

УДК 352.1:338.24

Monastyrskiy G.L., Doctor of Economics, Professor of Management and Public Administration Department, Ternopil National Economic University

## INTEGRATION OF LOCAL COMMUNITIES OF THE SETTLEMENTS AS A MECHANISM TO ENHANCE MUNICIPAL ECONOMIC DEVELOPMENT

Reform of local government and administrative-territorial structure of Ukraine on the basis of strengthening local governments, deepening the decentralization of power, using the model of interaction in the relationship of central and local governments is required and necessary for its development. However, this reform cannot be formal, unreasonable, unbalanced, and the one that masks impropriety and archaisms of existing territorial administration model. Its implementation requires a joint coordinated political will of the country's top leadership with taking into account the interests of territorial units of different hierarchical levels. In discussions about the administrative-territorial reform too much attention is given to bureaucracies, and modeling the organizational structure of government. But for ordinary people, after all, it matters less whether it is local governments or state authorities to provide them with all the necessary services. A person to whom the authorities have to provide quality services should be in the center of the reform. It is therefore necessary to begin with the establishment of social standards of living that are to be guaranteed by the authorities. These parameters should be backed up by sources of material and financial support.

Key words: territorial communities, administrative-territorial structure, administrative-territorial reform, municipal economic development, local self-governance.

Tab. 1., lit. 10.

Монастирський Г.Л.

## ІНТЕГРАЦІЯ ТЕРИТОРІАЛЬНИХ ГРОМАД НАСЕЛЕНИХ ПУНКТІВ ЯК МЕХАНІЗМ АКТИВІЗАЦІЇ МУНІЦИПАЛЬНОГО ЕКОНОМІЧНОГО РОЗВИТКУ

Проведення реформи місцевого самоврядування та адміністративно-територіального устрою України на засадах зміцнення місцевого самоврядування, поглиблення децентралізації влади, використання моделі взаємодії у відносинах центральної та місцевої влади є обов'язковим та необхідним для забезпечення розвитку країни. Однак, таке реформування не може бути формальним, необґрунтованим, невиваженим, маскуючи недоречності та архаїзми існуючої моделі територіального управління. Для його реалізації потрібна спільна узгоджена політична воля вищого керівництва країни з урахуванням інтересів територіальних утворень різного ієрархічного рівня. В дискусіях щодо адміністративно-територіальної реформи забагато уваги відводиться бюрократичному апарату, моделюванню організаційної структури влади. Проте пересічному громадянину, врешті-решт, байдуже хто йому надаватиме послуги — органи місцевого самоврядування чи органи державної влади. В центрі реформи повинна стояти людина, якій органи влади повинні надати якісні послуги. Тому необхідно починати із розроблення соціальних стандартів життя населення, що гарантуватимуться владою. Ці параметри необхідно підкріпити джерелами матеріального та фінансового забезпечення.

**Ключові слова:** територіальна громада, адміністративно-територіальний устрій, адміністративно-територіальна реформа, муніципальний економічний розвиток, місцеве самоврядування.

Монастырский Г.Л.

## ИНТЕГРАЦИЯ ТЕРРИТОРИАЛЬНЫХ СООБЩЕСТВ НАСЕЛЕННЫХ ПУНКТОВ КАК МЕХАНИЗМ АКТИВИЗАЦИИ МУНИЦИПАЛЬНОГО ЭКОНОМИЧЕСКОГО РАЗВИТИЯ

Проведение реформы местного самоуправления и административно-территориального устройства Украины на принципах укрепления местного самоуправления, углубления децентрализации власти, использования модели взаимодействия в отношениях центральной и местной власти является обязательным и необходимым для обеспечения развития страны. Однако, такое реформирование не может быть формальным, необоснованным, невзвешенным, маскируя неуместность и архаизмы существующей модели территориального управления. Для его реализации нужна общая согласованная политическая воля высшего руководства страны с учетом интересов территориальных образований разного иерархического уровня. В дискуссиях относительно административно-территориальной реформы много внимания отводится бюрократическому аппарату, моделированию организационной структуры власти. Однако рядовому гражданину, в конце концов, безразлично кто ему будет предоставлять услуги — органы местного самоуправления или органы государственной власти. В центре реформы должен стоять человек, которому органы власти должны предоставить качественные услуги. Поэтому необходимо начинать из разработки социальных стандартов жизни населения, гарантируемых властью. Эти параметры необходимо подкрепить источниками материального и финансового обеспечения.

**Ключевые слова:** территориальное сообщество, административно-территориальное устройство, административно-территориальная реформа, муниципальное экономическое развитие, местное самоуправление.

One of the ways of ensuring sustainability of baseline territorial communities is to improve the socio-economic situation and create conditions to enhance dynamic development of municipalities is administrative-territorial reform, which aims to solve the problem of creating legal, economic and organizational conditions for the effective implementation of the functions of local governments.

The issues of reforming administrative and territorial structure and local government are inextricably linked. The effectiveness of a solution to the one will certainly affect the efficiency of solving another. The experience of European countries, the reform of administrative and territorial structure and local government cannot be diluted over time. Administrative-territorial reform is first and foremost associated with the process of decentralization, which is the essence of local government reform in Europe.

After the adoption of Constitution of Ukraine and the Law of Ukraine "On Local Government" the process of finding a new management model of regional development and territorial communities baseline began in Ukraine. The subjects of this process are public authorities, local governments, non-governmental organizations (foundations, associations), scientists, international organizations and political parties. Among the key documents that illustrate this process the following are worth mentioning: 1) the Concept of administrative reform in Ukraine (1998); 2) Concept of State Regional Policy (2001); 3) State strategy of regional development, 2004-2010 (2003); 4) "Reform for a human" (2005); 5) Concept (conceptual foundations) of reform of administrative and territorial structure of Ukraine by Ukrainian Association of Local and Regional Authorities) (2005); 6) concept of decentralization of public administration and local government development by Association of Cities and Communities of Ukraine (2005); 7) The draft law "On Amendments to the Constitution of Ukraine" on the improved organization of public authorities (the next stage of constitutional reform) (2007); 8) The draft reform of the Ministry of Regional Development

and Construction of Ukraine (2008-2009); 9) The draft Constitution of Ukraine (2009); 10) "Modernization of Ukraine - our strategic choice" President's letter to the Supreme Council of Ukraine (2011); 11) Concept of reforming local government and territorial organization of power in Ukraine (2014); 12) Law of Ukraine "On Consolidation of Territorial Communities" (2015); 14) changes to the Constitution of Ukraine (concerning the decentralization of state power) (2016). The common features of the considered approaches are: focus on strengthening local governments; deepening the decentralization of power; using of the interaction model in the relationship of central and local authorities. The main shortcomings refer to the following: the lack of integrative complexity; somewhat declarative nature; underestimated and lacking proper attention economic component; excessive emphasis on reforming the administrative apparatus; consideration of regional consolidation as a kind of panacea; not taking into account potential functional associations of local communities; risk of delegating maximum power to under-institutionalized local government; lack of application of crisis management technology; avoiding and detouring issues of forming public municipal policy.

Reform of local government and administrative-territorial structure of Ukraine on the basis of strengthening local governments, deepening the decentralization of power, using the model of interaction in the relationship of central and local governments is required and necessary for its development. However, this reform cannot be formal, unreasonable, unbalanced, and the one that masks impropriety and archaisms of existing territorial administration model. Its implementation requires a joint coordinated political will of the country's top leadership with taking into account the interests of territorial units of different hierarchical levels.

In discussions about the administrative-territorial reform too much attention is given to bureaucracies, and modeling the organizational structure of government. But for ordinary people, after all, it matters less whether it is local governments or state authorities to provide them with all the necessary services. A person to whom the authorities have to provide quality services should be in the center of the reform. It is therefore necessary to begin with the establishment of social standards of living that are to be guaranteed by the authorities. These parameters should be backed up by sources of material and financial support.

Something wrong, in our opinion, is the desire to hold the administrative-territorial reform instantly. Today, priority should be given to focusing on reforming the primary level of local government, which is directly close to the individual. Reform of the areas and regions should therefore be the matter of future. In addition, the artificial transformation of regional and district state administrations apparatus into local governments' executive bodies does not solve the problem. Today we must talk about the radical transformation of the functions of the executive bodies in accordance with the requirements of the time.

In the process of administrative-territorial reform it is advisable to take into account possible scenarios of the consequences. It is inappropriate to process only the optimistic scenario, because administrative and territorial reforms are often associated with huge political, social and economic risks. In this case, the central government should introduce a mechanism of risk management and crisis management, after weighing all the "pros" and "cons".

It should be noted that a full-fledged community by the criteria of size and population should not be an end in itself for the administrative-territorial reform, since the presence of these characteristics are not guarantees of economic and social development of primary level local communities. The effectiveness of measures aimed at consolidation of primary territorial subdivisions, is possible only if in the management of their integrated development there used an approach, which is based on the principles of municipal management, successfully applied in the European Union.

In the process of administrative-territorial reform one should consider recipes, tried and tested by international experience and adapted to our realities. In Poland this process was characterized by its gradual nature and programmability of central government's transformational steps. In 1990 the self-governments was modified their primary level, which was called 'gmina' (Pol. Commune). This level is a regional entity and the community of people who live in a particular area and are able to solve their local problems. 'Gmina' is an integrated local community, bringing together communities of villages, towns and cities, and meeting European Primary Level Self-Government Standards, and is formed by a territorial community of several villages. According to the different variants of settlement association of communities in Poland there were formed rural, rural-urban and urban communes. During 1990-1998 there was a process of forming legal basis for the functioning of the communes, including adoption of their statutes "On government communes" and "On communes' income and principles of their financing." Advances in the formation of a legal, financially and economically viable territorial communities, 'gminas', allowed Poland in 1999 to undertake a comprehensive administrative reform that allowed to introduce a three-tier system of local government to form territorial entities of regional type, which correspond to the concept of "region" in the European Union, clearly delineate the powers of the local government level, to reduce the role of government in the management of territories only to perform supervisory functions. This reform was preceded by the adoption in 1998 of a number of regulations on the functioning of local government at every level, in contrast to Ukraine, where basic law "On local government in Ukraine" defines the powers of local government entities. Together with the administrative reform Poland has changed the principles of providing education, health services and social security. Analysis of administrative reforms in Poland shows that it is far ahead of Ukraine in the process of establishing full-fledged local self-governments and has adapted its settings to meet the European standards. However, it should be noted that some problematic situations were traced in the process of administrative reform in Poland. The cities that had 'gmina' system and, starting in 1999, received county rights, duplicated their self-governing bodies: on the one hand there was a mayor of the city-commune, commune council, commune administration, whereas on the other - the relevant county authorities (county town mayor, the county council, district administration). After analysis of the problem, it was determined that its solution will combine self-governing bodies of city-county and commune-city. This process is to be followed by the unification of their functions.

The formation of a modern model of local government in Sweden was done by municipal reforms that were carried out in four phases and lasted more than 130 years since 1862. Following processes occurred gradually in the course of these reforms: forming a commune as an original self-governing unit; formation of secondary communities (landstings), endowed with a wide range of powers; consolidation of communities to form a full-fledged subject of local government, which has sufficient financial and economic resources; strengthening the financial base of the communities. In the process of municipal reform of 1862 - 1992, designed to create a viable model of local government, Sweden faced similar problems that arose in the last decade in Ukraine, with one important feature: Ukraine cannot afford to wait for 130 years to implement its reforms.

As in Poland, political, economic and functional transformation of basic levels of government in the 1990s became a central issue to the development of Hungary, where the amount of sub-national level features was significantly reduced. The condition for Hungary to join the EU (as well as for other countries of the former Soviet bloc), and therefore get an access to EU structural funds was a need to form large regions (NUTS 2 standard), for which it could be possible to develop the concept of regional development, as well as projects for its implementation. Since the EU has no external obstacles for structural modifications of Hungarian government, then even minor changes in contemporary Hungarian public administration system can form regional organizational structures that will not go beyond the

EU regional policy. National Regional Development Concept of Hungary included seven theoretical statistical regions, which in 2005 acquired the status of administrative units. The focus in determining regions was given to: the history of regional cooperation and the possibility of regional cohesion; proportional ratio of the territorial division of the country; relatively homogeneous features of regions concerning the main regional policy objectives; allowable internal division of the regions; existing or desired political similarities of the units of the same region, and the presence of international orientation, which will be crucial in the long term; costs associated with its creation and functioning. The law defined range of tasks for areas: general economic security; participation in international regional cooperation; development of the infrastructure and the environment; activities to share know-how and technologies, and professional assistance with planning at a lower level. In 2005 the reorganization of the administrative-territorial division of the country was finalized with the creation of a region as a new unit. The fastest possible transition to the regional administrative divisions was stimulated by the fact that any assistance provided by the Foundation for the structural development of the EU is bound to these consolidated units.

In December 1997, Constitutional Act of the Czech Republic on the establishment of 14 higher territorial units of self-government (HTUS) was adopted. These regions are the basis for regional policy of the Czech Republic after its joining the EU (NUTS 2 and NUTS 3 territorial units are defined within the EU for statistical analysis). It is assumed that as a result of introduction of NUTS 3 standard 25 HTUS will be set, whereas NUTS 2 standard will lead to creation of 6-8 such units. Today the Czech Republic has a three-tier hierarchical system of territorial division with two levels of self-government: central public administration (government and ministries) and parliament (Chamber of Deputies, the Senate); district administration; local government and municipal council representatives. The government provides the control and supervision of district administrations and coordinates the activities of the state government institutions in the spheres that relate to district administrations activities. The main activities of district administrations include: implementation of state governing the issues that are caused by certain laws; supervision of municipal management on the basis of special regulations (at the request of the municipality); control over the decisions of municipal authorities and the bodies established in the administrative procedures, except some cases stipulated by law; checking the municipal authorities, which are delegated the right to execute public administration. The Czech Republic practices a mixed system of local government, which means that a local element in the link of local governments simultaneously performs the functions of state government. Municipality in the Czech Republic has always been considered as essential to the government, which in turn is part of the higher territorial structures with more or less limited government. Municipalities perform the role of government at the local level on the basis of delegated powers (still quite limited). To a greater extent state governance is implemented at the level of district administrations. Each municipality is a legal entity, and has its own property and finances, as well as independently disposes of the property in accordance with the principles of self-government and, in part, to its own powers delegated by the state administration, as defined by law. Municipalities exercise their functions independently and are responsible only to the law. Possible state intervention in self-government sphere is limited and defined by the law. The municipalities ensure the implementation of their interests either independently (within the independent sphere of government) or perform public administration to the extent determined by special legislative acts (delegated powers). Areas of independent activities of municipalities, which they carry in certain territorial limits, are economic development, social welfare and cultural activities, protection of environment and activities covered by special legislation to other bodies within the state administration system. Regional policy in the Czech Republic is done at the general and regional levels. At the national level it is provided by state administration. This policy is of selective nature and aimed at pre-defined regions in

accordance with the basic principles of regional policy. At the regional level it is provided by the regional governments (HTUS) and is aimed at intra-regional issues (in close relationship with the settlements, micro regions and districts). The major principles of regional policy of the Czech Republic are: the principle of concentration, which recognizes the need to focus all efforts and means to support those regions, whose economic output and living standards for a long time were lower than that of other regions; the principle of partnership, which indicates the need for cooperation of relevant government bodies, government agencies and others at "horizontal" level (e.g. between the villages and regions) as well as the "vertical" level (e.g. individual ministries with regions and municipalities); principle of programmability, which requires a targeted approach to address the issues related to ensuring the development of individual regions, including coordination of programs of the various entities interested in the development of the area; the principle of subsidiarity, which is characterized by the fact that the government does not release all the means (resources), and that the means of state is an additional source of funding to support activities and initiatives of individual regions.

Lithuania in the field of regional policy and structural changes in preparation for joining the EU launched programming, together with the application of the principles of quality management of funds allocated from the Structural Aid Funds and the Alignment Fund, and order of these principles. In addition, the Government of Lithuania, in cooperation with the statistical service of the European Union worked preliminary NUTS (nomenclature of statistical territorial units) level that meets government structure of Lithuania. In particular, Lithuania offers the following levels of responsibility: NUTS I level – Lithuania; NUTS II level – the region; NUTS III level – county; NUTS IV level – self-government; NUTS V level – 'syanyuniya'. The Government of Lithuania in its ongoing work has identified the following tasks in the field of regional policy: to identify the main territorial derivatives of the country, or the areas of strategic planning of territorial development, according to which a state policy of regional development should be implemented; ensure coordination of the regional government and regional policy; develop and concentrate state support to problem regions not only by supporting relevant business preferential loans or guarantees for loans, exemption from taxes, grants or other funding, but also funding for infrastructure and social projects; involve National Regional Development Council, local government institutions and social partners in the formation of regional policy and creating a plan for regional development; use clear, high-quality and clearly limited criteria for isolating problematic target regions, given the EU criteria under which international and regional government support is provided; comprehensively assess the regional units, abilities and interests, programs and projects of entrepreneurship in self-governing territories and regions; establish regional development funds to help organize the preparation of a variety of complex programs, projects and activities for backward areas with many problems, and to prepare plans for specialized development and territorial management and support regional development programs undertaken jointly by Lithuania and the EU.

In Latvia, the only legislative act that governs the reform of administrative and territorial structure of the country is the Law on administrative-territorial reform (1998). This law governs the gradual implementation of administrative and territorial reform of local government, the formation of regional government administrative units, coordination of administrative and territorial reform and timing of specific measures for each of the areas. In September 2001, the Latvian government submitted to Parliament a draft law which provides for reforming the existing 26 districts in 5 new creations. Four of these regions are historical lands of Latvia and Riga city has the right for a region. The new model of administrative-territorial system provides savings funds since the number of municipalities is being reduced and the empowerment of regional authorities increases.

Thus, taking into account international experience, and, respectively, reform of administrative and territorial structure, the reform of local government in Ukraine should

focus on the following tasks: legal definition of the term and principles of administrative-territorial structure of Ukraine, legal status and administrative levels units, the order of solving their territorial organization by state authorities and local governments; establish criteria for creation of administrative units; simplification of administrative-territorial structure; optimization of administrative units classification; a clear definition of the boundaries of administrative units; decentralization of authority, determining a clear pattern of distribution of powers between the authorities at territorial level; improving fiscal relations and tax system, the development of more rational finance redistribution mechanisms; support depressed areas, etc., and thus the formation of territorial communities capable of performing organizational, financial and material functions, both their own and those delegated by the government; create conditions for the improvement of living standards; provision of space-time availability for all citizens (regardless of their place of residence) of resources necessary for human development, including the full range of social and cultural institutions to provide various services (education, culture, health care, trade, etc.); observance of state-guaranteed social standards for all its citizens regardless of place of residence; efficient use of natural, economic, labor, academic and other potential areas.

Administrative-territorial reform is surgery to the state body that objectively determines the importance of a balanced and scientifically grounded approach to its implementation. During the administrative-territorial reform administrative boundaries will not be just redrawn, but historically established management and economic ties will be broken. The center of reform should not be some "territory", but the human being as the highest value of the Ukrainian state, whose state authority apparatus' mission is to ensure their welfare.

One way of ensuring the viability of basic local communities, improving the socio-economic situation and creating preconditions for more dynamic development of settlements is the integration of communities of different localities to consolidate efforts in order to meet common economic and social interests.

The need for the formation of a viable territorial community at the primary level is determined by the global process of finding the optimal basis of municipal government. The process of creating a solid and stable primary unit of local government (also known as "communication process") took place in France and Sweden by creating communes; and also in the US, where towns and townships together with special and school districts as integrated municipalities have proven to successfully provide local services to territorial communities. In Poland, which used to be in similar to Ukraine initial socio-economic and political conditions of post-socialist development, 'gminas'(communes) as communized lower level local government entities are engaged in effective managerial, operational and commercial activities.

Foreign experience of ensuring the economic and social development of municipalities suggests two forms of integration of communities of different settlements: territorial (unitary) association; functional (federal) association.

In the territorial association the local communities of closely located villages, cities, and towns form a single community and common local authorities. Territorial integration methods were used by the countries facing the problem of choosing the optimal size of the local community, thus possibly ensuring their effective financial and economic activities, and using both voluntary and forced communization forms. Swedish experience showed that forced consolidation of the communes (from 1969 to 1974 the number of communities decreased in 3.1 times), though being non-democratic in its form, nevertheless led to improvements in economic and social life of the country, thus making it possible for Sweden to join the four most developed European countries. In Denmark, similar reforms in 1974 resulted in reduction of the number of communes from 1,388 to 275. In West Germany, during the reform of 1967-1968 the number of communities decreased from 24,278 to 8,514. In England and Wales the number of districts in 1972 decreased from 1,383 to 402. In those

countries where the process of unification of communities was carried out on a voluntary basis, it was very slow. In particular, the number of communes in France even increased. For 100 years in the Netherlands their number has decreased from 1,100 to 700, whereas in Belgium it reduced from 2,663 to 2,359 communes during its voluntary association period in 1961-1971. Poland from the very beginning of the formation of its local governments ensured their formation on communized basis: its gmina (commune) is an integrated local community. Bringing together communities of villages, towns and cities, Polish gmina meets European municipal standard of basic local government, formed by a territorial community of several villages. Poland's experience has shown that communization process cannot be chaotic or performed hastily.

Functional integration of territorial communities of different localities provides for consolidation of financial and material efforts to perform only certain functions while maintaining community autonomy and independence of local governments. Indicative in this context is the US experience on the formation of special and school districts. In 2013 in the US there were 14,721 school districts and 29,532 special districts. They are formed usually on the initiative of the local communities to improve the effectiveness of public service sector. Association on functional grounds can have both permanent and temporary (target) basis. There are special districts that provide educational services, water supply, fire protection, sewage, drainage and irrigation systems, housing, waste disposal, transport services, conservation of natural resources, and protection of architectural landmarks. Experience in the formation of such organizational frameworks is crucial for Ukraine, because most small settlements are not able to maintain their own social facilities, neither they are able to ensure the comprehensiveness and effectiveness of provision the territorial communities with quality public services.

Functional and territorial integration forms have significant differences. Obviously, in countries, including Ukraine, where the process of strengthening the territorial basis of local governments is at its initial stage, priority at the early stages should be given to a form of functional association of local communities in the process of solving common problems, and this form should be considered as an initial preparatory stage of formation of enlarged territorial community on unitary basis. This is due, primarily, to the existence of legally enforceable right of communities to combine financial and material efforts for solving specific tasks of economic and social development of the areas; preservation of general economic, financial and political independence of the community in the process of functional integration; clear and significant purposes of territorial communities' resource consolidation. Functional association of settlements is aimed at improving the quality of social and communal services for community members, and is an objective basis for the convergence of local communities as part of an integrated management system.

In the process of ensuring the functional integration one should respect the principle of proportionality regarding resource allocation efforts of different localities in view of the number of potential consumers of a certain service in a particular local community. The resource involved should be adequate. Thus, if a community has provided premises and utilities that are in municipal ownership to form an inter-communal enterprise to provide services to the public, then the amount of the assessed value of this enterprise should be deducted from the community's financial participation in the establishment and operation of this subject of economic relations.

To ensure the effectiveness of functional integration of the settlements and to find the best possible ways of such cooperation using consolidated resources joint management technology, it is advisable to create appropriate associative structures of territorial local government: advisory boards of village, town and city mayors of administrative region; and associations of local authorities of certain areas (not necessarily within the administrative area or region).

The experience of municipal government abroad, and need for increased regulation of adverse trends in economic and social development of basic local communities determine the objectivity of their prospective enlargement to ensure their viability. Given the current situation in Ukraine, the need for territorial integration is a priority, especially regarding: nonviable, mainly rural, local communities, with independent local governments that cannot provide a comprehensive development of the settlements; local communities of suburbs settlements; territorial communities of cities, towns and villages that are part of other settlements.

The option of strengthening nonviable rural communities is stipulated in the Constitution of Ukraine, making it possible to form a unified territorial community of several villages. By concentrating resources, localities get an opportunity to ensure the functioning of the secondary school and children's aesthetic schools; together with gradual renovation of the roads, water supply and sewerage system. This can form a local community "development core", which will serve as an integrative link and a generating element of the system of settlements.

Territorial communities of small settlements, located close to the cities, actively use social, economic, and infrastructural potential of the city; and most of the workforce from these settlements is employed in urban enterprises. Self-government institutions of suburban settlements typically pay little attention to social and economic development of their towns or villages, since most public services (such as school education, health services, and personal services etc.) people can get in the city. With a view to the rational use of the resource potential of cities and other settlements, which constitute a single spatial-territorial entity, the creation of urban district seems to be a reasonable solution. This approach is used in the process of communization of the settlements in Sweden, France, Poland and Germany. According to this approach, all residents of nearby settlements are an integral part of a unified territorial community, and the settlements are part of the administrative district and are located within its boundaries. This way a county council is formed, in which each settlement is represented by its deputies, elected by the voters of such settlement. This makes it possible, on the one hand, to preserve a separate settlement, and on the other hand, to form a full territorial entity through a combination of financial, labor, manufacturing and other resources to ensure the welfare of residents of settlements that constitute the district.

A necessary condition for the integration process of territorial settlements to form communized territorial units, as a prerequisite of more effective economic and social development areas are: the creation of financial and material conditions of integration; establish clear criteria for territorial unification of settlements; use of economic interest leverage in territorial associations of communities; increase the importance of strengthening local communities' self-organization; experimental study of various forms of municipal reform of primary communities.

The need for financial and material conditions of integration is due to the fact that territorial integration is not the exclusive means, which is able to improve the economic condition of communities that were subsidized prior to creating the associations, since most population of the community is going require a proportional increase in costs. In addition, there will be new areas of local government spending related to the objective emergence of new, predefined by integration, functions of local government in communized community.

To establish clear criteria for territorial unification of settlements on legislative level one has to take into account their historical, ethnic, cultural and social characteristics and economic feasibility of integration. In this regard, the system of integration criteria should be applied, which will allow public authorities and local governments to avoid artificiality in the formation of communized administrative units (tab. 1). It is clear that the territorial unification of communities must be preceded by a comprehensive retrospective analysis of their

development in the context of cooperation with other localities to optimize the integration process and positive economic and social results.

**Table 1**

**Settlement integration criteria system as territorial basis of local economic development upgrading technology**

<b>Criteria</b>	<b>Criteria content</b>
Historical	- settlements were part of communized system of 'zemstvos', 'volosts' and 'gminas' in the days of colonization of Ukraine by foreign countries; - taking into account experience of the settlements constituting large integrated rural territorial communities in the days of the USSR
Natural and environmental	- settlements are part of the territory with special environmental protection regime; - territories of the settlements are covered by accidents, emergency situations and disasters, both natural and caused by human activities, that have a negative impact on the environment
Territorial	- no spatial boundaries are found between the settlements are, there is also a phenomenon of settlement diffusion; - due to shortage of available land areas, the development of certain settlements can be ensured only by settlements with land surplus
Religious	- inhabitants of settlements belong to one denomination or religious movement; - receiving religious services in religious facilities of nearby settlements
Economic	- the settlement falls into the sphere of influence of a certain industrial enterprise, or an agricultural company, which affects the formation of social, labor, economic and industrial relations; - businesspeople of the settlements are members of agrarian and industrial association; - the vast majority of the settlement inhabitants is employed at the enterprises of other settlements
Financial	- increasing the total financial capacity of the territory by balancing the fiscal capacity of different constituent settlements
Cultural and customary	- craft development and ancient folk customs and traditions preservation in some settlements
Recreational	- settlements' recreational potential makes it possible to create a tourism, recreation and leisure zone
National and ethnic	- settlements are inhabited by members of one ethnic group or nationality
Social	- residents of the settlement receive the majority of social services in another locality

Increase in significance, functional and resource capacity of local community self-governing organizations that are able to perform certain functions, and powers of local governments in the settlements of communized community should be considered as factors lightening the managerial load of administrative and business centers of the associations and approaching the subjects of public service to particular customers. The experience of quarterly committees and their chairpersons, as social assistants of local councils' deputies, is useful in this context. Quarterly committees are a source of objective information about the social

conditions of certain individuals, which is required for social security in the consumption of municipal services.

Economic leverage to boost the resource-abundant communities' interest in forming united communities with economically nonviable entities could be: providing targeted subsidies from the state budget; transfer of state shares in statutory funds of enterprises to the management of local authorities; reassigning certain national taxes to local budgets; transfer of state-owned land to municipal ownership. The use of these tools will substantially reduce the possibility of emerging and strengthening of some adverse trends in settlements with significant resource potential, and will lead to economic and financial compensation of the growth of managerial, social and economic burden on their systems.

To study how of theoretical positions act on a practical level and to select the best option (or options) of integration, it is necessary to experimentally verify the effectiveness of various forms of primary communities territorial associations in different regions. In addition, the following is important in the territorial integration of communities of different settlements:

provide methodological and practical assistance in creating and developing statutes of associated communities, which clearly prescribe the rights of residents of certain localities that are part of integrated communities; also stipulate a peripheral settlements prevention mechanism;

apply informed and calculated management decisions aiming at taking into account constructive interests of the state, local communities and specific individual;

- establish appropriate legislative status of all deputies of associated territorial communities' councils, regardless of what town or settlement they represent. Observance of this principle is a necessary factor to ensure sustained development of all components of the integrated territorial community;

leave unaltered all historical names of the settlements, which are part of the unified territorial communities, to prevent social unrest and violation of historical continuity and identity;

adhere to the principle of uniform development of all settlements that belong to the associated territorial community.

Consolidation of territorial communities of the settlements should be directed to the formation of a real community of people (and not just their entirety, as it is in reality) united by common problems, the resolution of which is their common cause. The awareness of belonging to a single social organism will promote the active involvement of territorial communities in implementation of the constitutional right to self-direct and local self-government, as well as direct participation in solving local problems, thus determining the development of local democracy.

The impact of the resource integration of communities, that will be implemented in the administrative-territorial reform, should be accompanied by appropriate regulatory content (making changes to the XI chapter of the Constitution of Ukraine, the new Law of Ukraine "On local government in Ukraine" and Budget Code of Ukraine, the Tax Code Ukraine, Laws of Ukraine "On the community", "On administrative-territorial system", "On municipal property", "On the improvement of settlements") will determine the possible ways of applicability of the principles of management in the process of municipal management in Ukraine.

To form a territorial community the following criteria of its formation should be chosen: space-time availability (distance) to the center; economic boundaries of communities (property, land); availability of socially and economically developed settlement, which acts as the center of the community; lack of religious and ethnic conflicts; historical conditionality; territorial conditionality; amount of population; population density; availability of infrastructure for the activities of local government institutions.

The integration of local communities of the settlements is much deeper and more complex than just a mere space-plane consolidation of local communities as it refers to the transformation of the original element of administrative and territorial structure of the country, whose basis is formed of social and economic systems of basic primary level. It requires scientifically grounded approach to its reforming on the program basis, which will be preceded by strengthening of the economic base of primary level local governments. Consolidation of territorial communities of the settlements can be an effective regulatory mechanism to ensure the effectiveness of their social and economic development and this process management modernization.

It should be noted that the lack of modernization of the territorial basis of local economic development, that occurred as a result of conservation of territorial administrative reform, is related to the following risks: remaining of an objective barrier to local government strengthening; remaining of the environment of potential conflicts between two institutions of government; dissipation of state managerial and regulatory influences; deepening of regional self-governing process formalization; territorial limitations of budget and tax reforms; remaining of the low quality public services; imbalance and preservation of archaic system of local government in the country; lack of conditions for the implementation of economic instruments for Municipal and Regional Management; deepening of uncertainty about the prospects of integration into European institutions.

The new territorial model of local economic development must meet the following requirements: ensuring optimization of the territory of municipal services taking into account not only social but also minimal economic feasibility; consideration of not the factors of subject, but those of the result of the service; understanding that territorial unification is a necessary, but not the only factor of strengthening areas; clarity of separation of powers of state and local governments; deepening the decentralization of the principle of subsidiarity with simultaneous formation of public monitoring of local government within the legal framework of the state; taking into account the experience of administrative reforms of foreign countries, especially post-socialist countries; the necessity of forming the state municipal policies and practical implementation of the state regional policy; consideration of the criteria of integrating different localities into a single territorial community; ensuring the establishment of full-fledged local government at the secondary level through a combination of powers with the mechanism of their implementation and responsibility; implementation of mechanism of the functional integration of local communities; administrative and territorial reform based on state-determined decision; comprehensive approach to reforming the model of area development management. Consideration of these factors will create the objective conditions for modernization of local economic development management.

In the process of modernization of the territorial basis of local economic development it should be noted that any settlement is not an isolated entity, but an open system, which through bilateral economic, administrative, and information communication interacts with other settlements, which, taken together, constitute a regional system. Objective historically determined ability of villages, towns and cities to form a network of diverse multi-vector relationship determines the possibility of its advanced programmable use to solve in integrative way the local problems and to establish a full-fledged primary administrative and territorial level in the country through strengthening the economic base of the comprehensive and integrated development of settlements.

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