

SCIENTIFIC ARTICLES

Social and economic problems of Donbas

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THE ROLE OF THE DONETSK OBLAST CONSTRUCTION SECTOR IN RENOVATION OF THE TERRITORIES

Problem statement. In the context of the anti-terrorist operation being held on the territory of Donetsk Oblast (province) looking for ways to restore and rebuild the territory has emerged full blown. The armed conflict in the east of Ukraine caused numerous human casualties and significant material losses. All these drive the need for restoring Donetsk region. Restoration of Donetsk Oblast is seen as the development of the territory which is suited for life while taking into account all special aspects and problems conditioned by its *direct proximity* to the line of confrontation. Erosion of technologically obsolete economy and severance of traditional ties with temporary occupied areas does not only call for the need to form principally new economic complex but also initiates the search for new sources of raw materials and component parts supply and requires questing for new markets for manufactured products. All the facts stated above call for:

- changing the settlement system;
- constructing new roads and utility systems;
- constructing and repairing objects of social infrastructure, in the first place, housing development;
- attracting investment in innovation objects and technologies;
- boosting small and medium business, which will provide jobs to the residents of the territory and supply local communities with necessary goods and services [5].

Analysis of the latest studies. It is to be noted that since the beginning of the armed conflict in the eastern part of Ukraine politicians, researchers, public officials, residents, mass media have placed special emphasis on analyzing and monitoring the situation unfolding in Donetsk and Luhansk Oblasts. We now have analytical notes and monographs that have been attempted at evaluating the state of Donetsk Oblast economic growth and giving predictive assessment of further scenarios of restoring the areas affected by the armed conflict. Thus, in the monograph “Donbas and Crimea: return at what price?” the authors (V. Horbulin, O. Vlasiuk, E. Libanova, O. Liashenko) undertook a comprehensive

study of the war at the Donbas and the annexation of Crimea. The research is conducted from the perspective of the National Security of Ukraine. In the monograph reintegration terms and recovery priorities for Donbas are outlined, the ways to overcome social consequences of military aggression are defined and prognoses of development of situation in Donbas are provided.

In the scientific report “Modernization of the economy of Donetsk region: strategic implementation scenarios from the standpoint of sustainable development 2020” by Y. Harazishvili V. Lyashenko, L. Shamileva, Y. Zhyhreva [11] conceptual basis for working out the scenarios of sustainable development with allowance for economic security restrictive guidelines are set forward. The authors defined strategic scenarios for modernization of Donetsk Oblast till 2020 with three 'no change' scenario (pessimistic, realistic and optimistic) and two scenarios of stable development. However, in our opinion in these and other scientific efforts the role and the functions of the construction sector as the basis for the Donetsk region renovation has not been given careful consideration.

The objective of the article is to define the role of Donetsk Oblast construction industry in renovation of the territories.

Presentation of basic material of the research. The construction engineering sector of Donetsk Oblast is to play the key role in restoring the destroyed industrial and social infrastructure and housing facilities of the region. Table 1 gives certain presentation of the scope of work required for the renovation of the objects damaged in the course of the armed conflict.

It stands to mention that the information on material losses of Donetsk Oblast slightly varies in different information sources. Thus, as of 01 March, 2015 according to the Department of Economy of Donetsk Regional State Administration there are 10,000 facilities which were destroyed or damaged, in particular: 7409 residential houses, 1346 power supply facilities, 62 heating supply facilities, 58 water supply facilities. According to the ReDonbas portal that was created with the sup-

port of UNDP and PO SocialBoost as of June 13, 2016 on the territories of Luhansk and Donetsk Oblasts there are 3029 infrastructure facilities that are destroyed or

damaged; 378 of which require major repairs, 216 are completely destroyed and 2435 are damaged.

Table 1

Information on destroyed and damaged objects of Donetsk oblast infrastructure as of 19.05.2016 [10]

Name of facility	Total number of destroyed and damaged objects	**Restored objects		* Remain destroyed and damaged	
		Number	Amount (mln. of UAH)	Number	Amount (mln. of UAH)
Residential houses	8792	1452	35,1	7340	1890,2
Power supply facilities	213	213	256,5	-	-
Heating supply facilities	23	23	2,8	-	-
Water supply facilities	21	20	120,5	1	0,98
Gas supply facilities	100	54	10,4	46	20,3
Water disposal facilities	14	14	36,7	-	-
Health institutions	48	23	15,2	25	26,6
General educational institutions	108	69	27,8	39	57,7
Pre-school educational institutions	74	51	14	23	17,7
Vocational-technical educational institutions	20	10	3	10	20
Higher educational institutions	11	9	0,5	2	1,2
Institutions of physical culture and sports	8	5	0,1	3	13,5
Cultural institutions	42	22	1,7	20	21,2
Objects of road transport infrastructure	48	32	44,6	16	1257
Industrial facilities	51	19	48,2	32	82
Commercial establishments	64	23	0,4	41	2,3
Other facilities and establishments	100	24	6,8	76	56,02
Total	9737	2063	624,3	7674	3466,7

* Territories controlled by Ukraine.

** Restoration works on most objects were carried out in 2015.

In Anti-Terrorist Operation (ATO) Zone 90 objects of road transport infrastructure, 54 administrative buildings, 39 manufacturing facilities, 34 health institutions, 25 public utility facilities etc. are destroyed or damaged. It is definitely the restoration of destroyed infrastructure facilities and housing stock that becomes the key issue in developing restoration strategies for Donetsk Oblast.

In Donetsk Oblast over 12,000 objects, circa 9,000 of which are residential buildings, have been destroyed. The housing problem does not only concern those persons whose homes have been destroyed but also internally displaced persons (IDPs) from the areas not controlled by Ukraine. As mentioned above Donetsk Oblast has the largest number of IDPs, though their housing problem is not being addressed in orderly manner.

Here arise the questions: "Is the current construction sector able to become the basis for restoration of Donetsk Oblast? What is the region's construction industry capacity?"

It should be noted that before the armed conflict the construction industry in Donetsk region was developing slowly. Construction companies in the area if compared to the other regions operated less efficiently and less effectively took advantage of market opportunities, which

was all conditioned by the socio-economic development of the region. Presently we should agree with the fact that the region requires assistance in creating funding opportunities for modernization. The state of construction industry has deteriorated due to the ATO. That was related to the sector-specific issues of construction companies as they are very susceptible to the factors of the macroeconomic environment. For that reason the main challenge on the way to ensure the effectiveness of the construction industry in the whole is seen as the necessity to minimize the negative impact of the external economic environment through strategic planning and management of construction sector development.

In spite of the strong need of the region under study for housing, the volumes of setting it into operation are the lowest in Ukraine. Over 2015 in Donetsk Oblast 43,400 square meters of housing or 0.4% of total housing stock in Ukraine were put into operation. As a comparison, in Vinnytsia Oblast these indicators are 381,000 m² or 3.5%, in Kharkiv Oblast – 384,000 m² or 3.3% [6]. According to Donetsk Region Development Strategy until 2020 [10] over the year of 2015 the construction companies of the region carried out construction work on their own in the amount of 2.3 bln UAH.

If compared with 2014 the volume of construction output was reduced by 2.4 times.

The amount of construction works increased in January-September 2015: in Luhansk Oblast by 68.5% and in Donetsk Oblast by 66.2%. The general trend in January-September 2015 in comparison with the corre-

sponding period in 2014 was influenced by the reduction in constructing non-residential buildings by 26.7%, engineering structures by 25.1% and housing by 4.1%. The amount of the construction works completed in January-September 2016 by type of construction is given in Table 2, by cities and districts (raions) – in Table 3.

Table 2

The amount of the construction work completed in January-September 2016 by type construction products¹ [1]

	<i>Construction work completed in January-September 2016</i>		
	<i>Thousands of UAH</i>	<i>as a percentage of total amount</i>	<i>as a percentage of the corresponding period in 2015</i>
Construction	1642223	100,0	104,2
Buildings:	290185	17,7	102,9
residential	24733	1,5	57,7
non-residential	265452	16,2	111,5
engineering structures	1352038	82,3	104,7

¹ Without regard to the area of ATO zone.
Data can be specified.

The construction companies of the region, which performed construction contracts, and those, which carried out construction work by in-house way, in January-September 2016 completed construction work on their own in the amount of 2.6 bln UAH (without regard to the area of ATO zone). Compared to the period of Jan-

uary-September 2015 the number of construction products increased by 4.2%. In the areas of Donetsk Oblast controlled by Ukrainian government the difference between the most and the least well-off cities (districts) in terms of capital investment per capita was: in cities – by 58.6 times, in raions – by 28.7 times.

Table 3

The amount of construction work completed in cities and districts over the period January-September 2016¹ [1]

<i>Inhabited locality</i>	<i>Completed construction work</i>	
	<i>Thousands of UAH</i>	<i>as a percentage of total amount</i>
Donetsk Oblast	1642223	100,0
Donetsk	448863	27,3
Bakhmut	59852	3,6
Dobropillia	35720	2,2
Druzhkivka	301162	18,3
Kostiantynivka	6103	0,4
Kramatorsk	128534	7,8
Makiivka	40366	2,5
Mariupol	388007	23,6
Myrnohrad	15934	1,0
Pokrovsk	94315	5,7
Sloviansk	10100	0,6
Khartsyzk	20730	1,3
Volnovakha Raion	8240	0,5
Marinka Raion	2568	0,2

¹ Without regard to the area of ATO zone.
Data can be specified.

In 2016 57.600 m² of total floor space of residential buildings (including 51.700 m² in urban settlements) were put into operation, which is by 32.6% more.

The construction companies of the region, which performed construction contracts, and those, which carried out construction work by in-house way, in January

2017 completed construction work on their own in the amount of 142 mln UAH (without regard to the area of ATO zone). Compared to January 2016 the number of construction products increased by 9.5 %.

The main problem is the lack of funds available for investment in restoration of housing stock and industrial

and social infrastructure. According to experts as early as 2015 not less than 3.5 bln of UAH was required in Donetsk Oblast for restoring the cities and villages affected by the armed conflict. We agree with the opinion of the academician E. Libanova [5] that the lack of resources significantly limits the possibilities of sending budget funds for revival of Donbas, the hopes for foreign investment might not materialize; therefore, it is of vital importance to attract personal funds of the population of the regions. For this purpose it is necessary:

- 1) to reform the taxation system;
- 2) to change the system of income distribution between budgets of different levels;
- 3) to turn to the development budget at the expense of budget allocations, state domestic loans, the resources of specialized financial institutions and government securities with preferences for their acquisition for population's own savings [5].

To attract investment in the economy of the region it is necessary to ensure a congenial investment climate, to increase the investment prospects of enterprises and to facilitate the search for potential investors, as well as, to create enterprises with foreign authorized capital and to determine the priorities of the investment policy of the region, which must be outlined in documents on regional and urban development programs, and thus, legitimate for investors.

The housing problem is the most acute and urgent for all internally displaced persons from the ATO zone and requires a state approach to its solution. Now there are more than 70 000 citizens with housing needs in the region. Of those, 23,000 are young people. In addition, in Donetsk Oblast there live about four thousand ATO participants and 720000 registered IDPs. Restoration of housing stock is one of the most important issues of the Program for the Restoration and Development of Donbas.

The restoration of housing stock in the affected areas may consist of several components, which, depending on the degree of damage to the housing, are implemented in two separate directions: firstly, these are new construction developments in inhabited localities with a high proportion of destroyed housing; secondly, the restoration of the buildings, technical and technological characteristics of which are suitable for further maintenance.

As an intermediate step in the realization of this important task the construction of temporary houses for the groups of returnees, as well as for the "pioneer development squads", can be considered, and it is advisable to engage IDPs who will get the opportunity to participate in reconstruction work. These houses can be of a container type and can be located in support centers in the form of small settlements.

Currently, Ukraine has three basic programs to stimulate the development of housing construction, namely, the State target socioeconomic program on

the construction (acquisition) of affordable housing for 2010-2017 [3], the State Programme for providing youth with housing in 2013-2017 [7] and the State Target Program on Village Development of Ukraine for the period till 2015 [9], as well as a number of regional programs.

Donetsk regional department of the State Fund for the Promotion of Youth Housing Construction has developed a draft regional program to provide certain categories of citizens of Donetsk Oblast with affordable housing. In particular, this program offers preferential long-term loans for the acquisition and construction of housing for combatants, IDPs, civil servants and young families. It is proposed to issue loans with a rate of 0 % to 3% for a period of 20 years or until the recipient enters retirement age. The first installment will be 6% of the standard cost of housing. All programs provide for the creation of appropriate financial and institutional mechanisms so that to ensure the affordability of housing for the population. It is advisable to offer proposals on the priority of financing. Another urgent problem is the lack of necessary interaction and communication between the public-supported volunteer organizations that provide assistance to IDPs and housing organizations and construction companies that are now able to provide affordable housing.

Conclusions and directions for further research.

Thereby it shall be proposed for the Cabinet of Ministers of Ukraine to adopt an appropriate resolution and guidance documents for the Ministry of Regional Development, Construction and Housing and Communal Services of Ukraine on the introduction of changes and corrections to the current state targeted programs in order to stimulate housing construction with a focus on the successful solution of housing problems of IDPs; to create conditions for partnership relations between public organizations and construction developers on the formation and implementation of mechanisms for ensuring housing affordability for IDPs.

As a result of the analysis of the world experience and domestic practice of housing provision for IDPs we have identified the problems and obstacles in this area, as well as provided the following proposals for their solving:

1. to provide an inventory of the housing stock and its use to create temporary housing for IDPs;
2. to ensure the renewal of social housing construction in the region and its use to solve the housing problem of IDPs;
3. to reorient the existing programs for the development of housing construction to address the housing problems of IDPs;
4. to carry out informational and institutional support for the solution of housing problems of IDPs; keep a register of IDPs' housing needs;
5. to ensure the formation of a permanent housing stock for IDPs, who decided to stay in the areas for displacement;

6. to develop the mechanisms for compensation of the cost of the housing lost during actions related to АТО;

7. to develop mechanisms for regulating prices in the rental sector of residential real estate and ensure the expansion of rental housing base.

With a view to further restoration of the region it is required to introduce a special program for the development of the construction sector in the region. In this program two directions should be outlined: 1) new construction developments in inhabited localities with a high proportion of destroyed housing; 2) restoration of the buildings which technically and technologically suitable for further maintenance.

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Точонов І. В., Калашнікова Т. С., Гордієнко В. В. Роль будівельної галузі Донецького регіону в питаннях відновлення територій

Оцінено стан будівельної галузі Донецької області, зокрема проаналізовано пошкоджені об'єкти інфраструктури, які були зруйновані внаслідок воєнних дій на Донбасі. Проаналізовано обсяги виконаних будівельних робіт за видами будівельної продукції по містах та районах Донецької області. Надано пропозиції щодо розвитку будівельної галузі Донецької області в питаннях вирішення житлових проблем населення.

Ключові слова: будівництво, Донецька область, інфраструктура, житло, відновлення територій.

Точёнов И. В., Калашникова Т. С., Гордиенко В. В. Роль строительной отрасли Донецкого региона в вопросах восстановления территорий

Оценено состояние строительной отрасли Донецкой области, в частности проанализированы поврежденные объекты инфраструктуры, которые были разрушены в результате военных действий на Донбассе. Проанализированы объемы выполненных строительных работ по видам строительной продукции по городам и районам Донецкой области. Даны предложения по развитию строительной отрасли Донецкой области в вопросах решения жилищных проблем населения.

Ключевые слова: строительство, Донецкая область, инфраструктура, жилье, восстановление территории.

Tochonov I., Kalashnikova T., Hordiienko V. The role of the Donetsk oblast construction sector in renovation of the territories

The state of the construction industry in Donetsk Oblast is assessed, in particular, the damage to infrastructure facilities that were destroyed as a result of armed conflict in Donbas are analyzed. The amounts of completed construction work by types of construction products in the cities and districts (raions) of Donetsk Oblast are analyzed. Proposals on the development of the construction industry in Donetsk Oblast in the issues of solving the housing problems of the population are given.

Keywords: construction industry, Donetsk Oblast, infrastructure, housing, restoration of territories.

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