Research article[1]

Key Factors and Instruments for Shaping Regional Economic Policy

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Abstract

An attempt is made to identify the main factors and instruments for shaping regional economic policy. It is shown that the role of the federal center lies in creating nationwide institutional conditions that contribute to the effective development of regional market institutions and the efficient use of financial transfers to address the most pressing problems of income differentiation

Keywords: region, socio-economic policy, target programs, socio-economic system, sustainable development.

Regional economic policy directly influences regional economic practices. At the same time, regional economic policy acts as a specific area of direct contact between economic theory and practice. In periods of societal transformation, regional economic policy occupies the position of a "testing ground," intended to confirm (or refute) the conceptual hypotheses of economic development.

In the conditions of general crisis and the extended duration of the transition period, state regional policy can only be a combination of fundamental directions (concepts) for solving regional problems and highly specific state-organized measures for regulating territorial

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development. Given chronic budget shortages and the weak economic self-sufficiency of the population in nearly all regions, these regulatory measures must be carried out on the most pressing issues, and only in such organizational forms that ensure concrete goal-setting, selection of the most effective priority actions, opportunities for monitoring the use of funds, and evaluation of the effectiveness of each measure. Therefore, the constructive part of regional policy in the transition period can only be implemented in program form. In other words, each component of this policy must assume the presence of a specially developed target program.

It is widely believed that the main obstacle to implementing state policy is the extremely weak financial base. However, in our view, an equally significant problem is the absence of genuine program development for the priority problems of each region and municipality. Programs are often considered useful only if they enable access to federal budget resources (Makhosheva, 2013). More essential, however, is the very fact of organizing long-term work and forming justified lists of specific actions to address concrete problems. The lack of programs in most regions and municipalities is evidence of the absence of regional policy itself, since such policy can only be developed and implemented on the basis of comprehensive assessments of regional situations, identification and ranking of problems, determination of solutions under various resource scenarios, and clear allocation of responsibilities and timelines. All this, once again, is only feasible in program form.

In this regard, the program-targeted approach to solving regional problems should be viewed as both a tool for shaping regional policy and for implementing it through concrete programs of varying levels and purposes (Makhosheva & Ivanova, 2015). Programs, however, must meet several necessary requirements to function as policy instruments. A program is defined as a specially designed list of tasks (measures, actions) aimed at fully or partially solving a specific socio-economic problem of regional significance. To serve as a policy instrument, such programs must be based on clearly defined objectives, strict alignment of activities with goals, and measurable start and completion milestones (Makhosheva & Ivanova, 2016).

Effectiveness depends largely on prioritizing concrete, region-specific problems and formulating precise goals. Prioritization ensures focus on solvable issues, while clear objectives create conditions for concentrating resources on achievable tasks. Furthermore, orientation toward strictly goal-directed selection of measures is crucial: every activity must align directly with the stated goal, with completion milestones clearly tied to program objectives.

Currently, Russian programs and other tools of state regulation of territorial development rarely stem from systemic views of critical regional situations. It would be useful to compile a list of potential program-regulation zones and declare them as areas of priority funding with state participation guarantees (Makhosheva, 2014). Program effectiveness should be understood as (1) the extent to which expected outcomes correspond to goals, (2) the degree of progress toward them, and (3) the direct positive effects on regional social, demographic, environmental, and economic conditions.

In the transitional period, regional economic policy is shaped not only by planning and organization but also by infrastructural and fiscal systems. The budgetary and financial sphere acts as the central element of regional economic infrastructure. The main problem of transitional regional economies lies in growing budget deficits, rooted in negative processes and hidden inflation characteristic of the pre-reform administrative system. Persistent deficits prevent governments from expanding efforts to meet social needs.

Thus, an important tool for mitigating the social costs of market transformation is the development of a budgetary process that concentrates on the priority needs of the regional public sector (Galachieva & Makhosheva, 2014). Today, the issue is not only about organizing internal budgetary relations but also determining the role of public finance in an open economy dominated by the private sector. One key principle must be state financial transparency, understood not only as internal clarity of the budget but also as transparency of state goals and functions in economic policy (Galachieva & Makhosheva, 2016).

Methodologically, regional policy analysis requires abandoning "supra-economic" interpretations of the state. Recognizing the economic nature of state and regional policies prevents non-market interpretations and grounds them in macroeconomic processes. The paradox of transitional regional economies is that, despite the shrinking size of the state sector, its social significance increases due to the multiplier effects of targeted state support, particularly through redistribution of financial resources (Galachieva, Makhosheva, & Erkenova, 2015).

Redistribution of federal resources between regional budgets aims both to equalize access to public goods across regions and to implement regional economic policy. One important mechanism is unconditional financial aid from the federal budget, provided regularly and gratuitously (Kazancheva, Makhosheva, & Tsipinov, 2014). Additional aid comes through mutual settlements, loans, and other mechanisms. Yet, federal fiscal policy remains largely inertial and weakly tied to long-term priorities. Research shows that direct federal expenditures—accounting for 80% of territorial spending—mainly reinforce existing interregional disparities, while subsidies to industry and agriculture often substitute for effective sectoral policy, serving instead to reduce social and ethnic tensions (Makhosheva, 2015).

Regional policy in transition must balance two priorities: budgetary sustainability and effective supply. This duality is evident in debates about budget processes. In practice, however, focusing solely on budget surpluses or deficits overlooks their potential role as levers for stimulating regional economies through effective demand (Ivanova & Makhosheva, 2014).

Forming a surplus-oriented policy requires shifting emphasis from revenues to expenditures, reflecting strengthened market institutions in post-administrative production. Such a policy assumes a medium-term strategy of reducing public expenditures, easing tax burdens, and reducing local budget deficits (Makhosheva et al., 2015).

Ultimately, regional economic policy must both support competitive regional markets and ensure balanced regional budgets. Its mechanisms adapt as forms of regional economic organization evolve, leading to significant changes in the relative importance of budgetary institutions. In transitional economies, regional disparities in adaptation produce a polycentric reform process, where differentiated policy instruments—tailored to territorial conditions, economic potential, and national strategies—become essential (Makhosheva & Mollaeva, 2014).

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