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STRATEGIC FACTORS QUALITY OF PUBLIC ADMINISTRATION IN REGIONAL DEVELOPMENT: THE EXPERIENCE OF EU COUNTRIES

Abstract: *As a result of the study, it has been found that the role of public administration in the regional development of EU member states is the highest in less developed countries, forasmuch as after joining the EU these countries have adapted their national legislation and the legal system as a whole to much higher standards than national ones. As a result, investors' confidence is growing, the investment climate and business activity are improving. It has been proved that the basic strategic factors of public administration in less developed EU countries will be the factors related to improving the quality of regulatory and legal support of the social-economic environment and ensuring the rule of law. The factors outlined and policies towards achieving high level can be used by developing countries as a positive experience in reforming national legal systems and public governance.*

Keywords: *Quality of Public Administration (Governance); Regional Development; Foreign Investments; Business Activity; Investment Climate.*

1. Introduction

The problematics of public administration and its quality and effectiveness keeps current during the period of social-economic instability, when the issue of determining the boundaries of state intervention in the processes of economic development arises. One of the basic goals of public administration is to ensure its quality and effectiveness through the implementation of measures of state influence on the level of social-economic development by combining the mechanisms of state intervention in the economy in order to achieve strategic goals.

Herewith, public administration deals with a number of regional development issues, which, due to geographical, demographic, religious, mental and political factors, can have a destructive effect on the functioning of

the state as a whole.

Reference practice quality and effectiveness of public administration in the context of implementation of regional policy for 20-30 years has been developed by European Union. Its experience may become promising for studying strategic factors of public administration at the regional level, forasmuch as the quality of public governance hypothetically positively affects the growth of such indicators of regional development as: GDP per capita, net inflow of foreign investment and employment level.

The purpose of the research is to analyze the interrelationships between quality indicators of public administration and indicators of regional development of European Union in order to determine the main strategic factors for the development of public governance at the regional level.

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The research objectives are as follows:

- clarification of the classification of European Union's member states according to the level of regional development;
- studying trends in the quality of public administration and key indicators of regional development;
- revealing among the quality indicators of public administration the ones that have the greatest impact on regional development by correlation-regression analysis;
- identification of the main strategic factors for improving the quality and efficiency of public administration of regional development.

2. Literature Review

The investigation of the principles and features of public administration implementation is of considerable scientific interest among various scholars. They can be divided into two groups, namely: supporters of state intervention in the social-economic development of the state; opponents of state intervention in economic development. Such scientific trends in the sphere of studying the issue of public administration are due to the emergence of two vectors of scientific research based on the scientific views of A. Smith and J. Keynes.

It should be noted that over time, discussions on the limits of state intervention in the economy and determining the role of the state in the development of the society continue; this makes certain adjustments to the practice of public administration, in particular, in terms of regulatory and legal support of social-economic processes, regulation of freedom of investment, freedom of business, freedom of labor, etc.

One of the supporters of moderate public administration is the researcher Murtazashvili J., who in her scientific works substantiates the risks and disadvantages of excessive interference in the economy (Murtazashvili

J., 2020), as well as defines the limits of such intervention. Taking into consideration the fact that a person with his mental models takes an active role in the processes of social-economic development and market functioning, the lack of effective safety measures by public authorities can lead to negative effects of behavioral economics (Thaler Richard, 2017), which are aimed at illegal ways of obtaining benefits. Therefore, complete deregulation can have detrimental consequences for the functioning of the state as a whole.

Based on these viewpoints, a group of scientists (Howlett & Mukherjee, 2018; Howlett, M. & Cashore, B., 2014, Pierre & Peters, 2019; Akimova L. et al (2020)) in their scientific investigations substantiate the importance of public administration in terms of the need to achieve strategic development goals of the state or the region by coordinating different levels of public governance and designing the desired result, the achievement or failure of which is a way to measure the effectiveness of public administration.

Along with this, scholars consider public administration as a mechanism for combining the interests of the society and the government in the direction of achieving collective goals (Ansell C., 2016; Novak-Kalyayeva L. et al (2018, 2020); Klymenko, V.V. et al. (2016); Aleinikova O. et al. (2020). Public governance, in addition to regulatory or control mechanisms of power, provides for the development of public-private partnership on the basis of which the interests of the community and the government are united. It also expands the possibilities of implementing mechanisms of government control through the right to vote and accountability (Kaufmann D., 2010).

Kaufmann D. (2010) is one of the developers of the system of indicators for quality assessment of public administration (The Worldwide Governance Indicators). This system focuses on elements of political stability, effective government, regulatory

and social-economic environment, as well as issues of supremacy of the law in the state. Within the framework of this concept, a group of researchers (Romanenko, Y. O., 2016; Meier K. J. et al., 2019; Akimov O. et al., 2020; Romanenko, Chaplay, 2016) have proved the negative impact of bureaucracy on the efficiency of public administration, which is manifested in the formation of excessive pressure on regulatory rules.

The effectiveness and quality of public administration in the context of regional development was considered by a group of scientists (Kuhlmann et al., 2021) on the example of Germany. This has made it possible to prove the dependence of public administration on the effectiveness and quality of administrative reforms, in particular, in the field of regulatory and legal support of regional development, reforming the administrative-territorial division, the use of tools towards stimulating regional economic development.

The role of public administration in the regional development of European Union has been studied in the works of T. Sowiński, (2016); Fratesi U., & Perucca G. (2020), Crescenzi et al., (2011). In these investigations, the importance of the activities of public authorities in the field of stimulating the development of backward regions, countries that have recently joined EU, has been proved. The main emphasis is on the use of special funds as effective mechanisms of public authority to equalize regional development.

Strategic factors of public administration in the countries of European Union have been investigated by Thöne M. (2017). The scholar proves the importance of EU regional policy strategy, which shapes the activities of public authorities in the field of regional development through fiscal equalization and distribution of budget funds to various infrastructure, investment and social programs.

Along with this, the issues of assessing the quality and effectiveness of public

administration in EU in the field of stimulating regional development remain unexplored. In particular, the issues of the impact of qualitative indicators of public governance on quantitative indicators of regional development, such as: GDP per capita, net growth of foreign direct investment and unemployment, are scantily explored. In addition, the grouping of European Union's regions by level of development according to the regional policy of European Union (New Cohesion Policy, 2021) does not make it possible to compare quantitative indicators of the regional economy with qualitative indicators of public administration, forasmuch as statistics on public governance at regional level are not available. Therefore, in order to study the experience of EU countries in the field of strategic factors of public administration, it is advisable to group countries by level of regional development on the basis of available statistical information of European Commission.

3. Research Methods

The following methods have been used in the course of the research, namely:

- the economic and statistical analysis and comparison in studying the dynamics of quality indicators of public administration and regional development of EU and in their grouping by level of regional development;
- the economic-mathematical method - while studying correlations between indicators of quality of public administration in EU member states distributed by level of development of regions, which has made it possible to understand the role of public administration in each of the three groups of countries, namely: more developed, transitional, less developed;

- the generalization - for the formation of scientific-theoretical and practical recommendations for determining the strategic factors of public administration in the regional development of European Union.

The following indicators have been analyzed in the academic paper, namely:

- 1. Index of Economic Freedom for EU countries (www.heritage.org).
- GDP per capita (USD) and net inflow of foreign direct investment (billion USD) for EU countries (The World Bank).
- Unemployment rate for EU countries (Eurostat).

4. Results of the research

Enhancing the role and quality of public administration in order to ensure a high level of regional development is one of the goals of EU regional policy. Consequently, the analysis of the effects of public administration on the regional development of European Union is one of the ways to identify both problematic aspects in the sphere of public governance and strategic factors that can increase the effectiveness of public policy in stimulating regional development.

In accordance with EU’s regional policy strategy entitled “Regional Development and Cohesion Policy beyond 2020”, which was prolonged to 2021-2027, the regions of European Union were divided into: 1) less developed (mainly joined together regions of countries from the convergence zone; their gross domestic product per capita is less than 75% of EU average indicator); 2) transitional (these are regions, GDP per capita of which is from 75 to 90% of EU average indicator); 3) more developed (regions where GDP per capita exceeds 90% of EU average indicator). However, as it has been already mentioned, there is no statistical information on the quality of public administration in the regions of EU Member States. Consequently, there is a need to form groups of countries according to the level of development of their regions based on Eurostat (2020) data, where more developed countries include countries in which GDP per capita exceeds 90% of the EU average in all regions; transitional countries include countries in which GDP per capita in some regions is from 75 to 90% of EU average, however, in other part of countries - it exceeds 90%, that is, the regions have mixed indicators in terms of GDP per capita; less developed countries include countries where GDP per capita in the vast majority of regions is less than 75% of EU average (Table 1).

Table 1. Classification of EU member states by level of regional development

More developed regions (9 countries)	Transitional regions (7 countries)	Less developed regions (11 countries)
Austria	Spain	Bulgaria
Belgium	Italy	Greece
Denmark	Malta	Estonia
Ireland	Germany	Latvia
Cyprus	Portugal	Lithuania
Luxembourg	Slovenia	Poland
The Netherlands	France	Romania
Finland		Slovakia
Sweden		Hungary
		Croatia
		The Czech Republic

Compiled by the author according to the data (New Cohesion Policy, 2021)

Having obtained groups of countries by the level of regional development, we will analyze the quality of public administration in a particular group and its role in the development of regions. In order to assess the quality of public administration in the countries of the world, the system of indicators - The Worldwide Governance Indicators, developed by the World Bank, is applied in the economic literature.

However, in our viewpoint, this methodology is mainly focused on assessing the quality of the legal direction of public governance, that is, assessing the level of the right to vote and accountability of public authorities, the quality of regulatory support of the social-economic environment, the degree of rule of law; the level of corruption in the social-economic environment; quality of management decisions of public authorities.

Along with this, the methodology of The Worldwide Governance Indicators neglects

such important components of public administration as the level of tax burden, efficiency of public spending and fiscal health, which generally reflect the level of government intervention in economic processes. What is more, an important component of assessing the quality of public governance and its strategic factors is the assessment of the level of freedom of business, investment, trade, which affects the development of the economy in the regions of a particular state. All the components of public administration, described by us, can be analyzed by using the Index of Economic Freedom, which is calculated annually by the Wall Street Journal and the Heritage Foundation for most countries since 1995.

Let's reflect the value of the Index of Economic Freedom for our selected groups of EU member states by level of economic development in Figure 1.

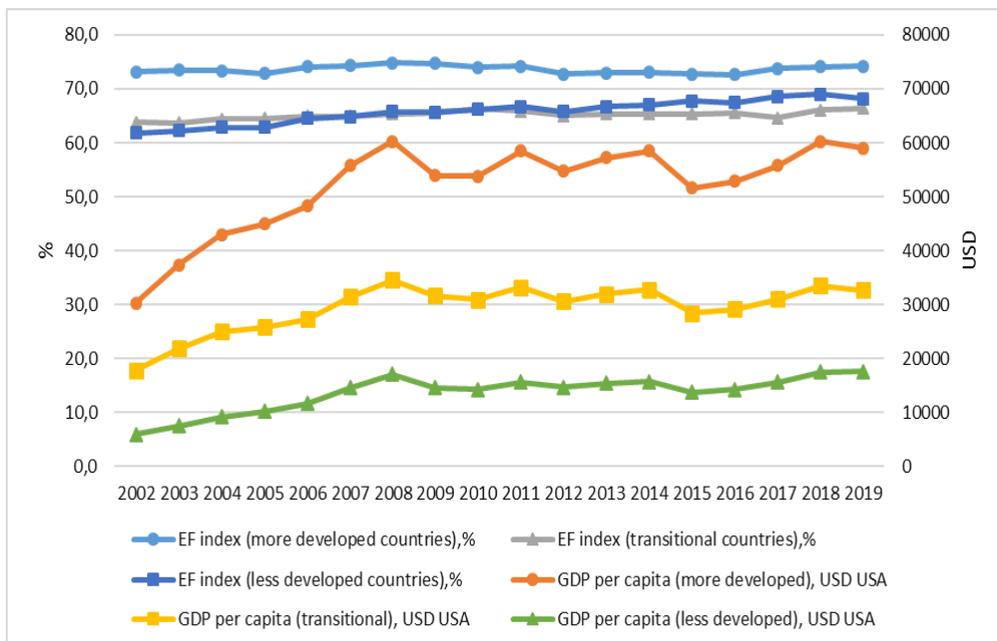


Figure 1. Dynamics of the Index of Economic freedom and GDP per capita of groups of EU member states by level of regional development in 2002-2019
Compiled by the author according to the World Bank (2020)

As the data in Figure 1 show, by 2009 the higher level of the Index of Economic freedom corresponded to the higher level of GDP per capita for groups of EU member states in terms of economic development.

However, since 2009, the value of the Index of Economic Freedom of the group of less developed EU member states has exceeded the value of the group of transitional countries, which indicates a faster pace of improving the quality of public governance. Along with this, it should be noted that one of the strategic factors in the development of public governance in the group of less developed EU countries is the structure and strategy of regional policy of European Union, which until 2009 was aimed at converging Eastern European countries through investment from EU budget in infrastructure development, economy and public administration. After 2009, the policy of budget investments in the development of the regions of less developed EU member states has continued, however, budget support is gradually declining in the transitional regions (European Commission: Regional Policy). By the way, it should be noted that the strategy of regional policy of European Union, in addition to funding various regional development programs, provides for measures in order to improve the quality of public administration through the implementation of high standards of governance, improving legislation and increasing the level of freedom of business.

The Index of Economic Freedom includes indicators of quality public administration, which distributed four groups of indicators that, in our viewpoint, reflect all directions of public administration, namely: the rule of law (property rights, efficiency of the judiciary and the integrity of government); the level of government intervention in economic activity (tax burden, government spending and fiscal health); efficiency of state management of the

economy (freedom of business, freedom of labor and monetary freedom); market openness (freedom of trade, freedom of investment and financial freedom). It should be emphasized that any of the above indicators of public governance depends on the level of rule of law, the quality of regulatory and legal support of social-economic activities in the country, as well as the effectiveness of management decisions of public authorities.

Let's compare the dynamics of the components quality of public administration of the groups of EU member states in terms of economic development (Table 2).

According to data of Table 2, the highest quality of public administration is observed in more developed EU member states in terms of economic development. As for the transitional and less developed countries, the indicators of the rule of law are more effective in the transitional countries, and high efficiency in the sphere of state intervention in the economy is observed in the less developed ones. The efficiency of economy's regulation and market openness are almost at the same level. Herewith, it should be noted that the dynamics of all groups of indicators of Index of Economic Freedom is positive, which indicates a continuous process of improving public governance.

For a more thorough analysis of strategic factors of public governance in the development of EU regions, it is advisable to analyze the level of interrelationships between the components of the Index of Economic Freedom and regional development indicators, such as: GDP per capita, net foreign direct investment and unemployment.

Let's group the results of the correlation analysis of the interrelationships between the quality of public governance and regional development indicators of more developed EU member states in Table 3.

Table 2. Dynamics of quality indicators of public administration

IF	Groups of countries	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Rule of Law	more developed	57,1	57,1	57,3	57,3	57,0	56,7	56,7	56,7	56,4	56,1	55,8	55,9	55,7	54,6	55,1	79,0	79,2	77,8
	transitional	43,7	43,9	44,9	43,2	45,4	45,7	45,5	45,7	45,3	43,8	43,7	43,9	41,8	44,1	43,7	66,4	65,6	63,7
	less developed	31,6	31,7	30,2	30,2	30,5	31,6	32,6	33,5	34,2	33,4	33,3	32,5	33,0	34,8	34,8	58,1	56,6	53,5
Level of government's	more developed	27,4	27,3	28,6	28,2	27,8	28,6	28,9	29,6	30,7	29,9	25,5	26,8	26,7	26,6	28,3	54,7	57,9	60,3
	transitional	29,5	29,4	28,6	29,8	30,3	29,6	30,1	31,4	32,6	31,9	29,2	29,3	28,9	27,4	27,8	46,6	51,9	56,4
	less developed	37,8	39,4	40,4	39,3	41,5	43,2	43,3	43,1	43,2	43,0	40,6	43,6	42,9	42,8	42,3	69,0	71,5	73,0
Efficiency of economy's	more developed	51,5	55,0	54,8	77,9	81,0	80,1	80,3	79,7	77,1	78,3	78,0	77,0	77,5	77,5	76,5	77,0	76,2	75,5
	transitional	51,5	52,4	52,7	70,8	72,1	70,5	70,9	70,1	69,3	69,9	69,6	69,4	69,1	70,1	70,0	70,5	71,3	70,4
	less developed	47,7	47,8	48,6	69,4	70,7	69,8	70,4	70,0	69,2	71,0	70,6	71,1	71,5	71,6	71,2	71,9	71,9	70,6
Market openness	more developed	79,8	80,4	79,9	79,8	81,2	81,8	82,9	80,5	80,5	83,1	83,1	82,8	83,0	83,0	82,9	82,5	82,9	82,6
	transitional	66,6	65,4	67,1	66,5	68,4	70,8	71,0	71,5	73,7	74,2	74,0	75,1	75,9	76,2	76,5	75,2	75,4	75,1
	less developed	68,0	67,7	69,2	71,1	72,2	71,2	73,1	72,1	74,3	75,1	74,8	75,2	76,5	76,6	76,4	75,2	75,8	75,5

Calculated by the author according to Index of Economic freedom

Table 3. Correlation matrix of indicators quality of public governance efficiency and indicators of regional development of more developed countries of European Union in 2002-2019

Indicators	Property Rights	Judicial Effectiveness	Government Integrity	Tax Burden	Government Spending	Fiscal Health	Business Freedom	Labor Freedom	Monetary Freedom	Trade Freedom	Investment Freedom	Financial Freedom	Economic Freedom	GDP per capita	Foreign direct Investment	Unemployment Rate
Property Rights	1															
Judicial Effectiveness	-0,67	1														
Government Integrity	0,74	-0,79	1													
Tax Burden	-0,67	0,27	-0,48	1												
Government Spending	0,41	0,13	0,12	-0,50	1											
Fiscal Health	-0,67	1,00	-0,78	0,27	0,14	1										
Business Freedom	-0,14	-0,18	0,01	0,48	-0,19	-0,18	1									
Labor Freedom	-0,43	0,14	-0,32	0,70	-0,27	0,14	0,74	1								
Monetary Freedom	0,38	0,24	-0,12	-0,38	0,26	0,22	-0,44	-0,33	1							
Trade Freedom	-0,73	0,27	-0,59	0,66	-0,30	0,26	0,61	0,69	-0,54	1						
Investment Freedom	-0,88	0,45	-0,62	0,66	-0,62	0,45	0,15	0,39	-0,25	0,66	1					
Financial Freedom	0,92	-0,50	0,75	-0,71	0,49	-0,50	-0,18	-0,45	0,39	-0,80	-0,88	1				
Economic Freedom	0,17	0,27	-0,08	-0,19	0,71	0,28	0,34	0,21	0,23	0,09	-0,31	0,30	1			
GDP per capita	-0,64	0,35	-0,43	0,75	-0,19	0,35	0,74	0,82	-0,44	0,83	0,55	-0,58	0,36	1		
Foreign direct Investment	0,01	0,25	-0,34	0,01	-0,07	0,21	0,07	0,18	0,37	0,00	0,06	0,00	0,17	0,08	1	
Unemployment Rate	-0,45	-0,21	-0,11	0,56	-0,63	-0,22	0,44	0,41	-0,77	0,61	0,45	-0,59	-0,50	0,40	-0,14	1

Let's focus on correlation coefficients above 0,3, which reflect moderate interrelationships between indicators, by using the Chaddock scale. Thus, as evidenced by the data in Table 2, the correlation dependence of the Index of Economic Freedom and GDP per capita in the more developed EU member states has a positive value (0,36), which indicates the presence of a moderate interrelationship between the quality of public governance and regional development. However, it should be noted that strategic factors of public administration in the development of the regions of more developed EU member states may be factors related to ensuring a high level of freedom of trade (correlation coefficient – 0,83), freedom of labor (0,82), tax burden (0,75) and freedom of business (0,74). In order to accelerate GDP growth per capita in more developed EU member states, it is necessary to increase the efficiency level of the judiciary, financial health and freedom of investments. Along with this, it should be noted that some components of the Index of Economic Freedom have a negative impact on the dynamics of GDP growth per capita, namely: property rights, government integrity, monetary and fiscal freedom. In our viewpoint, the increase in the share of private property in the economies of more developed countries may lead to the neglect of state interests in the context of economic activity; this is related to the alienation of commercial real estate to foreigners or the registration of business abroad, which, in turn, leads not only to payment of taxes in other countries, but also to the accumulation of income abroad. According to the data of Table 2, an improvement in legal proceedings can lead to an increase in control over property rights and an increase in GDP per capita. Regarding the issue of monetary and fiscal freedom, the consequence of such decisions is quite often the processes of delimiting the financial and real sectors of the economy, accompanied by a decline in production and the emergence of “financial bubbles”.

Regarding the strategic factors quality of public governance in terms of stimulating the inflow of foreign direct investments, monetary freedom is among them (correlation coefficient – 0,37); this is quite objective, forasmuch as the size of the central bank's interest rates determines the formation of the yield on government and corporate bonds. However, along with this, a negative factor should be noted - the integrity of the government, which is also objective, forasmuch as deteriorating government integrity increases the risk of investing in government securities as well as in the country's economy due to a possible downgrade of the country's sovereign rating. Therefore, in order to stimulate foreign direct investment, all components of the Index of Economic Freedom require improvement, except for the integrity of the government.

An analysis of the interrelationship between the components of the Index of Economic Freedom and the unemployment rate in more developed EU member states by level of regional development indicates an inverse dependence, which confirms the hypothesis that a higher level of quality of public administration leads to lower unemployment. Strategic factors in this context may be as follows: government expenditures (-0,63), monetary freedom (-0,77), fiscal freedom (-0,59) and property rights (-0,45). Herewith, there are factors that lead to rising unemployment, such as: tax burden, freedom of business, labor, investment and trade.

Analysis of strategic factors quality of public governance in the regional development of more developed EU member states shows that in practice there can be no equal positive impact of all components of the Index of Economic Freedom on GDP dynamics per capita, net inflow of foreign direct investment and unemployment. In our viewpoint, this situation is objective, forasmuch as some components of the Index of Economic Freedom are mutually exclusive, and some of them act as compensators for each other.

Therefore, in order to implement effective public administration, it is necessary to choose a strategy combining strategic factors that will have a very positive impact on the dynamics of regional development. In this context, the experience of the regional policy of European Union is positive, which defines clear goals of regional development and

determines the directions and scope of their investment and management support. When it comes to the analysis of the correlation between the indicators of quality of public governance and indicators of regional development of transitional countries in EU, the analytical data are grouped in Table 4.

Table 4. Correlation matrix of indicators of public governance efficiency and indicators of regional development of transitional countries of European Union in 2002-2019

Indicators	Property Rights	Judicial Effectiveness	Government Integrity	Tax Burden	Government Spending	Fiscal Health	Business Freedom	Labor Freedom	Monetary Freedom	Trade Freedom	Investment Freedom	Financial Freedom	Economic Freedom	GDP per capita	Foreign direct Investment	Unemployment Rate
Property Rights	1															
Judicial Effectiveness	0,65	1														
Government Integrity	-0,48	-0,50	1													
Tax Burden	-0,17	0,25	0,24	1												
Government Spending	0,26	0,01	0,09	-0,14	1											
Fiscal Health	0,63	0,98	-0,50	0,25	0,06	1										
Business Freedom	-0,56	-0,33	0,63	0,76	0,01	-0,32	1									
Labor Freedom	-0,19	0,25	0,24	0,77	-0,18	0,25	0,63	1								
Monetary Freedom	0,51	0,43	-0,53	-0,21	-0,20	0,37	-0,61	-0,18	1							
Trade Freedom	-0,29	0,23	0,19	0,83	-0,31	0,22	0,67	0,85	-0,34	1						
Investment Freedom	-0,05	0,49	-0,21	0,56	-0,50	0,49	0,17	0,41	-0,04	0,73	1					
Financial Freedom	-0,23	0,06	0,01	0,64	-0,24	0,06	0,54	0,62	-0,47	0,76	0,49	1				
Economic Freedom	-0,08	0,31	0,13	0,78	0,08	0,38	0,57	0,72	-0,36	0,79	0,61	0,67	1			
GDP per capita	-0,23	0,31	0,29	0,85	-0,12	0,32	0,70	0,81	-0,35	0,83	0,54	0,68	0,82	1		
Foreign direct Investment	-0,39	-0,18	0,74	0,16	0,01	-0,17	0,43	0,49	-0,30	0,27	-0,14	0,09	0,25	0,44	1	
Unemployment Rate	-0,51	-0,54	-0,03	0,17	-0,31	-0,57	0,39	-0,09	-0,34	0,17	0,18	0,33	-0,03	-0,04	-0,38	1

Compiled by the author based on data of World Bank (2020)

The data in Table show that, in contrast to more developed countries, the correlation interrelation between the components of the Index of Economic Freedom and the indicators of regional development of EU transitional countries is closer (0,82), which,

in turn, indicates a higher level of public administration efficiency. Strategic factors of public governance in the regional development of transitional countries can be as follows: efficiency of the judiciary, tax burden, financial health, freedom of business,

labor, trade, investment and fiscal freedom. Herewith, the highest level of interrelation is observed between the tax burden, freedom of business, labor and trade. Along with this, there is a slight negative link between monetary freedom and GDP per capita.

Regarding the interrelationship of the Index of Economic Freedom and the net inflow of foreign investment and the unemployment rate, its significance is insignificant, however, some components of the index have a positive impact on the dynamics of foreign investments and employment. In particular, the integrity of the government has a positive impact on foreign investments, which in our viewpoint, is objective, forasmuch as in such countries, as: France, Germany, Italy and Spain there are age-old traditions of public administration that inspire confidence on the part of foreign investors. In addition, it is worth noting such factors, as: freedom of business and freedom of labor. Factors related to property rights and monetary freedom have a negative impact on investments' dynamics. Unemployment's dynamics in EU transitional countries by regional development depends on property rights, efficiency of justice, fiscal health and monetary freedom. On the other hand, such factors as business freedom and fiscal freedom have a negative impact on the level of employment.

Analysis of the interrelationship between the Index of Economic Freedom and regional development indicators shows a high level of efficiency of public governance in terms of stimulating GDP growth per capita. However, the overall level of public administration in EU transitional countries requires improvements in the direction of stimulating foreign direct investments and increasing employment. The results of the correlation analysis of public administration quality indicators and regional development indicators are grouped in Table 5.

According to the data of Table 5, the correlation interrelationship between GDP per capita and the Index of Economic Freedom of less developed countries is the

highest among all groups of EU member states in terms of regional development, which indicates a high level of public governance efficiency. While analyzing the structure of strategic factors influencing the dynamics of GDP per capita in less developed EU member states by level of regional development, it should be noted that except for fiscal freedom, all other components of the Index of Economic Freedom have a positive impact on the analyzed indicator of regional development. Along with this, the Index of Economic Freedom has little effect on the dynamics of net inflows of foreign investment; however, it has a positive impact on employment growth. The basic strategic factors leading to decrease in unemployment in less developed countries are as follows: employment rights, efficiency of justice, fiscal health, freedom of labor and monetary freedom.

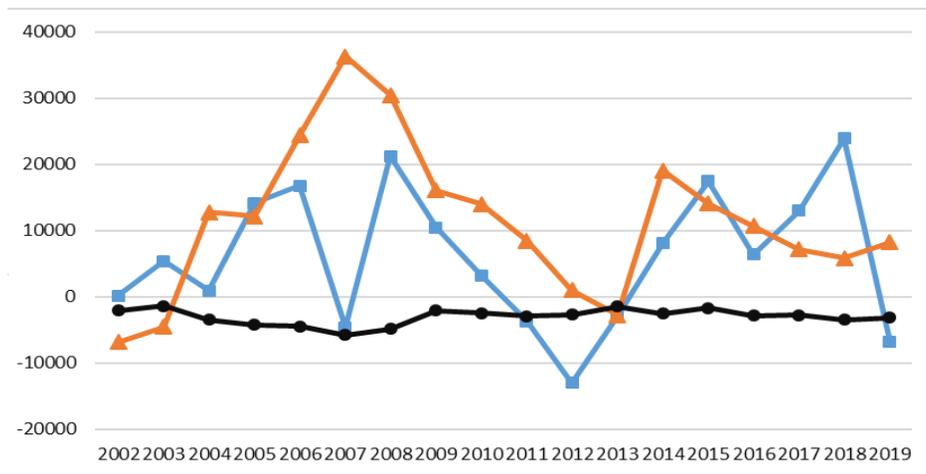
At the same time, the analysis of the interrelationship between public governance quality indicators and regional development indicators has made it possible to understand the need to increase the role of public authorities in stimulating foreign investment, especially in less developed countries, forasmuch as net foreign investment inflows are negative (Figure 2).

In this context, the experience of European Union, which has created a network of special development funds for such purposes, is a successful case in equalizing investment income in the regions, namely: European Regional Development Fund, European Social Fund, European Agricultural Fund for Rural Development, European Maritime and Fisheries Fund. The purpose of such funds centers around developing countries with backward economies and financing infrastructure projects. The activities of the listed funds allow to legally circumvent WTO restrictions in various interstate agreements on state stimulation of economic development, enabling EU to pursue an effective regional development policy and to pursue the interests of the community.

Table 5. Correlation matrix of public governance efficiency indicators and regional development indicators of less developed countries of European Union in 2002-2019

Indicators	Property Rights	Judicial Effectiveness	Government Integrity	Tax Burden	Government Spending	Fiscal Health	Business Freedom	Labor Freedom	Monetary Freedom	Trade Freedom	Investment Freedom	Financial Freedom	Economic Freedom	GDP per capita	Foreign direct Investment	Unemployment Rate
Property Rights	1															
Judicial Effectiveness	0,96	1														
Government Integrity	0,34	0,24	1													
Tax Burden	0,26	0,18	0,69	1												
Government Spending	-0,09	-0,07	-0,04	-0,02	1											
Fiscal Health	0,96	0,99	0,21	0,17	-0,05	1										
Business Freedom	-0,14	-0,29	0,57	0,77	0,10	-0,30	1									
Labor Freedom	0,22	0,20	0,53	0,84	0,07	0,20	0,61	1								
Monetary Freedom	0,60	0,73	0,32	0,33	-0,32	0,71	-0,25	0,36	1							
Trade Freedom	0,37	0,25	0,77	0,90	0,09	0,24	0,77	0,83	0,23	1						
Investment Freedom	0,59	0,46	0,70	0,76	-0,21	0,47	0,54	0,56	0,45	0,80	1					
Financial Freedom	-0,50	-0,29	-0,50	-0,30	-0,02	-0,29	-0,32	-0,13	0,06	-0,59	-0,58	1				
Economic Freedom	0,66	0,59	0,76	0,86	0,04	0,59	0,53	0,74	0,56	0,88	0,89	-0,47	1			
GDP per capita	0,50	0,45	0,56	0,86	0,24	0,45	0,56	0,84	0,39	0,88	0,69	-0,36	0,89	1		
Foreign direct Investment	0,13	-0,04	0,28	0,06	-0,29	-0,04	0,25	-0,26	-0,23	0,07	0,36	-0,44	0,09	-0,18	1	
Unemployment Rate	-0,53	-0,64	-0,18	-0,21	-0,29	-0,65	0,29	-0,40	-0,67	-0,25	-0,18	0,03	-0,46	-0,52	0,59	1

Compiled by the author based on data of World Bank (2020)



Blue line: more developed countries; Orange line: transitional countries;
Black line: less developed countries.

Figure 2. Dynamics of net inflow of foreign investments in EU member states by regional development groups in 2002-2019 (bill USD)

5. Discussion

The results of the research of interrelationship between public governance quality indicators and regional development indicators of EU member states, divided into three groups, namely: more developed, less developed and transitional regions, partially confirm the research hypothesis on the existence of a high level of interrelationship between the quality of public governance and regional development trends. Thus, the analysis of these interrelationships for all groups of countries showed a direct dependence between the dynamics of the Index of Economic Freedom and GDP per capita, which indicates the effectiveness of public governance. However, according to data of the group of more developed EU member states in terms of regional development, this interrelationship is the lowest, which requires a combination of different components of the Index of Economic Freedom in order to increase the impact of public governance on GDP per capita. Herewith, in all groups of countries by the level of regional development, important factors in the growth of GDP per capita and net inflow of foreign direct investment may be factors connected with the development of the stock and credit markets, where significant resources are accumulated in order to stimulate economic growth. This issue has been well described in the works of Marks J. (2018) and Boeckx, Jef & Perea, Maite & Peersman, Gert. (2020) The effectiveness of monetary policy of European Central Bank also occupies an important place, which through commercial banks and European Investment Bank directs funds to lend to infrastructure projects in different regions of EU, as confirmed in the publications of Kleanthous, Lena & Karamanou, Pany (2021). However, the effectiveness of monetary policy should not be expressed through an excessive level of monetary freedom, which often leads to the separation of real and financial sectors of the economy and the emergence of “financial bubbles” due to excessive growth of

consumer lending, credit derivatives, which ultimately leads to economic crises and declining GDP.

The most representative results of the research were obtained for the group of countries with less developed regions, which is an objective indicator, forasmuch as most of these countries joined the EU after 2000; they have been gradually implementing high community standards in all spheres of social-economic life. Therefore, such factors as: property rights, efficiency of the judiciary, government integrity, tax burden, fiscal health, freedom of business, labor, investment, trade, and monetary freedom will remain strategic factors in the context of increasing the role of public governance in the development of EU regions.

6. Conclusions

Based on the analysis of the interrelationships between indicators of public administration quality and indicators of regional development of EU member states, it has been proved that the efficiency of public governance depends on the GDP per capita of EU member states at all levels of regional development. However, the strongest link between public governance’s factors and GDP per capita exists in less developed countries, due to the results of the implementation of national legislation and the features of public administration to high Community standards. Consequently, the establishment of unified rules of the game for business entities has a positive effect on the investment climate and general business activity in less developed countries than in more developed countries, forasmuch as the introduction of new rules in developed countries no longer has a shock effect on businesses and investors.

The experience of implementing public governance in less developed EU countries towards stimulating regional development can be useful for developing countries, where the regulatory framework of the social-

economic environment, legal proceedings and regulation of business processes act as barriers to economic development, international trade and investment processes.

The prospects for further scientific developments in this area are the expansion of the factor analysis of the development of European Union' regions by studying the effectiveness of industrial, investment and

monetary policies at the macroeconomic level and highlighting specific factors of influence on regional development. An important place in scientific investigations should be allocated to studying the quality of public administration at the level of local communities, which will expand the understanding of the role of public authority in regional development and determine its strategic objectives.

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