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## **INCREASING THE EFFICIENCY OF CROSS-BORDER COOPERATION OF REGIONS OF UKRAINE (CASE STUDY: THE ODESSA REGION)**

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### **Abstract**

The object of the study is the Odesa region and its activities in the field of cross-border cooperation with the neighboring territories of Romania and the Republic of Moldova. The paper examines the theoretical foundations of cross-border cooperation. The concept of cross-border cooperation is defined, its main forms are defined, the foreign experience in this field is summarized and a method for determining the effectiveness of the Euroregion's activities is proposed.

Cross-border activity in the Odesa region was analyzed. Factors affecting the effectiveness of cross-border cooperation are identified. A SWOT analysis of the main economic indicators affecting the functioning of the Euroregion was developed. The effectiveness of such activities is analyzed. The main directions for improving cooperation in the economic sphere are proposed, namely the creation of a tripartite joint body for attracting foreign direct investment, the creation of cross-border clusters, in particular, the creation of a joint strategic plan for the development of areas such as the agro-industrial complex, tourism and transport are proposed.

**Keywords:** cross-border cooperation, Euroregion, Euroregion effectiveness, employment, strategic plan, public-private partnership.

### **INTRODUCTION**

The low level of economic development of the territory of the Ukrainian Danube region leads to the low investment attractiveness of the region, the further increase of arrears and the weakening of cohesion. This leads to the strengthening of disparities in the development of the territories not only in comparison with the neighboring territories of Romania and Moldova but also within the Odessa region.

The issue of Ukraine's post-war recovery requires identifying and mobilizing the country's available resources and improving the efficiency of their use. The Ukrainian Danube region has a strong natural resource potential. For its implementation, conditions must be created for industrialization based on sustainable development. The border location of the region provides access to the instrument of the cohesion policy – cross-border cooperation. Currently, cross-border cooperation in the region is almost not developing in the economic sphere on the territory of the Ukrainian Danube region. Moreover, the interest in cross-border economic cooperation can exist under favorable conditions for economic development. Therefore, the use of cross-border

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cooperation opportunities for the post-war recovery of Ukraine requires the formation of favorable conditions for attracting investments for the recovery and development of the region's economic system based on the implementation of innovative potential.

## **METHODOLOGY**

The methodological basis of the research is the scientific provisions of modern economic theory and the work of domestic and foreign scientists on cross-border cooperation issues. The paper uses methods of logical and empirical knowledge, statistical analysis, correlation-regression analysis, synthesis methods, construction of trend lines, comparison, forecasting, deductive reasoning, abstraction, and a systematic approach is applied to the presentation of the studied and developed material.

## **RESULTS**

Cross-border cooperation as an element of state policy today occupies an extremely important place both in the system of socio-economic development priorities and in the direction of European integration of Ukraine. It aims to overcome the negative aspects of the existence of borders and the consequences that have arisen in the border territories due to their location at the national borders of the states and aims to improve the living conditions of the population, as well as gradually alleviate the unevenness in the socio-economic development of the territorial units and individual administrative for the benefit of the population and their states as a whole.

Cross-border cooperation has a positive effect on the integration of economies in border areas and, therefore, on the economies of neighboring countries, contributes to the balanced and harmonious development of the economy of border regions, increases the level of employment and allows the effective implementation of certain projects [1].

The principles of cross-border cooperation are the principle of state sovereignty, territorial integrity or the borders of the member states of cross-border cooperation; the principle of taking into account the competences of cross-border cooperation issues; the principle of coordinated elimination of political, economic, legal, administrative and other obstacles to mutual cooperation.

The Ukrainian Danube region has the opportunity to establish cross-border cooperation with the neighboring territories of Romania and Moldova. Within the cross-border cooperation, the Ukrainian Danube Region is participating in the following main programs:

- Black Sea Basin Program (Interreg NEXT Black Sea Basin);
- Transnational Danube Program (Interreg Danube);
- Interreg NEXT Romania-Ukraine.

Among the projects implemented in the previous periods, the share of those that have a direct impact on improving the level of economic development of the region is quite low. It is worth noting that cross-border cooperation projects have certain requirements. First of all, the effect of the implementation of such a project must be long-term, that is, it cannot be the financing of the needs of the current activities of the subjects. Second, in competitive selection, priority is given to those projects that have a positive impact on the lives of as many people as

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possible and on the environment. Improving the state of development of the Ukrainian Danube region requires the implementation of large-scale infrastructure projects with significant budgets, capable of significantly increasing the financial capacity of local territorial communities. The Lower Danube is part of the Odessa region, which needs innovation, new methods of organization.

Cross-border cooperation is a joint activity of local and territorial communities in border regions, the purpose of which is the formation and support of economic, social, scientific and technical relations, as well as ecological, cultural and other relations within the limits established by legislation. It also promotes the movement of labor, exchange of technology, development of border infrastructure and development of trade relations between neighboring countries.

The importance of cross-border cooperation lies in the fact that it is an effective mechanism of economic, social, cultural, touristic and environmental cooperation between the border regions of neighboring countries, it promotes the development of border regions at the expense of their own forces and at the local level.

The purpose of cross-border cooperation in Odesa region is to eliminate the negative consequences of its peripheral, border location from the most important economic centers of Ukraine, as well as to capitalize on the opportunities arising from the proximity of the European Union.

In the Odessa region, cross-border cooperation is coordinated by the Directorate for European Integration Policy and cross-border cooperation of the Directorate for European Integration, foreign trade and cross-border cooperation within the Department of external economic activity and European Integration of Odesa regional administration [2].

Cross-border cooperation of Odesa region is carried out mainly with the border regions of Romania and Moldova within the system established on August 14, 1998 "Lower Danube". The structure of this education in the "Lower Danube" eurozone includes Odesa region in Ukraine, the counties of Galati [3], Tulcea [4], Brăila in Romania and Cahul [5] and Cantemir regions in Moldova. The functioning of the Euroregion is the harmonious and balanced development of the participating regions, the solution to a number of environmental, cultural and socio-economic problems.

Among the factors that contribute to the development of cross-border cooperation between Odesa region and the neighboring regions of Moldova and Romania are the geo-economic and geopolitical situation of the region and the significant experience of the regional authorities in the implementation of cooperation between regions. Among the negative factors in the development of cross-border cooperation are the insignificant degree of connection between the economy of Odesa region and neighboring countries from the external economic sphere, as well as a number of problems of the development of Euroregional cooperation, such as: the lack of appropriate competences of local authorities, the inertia of local public administration structures in terms of cross-border cooperation, a low level of involvement of representatives of the business environment and the public sector in such cooperation, the inconsistency of legislation in Odesa region and neighboring countries, and various organizational problems.

Given the opportunity for such a rethinking of the role of cross-border cooperation, it is appropriate to calculate the impact of such cooperation taking place in the economic sphere: in the commercial sector, in the financial plan and the provision of international technical

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assistance. To learn how such cooperation should be used in the interest of the socio-economic development of the region: the formation of border, transport and social infrastructure, the increase of the gross regional product, the increase of jobs, the creation of large cross-border clusters in the most economic sectors developed regions - means taking the right direction in the implementation of regional policy. Thus, the theme of the paper is very relevant in relation to strengthening the role of cross-border cooperation between regions, while there are also negative factors for the development of such cooperation, which prevent the use of cross-border cooperation as a tool for the economic development of border regions.

Such cooperation is carried out in the form of a Euroregion [6], by concluding cross-border cooperation agreements in specific fields, by creating mutually beneficial contacts between participants in cross-border cooperation, etc. In European practice, the creation of a cross-border cluster is also emphasized as an effective way of implementing cross-border cooperation.

Recently, the regions of Ukraine are actively involved in the creation of Euroregions and cross-border cooperation with the Republic of Moldova and the European Union. Given the increasing role of cross-border units in Europe, and especially in Ukraine, the real issue is to find ways to improve efficiency and find new forms of cross-border cooperation.

Odesa region was one of the pioneers of cross-border cooperation, but today such interaction with the regional authorities of neighboring border regions of neighboring countries - Romania and Moldova - still remains in the political plane at the level of interethnic and mutual cultural festivals, conferences and meetings - measures which does not affect the development of border infrastructure and the economy of border regions. Such cooperation in Ukraine [1] is mainly in the form of Euroregions, which are perceived only as tools for European integration of the country, and not as a tool for the development of border areas using a more advantageous geo-economic and geopolitical location of regions, for this reason, it is now urgently necessary to find the means to move to a new qualitative level, which mainly includes economic cooperation in trade and finance.

Euroregions represent the main organizational form of cross-border cooperation. Currently, more than 150 of these have been formed in the countries of Western, Central and Eastern Europe. Currently there are 10 such integration associations in Ukraine. Cross-border cooperation in Odesa region is mostly carried out with the border regions of Romania and the Republic of Moldova within the "Lower Danube" Euroregion [8], which was created on August 14, 1998. The "Lower Danube" Euroregion [7] includes Odesa region from Ukraine, Galati, Tulcea, Breila counties from Romania and Cagul and Cantemir districts from the Republic of Moldova. The creation of the "Lower Danube" Euroregion was aimed at solving the following tasks:

- achieving a harmonious and balanced development of the economy;
- solving a number of issues and problems in the field of environmental protection;
- ensuring the adequate level of employment and social protection of the population;
- creating conditions for increasing the level and quality of life in our regions;
- taking measures to integrate the transport infrastructure of the border regions into a single network of European transport corridors, etc.

The formation of the "Lower Danube" Euroregion has created new opportunities to expand cooperation in various fields between the border regions of the Republic of Moldova, Romania and Ukraine. Within the cross-border cooperation in the "Lower Danube" Euroregion [8], projects in social, economic, environmental and other spheres are considered and implemented. The activities of the Euroregion make it possible to attract quite significant international technical assistance funds.

The cooperation of the participating countries of the "Lower Danube" Euroregion is generally carried out on a political level. The volume of foreign trade and foreign investments of Odesa region with the populations of Moldova and Romania represents an insignificant share of the region's foreign trade turnover, although they have a growing trend. Within the "Lower Danube" Euroregion, Odesa region cooperates more with the Republic of Moldova, its closest neighbor, and less with Romania in the field of economic and commercial development. This may be due to the fact that Odesa region has no land border with Romania. In general, Romania and the Republic of Moldova, based on the analysis carried out, are not the main partners of Odesa region.

In terms of promising sectors of the economy, agriculture plays a major role in the economy of the Euroregion. The availability of large water resources stimulates the development of fisheries. In industry, industries related to the use of agricultural raw materials play an important role: textile and food, chemical industry, shipbuilding, construction and metallurgy. In the service sector, transport has gained the most importance.

In general, the insignificant efficiency of the interaction between the regions of the Euroregion should be noted. This may be due to the fact that cross-border cooperation is mainly carried out in the cultural sphere and in the sphere of environmental protection, the significant deterioration of the border infrastructure and the weak external economic ties with the participants of the Lower Danube Euroregion. The presence of a large number of restriction factors and problems in the development of such cooperation significantly reduces the effectiveness of cross-border cooperation.

*Table 1. Analysis of the region's strengths and weaknesses, opportunities and threats (SWOT analysis) [2]*

<i>Strengths (internal factors)</i>	<i>Weaknesses (internal factors)</i>
<p><b>1. Advantageous geographical position.</b> Odesa Region is a coastal and border region of Ukraine, located in the extreme southwest of the country. The state borders of Ukraine with Romania and Moldova pass through the territory of the region. In the south, Odesa region stretches to the Black Sea.</p> <p><b>2. Sufficiently developed and extensive infrastructure with large capacity, availability of means for transporting large and massive goods.</b> Odesa's strong intersectoral transport complex</p>	<p><b>1. External competition and weak competitiveness of domestic products.</b> The decrease in the level of the anti-dumping duty caused an increase in imports, which led to a decrease in the demand for domestic industrial products.</p> <p><b>2. High prices for energy resources.</b> High tariffs for electricity, gas and cancellation of the "night tariff" significantly affect the cost of manufactured industrial products and increase production costs, which in turn affects the final selling price of goods</p>

<p>is represented by all types of transport - rail, road, water, aviation, electric (communications).</p> <p><b>3. The available tourism and recreational potential of the region.</b> The peculiarity of the economic and geographical location of the region, favorable natural and climatic conditions, various natural healing resources, the presence of sandy beaches, a developed network of waterways, railways and highways determine the development of tourism.</p> <p><b>4. Favorable agroclimatic conditions for the development of animal husbandry and the cultivation of almost all agricultural crops.</b> The presence of significant areas of agricultural land and specialized research and improvement institutions.</p> <p><b>5. A developed network of nature conservation areas.</b> The nature reserve of Odesa region is represented by 125 territories and objects</p> <p><b>6. The investment attractiveness of the region.</b> Odesa region is one of the most promising regions of southern Ukraine, which has a high potential for the development of most industries and a high level of training of labor resources. On the territory of the region there are enterprises for the production of oil refining products.</p>	<p>to the public.</p> <p><b>3. Dependence on the import of equipment and raw materials for industrial production.</b> Industrial enterprises prefer high-quality imported equipment and raw materials, which leads to dependence on them.</p> <p><b>4. Lack of state funding of innovative developments.</b> Financing of innovative developments is carried out by enterprises at the expense of own funds and credit, which indicates the lack of sufficient attention from the state and investors towards innovative developments.</p> <p><b>5. Depletion and loss of soil fertility.</b> There is a tendency to decrease the yield of cereals and legumes and sunflower by 5-7% annually due to non-observance of the crop rotation system, insufficient application of organic and mineral fertilizers, violation of the technology of cultivation of agricultural crops, deterioration. of the main agro-landscapes.</p>
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Extension Table 1. Analysis of the region's strengths and weaknesses, opportunities and threats

<i>Opportunities (external factors)</i>	<i>Threats (external factors)</i>
<p>1. Continuation of integration processes with the EU – will stimulate manufacturers to improve product quality and responsibility for environmental protection, will contribute to increasing the competitiveness of local manufacturers' products on domestic and foreign markets, aligning them with European and world standards, expanding export volumes, especially within the framework of</p>	<p>1. Excess capacity for fertilizer production in the world. 2. Increase in the import of products. 3. Difficulties in attracting financial resources - high loan rates. 4. Competition with foreign companies 5. Outbreaks of animal diseases. 6. Foreign Exchange Market Fluctuations. 7. Dependence on world prices.</p>

<p>the Association Agreement with the EU.</p> <p>2. The further development of alternative energy and the gradual ensuring of the region's energy independence from external suppliers.</p> <p>3. Expanding the geography of product export and developing import substitution.</p> <p>4. Development of port and industrial complexes, industrial parks.</p> <p>5. Increase in sales on the domestic market due to the implementation of investment programs.</p> <p>6. Decentralization of power, implementation of administrative reform and increase of budgetary independence of communities.</p> <p>7. Attracting cheap financing at the expense of grants and other funds of international financial organizations.</p> <p>9. Increasing Ukraine's investment attractiveness.</p> <p>10. Simplifying the authorization system in business and land relations.</p> <p>11. International cooperation with European countries in the framework of cross-border cooperation, membership of tourism businesses in European interregional associations.</p> <p>12. Attracting investments, developing technologies, ensuring the marketing of territories, forming tourist clusters.</p> <p>13. Introduction of the management basin principle to improve the state of water bodies.</p>	<p>8. Increasing dependence on external energy.</p> <p>9. Transitional difficulties to EU technical regulations.</p> <p>10. Absence of adequate legislation to ensure the development of small winemaking enterprises.</p> <p>11. Emergency situations of anthropogenic and natural origin.</p> <p>12. The consequences of the irrational use of the territories and objects of the fund of the nature reserve.</p> <p>13. Placement of chemical means of plant protection on the territory of the region, which leads to soil pollution.</p> <p>14. Absence of a legally established and functioning investment protection mechanism, which causes mistrust in business circles.</p> <p>15. Existence of corruption risks.</p> <p>16. Poor awareness of potential partners regarding the opportunities of the region.</p> <p>17. High level of labor migration abroad.</p> <p>18. Increasing labor shortages in certain labor force occupations.</p>
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Following the SWOT analysis, we proposed the creation of a special body that would contribute to attracting foreign direct investment in the economy of the Euroregion member regions, by looking for possible investment projects and investing joint Ukrainian-Romanian-Moldovan funds. The second direction is the improvement of cross-border infrastructure. The third direction consists in finding new, more modern forms of cross-border cooperation. This form is the activity of cross-border clusters in the tourism, agro-industrial and transport-logistics sectors of the economy. We set out to create clusters in the following areas:

- agriculture (formation of an agro-industrial cluster based on enterprises from Odesa region, Galati, Tulcea and Braila counties in Romania and Cantemir and Cagul districts in the Republic of Moldova);

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- transport (the formation of a transport and logistics cluster based on Odesa region and the counties of Galati and Tulcha in Romania);
- tourism (creating clusters in the field of green tourism in the Danube basin and recreational tourism on the Black Sea coast).

## CONCLUSIONS

After analyzing the data on the state of cross-border cooperation on the territory of Odesa region, we indicated the presence of a large number of factors that limit the development of such cooperation, which significantly reduces the effectiveness of the implementation of cross-border cooperation. To overcome the negative trends in the development of the external economic activity of the Odessa region, we bring the following recommendations:

- a) promoting the attraction of foreign direct investments by creating a joint tripartite body, holding joint events (fairs, conferences, investment forums) to inform the international business community about the investment projects of the Lower Danube Euroregion;
- b) promoting the production of export-oriented products to the markets of neighboring countries, and import-substitutable in the Odessa region, by creating the conditions for business development in the region with the help of priority development areas;
- c) promoting the creation of stable commercial relations between the Odessa region and the adjacent border regions of Romania and the Republic of Moldova by creating cross-border clusters.

Therefore, we aimed to offer recommendations for the development of cooperation within the "Lower Danube" Euroregion in the following directions: the search for optimal options for changes in the organizational structure and activities of the "Lower Danube" Euroregion, improving the cross-border level. infrastructure and the search for alternative, more modern forms of cross-border cooperation.

The first direction represents gradual and consistent changes in the process of implementing cross-border cooperation within the "Lower Danube" Euroregion, which consists of reforming the organizational structure and expanding the commissions' functions in the spheres of activity. We also proposed the creation of a special body that would contribute to attracting foreign direct investments in the economy of the Euroregion member regions, by looking for possible investment projects and investing joint Ukrainian-Romanian-Moldovan funds. The second direction is the improvement of cross-border infrastructure. The third direction consists in finding new, more modern forms of cross-border cooperation. This form is the activity of cross-border clusters in the tourism, agro-industrial and transport-logistics sectors of the economy. We set out to create clusters in the following areas:

- agriculture (formation of an agro-industrial cluster based on enterprises from Odesa region, Galati, Tulcea and Braila counties in Romania and Cantemir and Cagul districts in the Republic of Moldova);
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The creation of cross-border clusters will provide the Euroregion "Lower Danube" with the following advantages: regional innovation and industrial clusters have at their core a stable distribution system of new technologies, knowledge and products that have been formed, the so-called technological network, which is based on a common scientific basis; cluster enterprises have additional competitive advantages due to the ability to carry out internal specialization and standardization, minimizing the costs of introducing innovations; it will provide small firms with a high degree of specialization in serving a specific entrepreneurial niche, as it facilitates access to the capital of an industrial enterprise, as well as an active exchange of ideas and knowledge transfer from specialists to entrepreneurs. In addition, it should be noted that in many countries of the world, the activities of joint ventures have demonstrated positive socio-economic and innovative results. Thus, the creation of joint ventures, mergers, and, in some cases, the absorption of existing commercial entities will contribute to the activation of cross-border cooperation. In order to increase the efficiency of joint entrepreneurship in the "Lower Danube" Euroregion, we proposed the following directions:

1. Determining the priority spheres of activity, to which access is open to foreign capital.
2. The creation of a favorable investment climate and the existence of a system for monitoring it.
3. Simplifying the procedure for registration and re-registration of enterprises.
4. Financing, lending and stimulating the production of export products.
5. Creating an institutional structure to ensure foreign investments against political and commercial risks.
6. Development and implementation of the mechanism to support foreign investors, carried out in administrative and informational forms.
7. Cooperation with international financial organizations. The implementation of the above-mentioned measures will primarily activate the economic relations of Ukraine, Romania and the Republic of Moldova in the process of their cooperation within the "Lower Danube" Euroregion.

Following the study, we can suggest two directions for improving the organizational component of cross-border cooperation in the Odessa region:

- the improvement within the Euroregional cross-border entities, which includes the reform of the organizational structure of the Lower Danube Euroregion and the creation of new bilateral Euroregional entities with adjacent regions of neighboring countries;
- the search for new and more effective forms of cross-border cooperation, for example, cross-border clusters.

The implementation of the proposed transformations will significantly increase the efficiency of cross-border cooperation in the Odessa region.

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