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## **INDUSTRIAL PARKS IN UKRAINE AS THE INVESTMENT MECHANISM FOR REGIONAL AND LOCAL DEVELOPMENT**

The establishment of industrial parks for ensuring competitiveness of regions and their sustainable development is one of the principal goals as defined by the State strategy for regional development of Ukraine until 2020. Industrial parks are considered as «growth points» in regions and local communities that provide for the economic development, investment attractiveness, create high-qualified jobs and boost entrepreneurship. They are the prerequisite for innovation as a key to success in today's global knowledge-based economy.

The world experience shows that industrial parks have a systemic positive effect on the socio-economic development of both the country as a whole, and regions in particular through:

- investment in real economy to promote technological modernization and increase export;
- better investor protection to attract foreign capital in manufacturing;
- support of small and midsize enterprises by reducing bureaucratic procedures;
- promotion of social development by creating new high-tech well-paid jobs;
- development of up-to-date manufacturing and market infrastructure;
- environment protection;
- establishment of better communication between businesses and local authorities.

Industrial parks are a relatively new phenomenon in Ukraine. The Industrial Parks Act was adopted in 2012, paving the way for their development (<http://zakon3.rada.gov.ua/laws/show/5018-17>). It defines an industrial park as an area, appropriately equipped for running businesses in process manufacturing, R & D and IT spheres.

The industrial parks can be created by:

- state authorities on land in public domain;
- local self-government authorities on municipal land;
- natural persons and legal entities on private or leasehold land.

The establishment of industrial parks shall be governed by the principles:

- reducing the pre-production costs of businesses by providing appropriate infrastructure and services (roads, railways, ports, high-voltage transmission lines, water and gas supply) within the specified territory;
- concentrating the manufacturing outside the habitable zone to reduce environmental pollution effects on the population;
- providing consulting assistance and logistics services to businesses;
- providing complete relief from taxes or their reduced rates for the businesses by state and local authorities.

Consequently, such mechanism of industrial parks establishment is beneficial both for businesses and communities. The businesses could be started and ran in a more expedited and efficient way thanks to the reduction of material, financial, labor and time resources necessary for it. The state and local communities, in their turn, will have new jobs and their economic life activated.

Although the importance of establishing industrial parks is well-understood by the authorities and businesses, their number is not sufficient in Ukraine yet.

According to the Ministry of Economic Development and Trade of Ukraine there are 30 industrial parks as at October 2017, 28 from which were included in the Register of Industrial Parks under a special procedure

(<http://www.me.gov.ua/Documents/Detail?lang=uk-UA&id=fe6ba4bd-355d-48b1-9979-211b399b1987&title=VitiagiZRestruIndustrialnikh-promislovikh-Parkiv>).

In addition, there are 7 private industrial parks that are not included in the Register. The industrial parks were established: 7 % - on land in public domain, 57 % - on municipal land, 29 % - on private land, 7 % - on land both in municipal and private ownership. Consequently, the main stakeholders of industrial parks are local authorities.

The key attributes for success relating to the development of industrial parks are the organizational and financial incentives provided by the state and local self-government authorities. Pursuant to Ukrainian law this help may be given to an industrial park, provided it is duly registered.

At present, the following measures of support exist:

- financing of infrastructure projects within industrial parks by the State Fund for Regional Development, provided the local budget covers at least 10% of their estimated cost;
- exemption from cost sharing in the development of local infrastructure, provided they construct facilities within industrial parks;
- exemption from import duties on equipment and materials, not produced in Ukraine, for the needs of the functioning of the industrial parks;

- providing privileges in land tax and real estate tax rates upon the decision of local authorities;
- establishment of minimal rental rates for municipal land and land in public domain;
- simplification of the procedures to obtain a construction permit for the facilities within industrial parks;
- financing of the engineering infrastructure projects within industrial parks by the local budgets.

The participants of the industrial parks are also entitled to use additional support within the framework of national investment attraction policy, in particular:

- exemption from customs duties on goods imported as a share capital by a foreign investor;
- preferential rates of customs duties (up to 0%) on goods imported by the member states of the WTO or states with most favoured nation status (MFN) in conformity with bilateral or regional agreements, for instance, the EU and Canada;
- exemption from customs duties on imported energy-saving equipment, and materials used for the production of renewable energy.

New financial instruments for the development of industrial parks at the local level have emerged since the decentralization reform was launched. They encompass subsidies to local budgets for social and economic development, and subventions for infrastructure projects of the united territorial communities.

Given the importance of industrial parks as drivers of innovations that encourage economic competitiveness of regions and local communities, they should further be considered as a priority for regional economic policy. Having the above mentioned in mind, it is necessary to ensure a systematic approach, and wide organizational and financial support for the establishment of industrial parks in Ukraine.