development of territories and improve the quality of public services provision.





The development of a social, legal, democratic state in conditions of decentralization and administrative reform in Ukraine leads to the development of institutions of local self-government, the primary subject of which is the territorial community. Effective local development management is linked to understanding global trends and applying global economic patterns to community development in current situation.





Local Economic Development (LED) is an activity of businesses, local governments and other stakeholders aimed at maximizing community economic resources.

The purpose of LED is to build up the economic capacity of a local area to improve its economy and the quality of life for everybody. It is a process by which public, business and non-governmental sectors collaborate to create better conditions for economic growth and employment.





## Signs of local economic development



### Signs of local economic development

it is a process, an activity, not a state

it is a joint activity of the community

It is a partnership of community and businesses

Local community entity: the population of the territory or of several local communities is united for one purpose

drivers of local competitive advantage are drivers of development

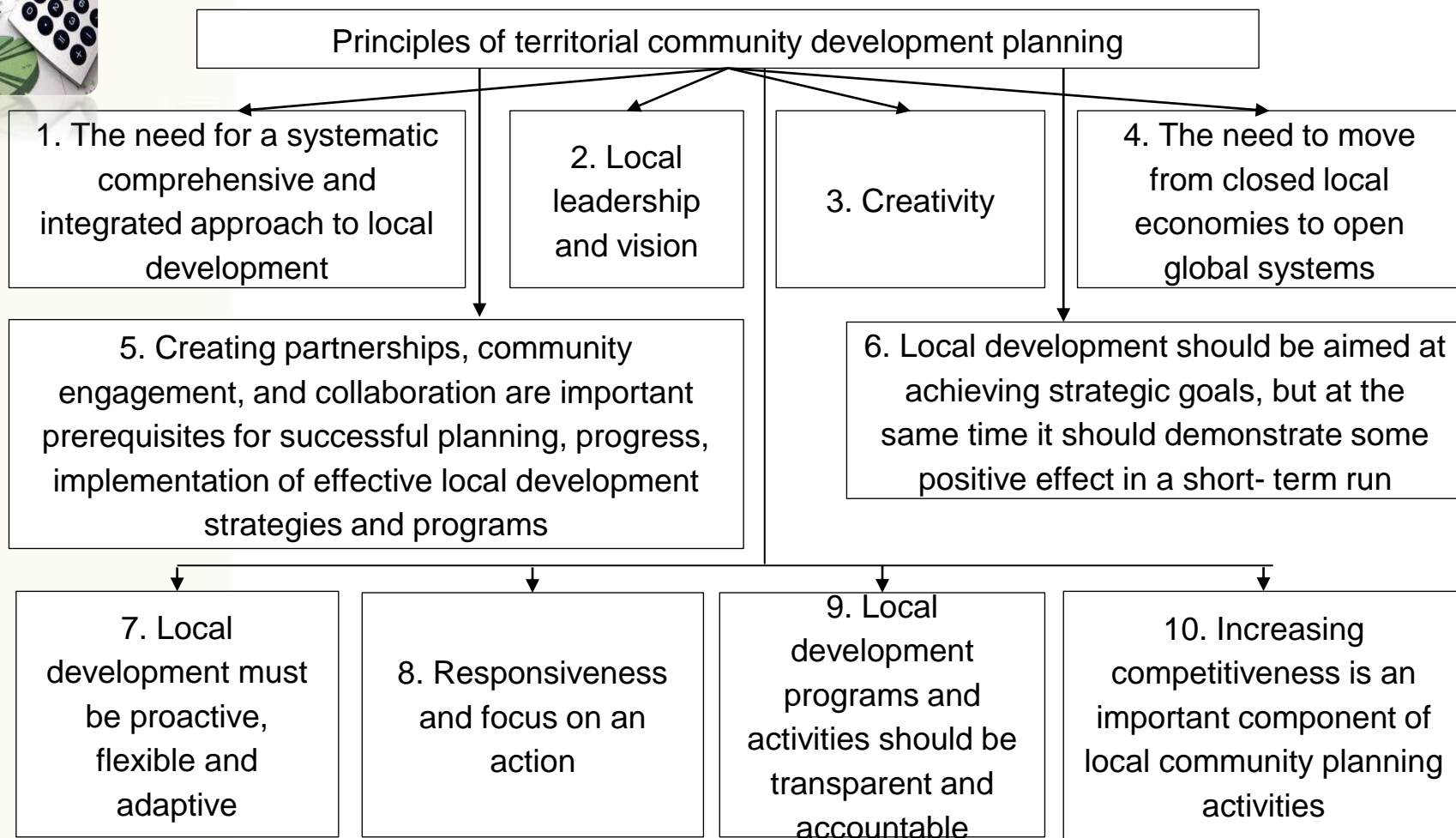
the engine of territorial community development is the economy

The criteria for development is meeting the needs of community members and improving living standards of population, rising standards of living.





## Principles to consider while planning community development and implementing any local economic development initiative





Local economic development in Ukraine, as in the developed world, should become a direct competence of territorial communities. The experience of America and European countries shows that those communities that successfully develop their own internal capacity are prosperous. They improve those internal conditions and create those factors of competitive advantage that help attract more productive investments, develop business, retain existing businesses and support job creation.



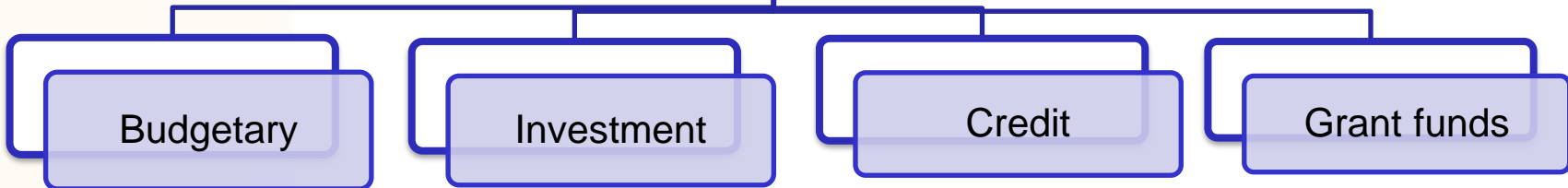


In the Ukrainian practice of financing LED, the most common are budgetary mechanisms, first of all rent and sale of communal property. Instead, investment and credit mechanisms are rarely used by local authorities, primarily because of the unfavorable investment climate at both the state and local levels, the legal constraints imposed by current legislation and the low creditworthiness of most Ukrainian cities.

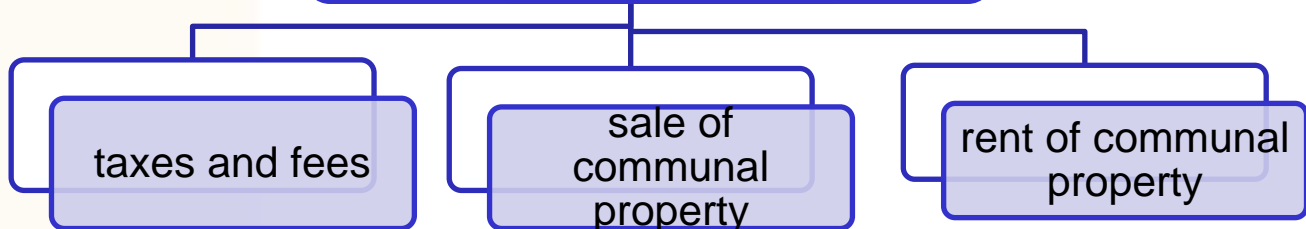




According to the sources of raising funds, the financing mechanisms of the LED are divided into



Budgetary mechanisms of income support





Unfortunately, the current state of local budgets does not seem to be the best, which hinders the implementation of complex tasks assigned to local authorities: the scantiness of their own revenue sources, almost complete dependence on the state budget, the lack of transparency of budgetary relations in providing financial assistance from the center, the lack of incentives for additional assistance, revenues and economic spending of budgetary funds.

The system of formation of local budgets “top down” is characterized by the lack of incentives for local authorities to operate in the development of their own tax base, which depends on the economic development of a region, its social and industrial infrastructure.

Economic development management must be aimed at increasing the internal resources of each community, i.e. the inclusion of endogenous potential in new, more modern activities.



- Policies to support economic development both in the short and long-term entail strengthening health services and putting in place targeted stimulus measures to help stabilize economic growth, including support for the private sector and getting money directly to people. During this period, countries should focus on sustaining economic activity with support for households, businesses and essential services.
- Global coordination, cooperation and international support will be able to slow the spread of the pandemic, providing the greatest chance of achieving public health goals and enabling a robust global recovery.



# Simon Kuznets Kharkiv National University of Economics

