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Uniwersytetu Ekonomicznego we Wrocławiu

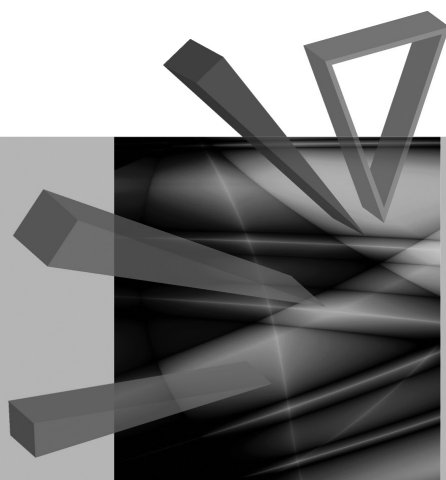
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Local Development Governance Aspects



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A RATIONALE FOR A TERRITORIAL- -ADMINISTRATIVE REFORM IN UKRAINE IN DEVELOPMENT TERMS

Summary: The paper analyses the problem of the institutionalization of administrative and territorial factors in local economic development. The article discusses the historical and organizational aspects of forming the basic level of administrative and territorial order in Ukraine. The variants of administrative and territorial reform realization are laid down. The work specifies the tendencies in the order of consolidation. The author demonstrates the complex system necessary during the process of modeling the reform of territorial administration.

Keywords: local economic development, local self-government, municipal administration, administrative and territorial reform.

1. Introduction

Economic development is closely connected with resources in any given territory, and thus is dependent upon the characteristics and peculiarities of any geographical area in question.

According to organizational theory, integrated development can exist only in cases of purposeful development of all elements in a territory, which are valuable keepers of a system's qualities [Monastyrskyi 2008, p. 52]. Any country's territorial and administrative components become units which form an overall administrative and territorial order. In modern Ukraine, economists distinguish four levels of administrative and territorial order: nationwide, district, regional, and local (see Figure 1).

During the period of transformation in post-Soviet countries, problems occurred related to the formation of institutionally active territorial and administrative units. Would they meet the legal criteria, or reach organizational maturity and financial-economic sufficiency? Regionalization, decentralization, and the allocation of power among different levels of authority always remain subjects of discussion in the post-Soviet countries.

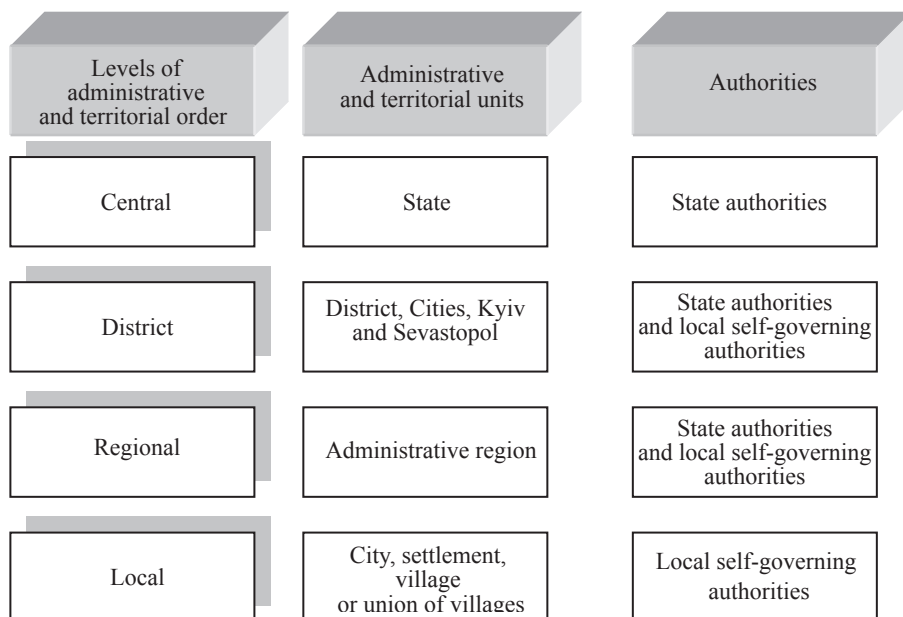


Figure 1. Administrative and territorial order characteristics of Ukraine

Source: [Materialy Komitetu...].

In European countries, the functions of local self-government units that are a part of the democratic basis of the European Charter for local self-governing authorities are very important, because they attract citizens to the administration of economic and social development within local communities that combined, constitute state organisms.

Local communities are the smallest administrative and territorial parts of a state, and at this level citizens can effectively solve local problems directly or via representative bodies organized by public consensus, ensuring that these bodies provide services of a high quality. The existence and functioning of these communities give the authorities the ability to concentrate their efforts on the settling of nationwide macroeconomic problems, not just local ones.

The diverse array of problems related to the vitality of local communities necessitates a manifold analysis of local self-governing development in the countries of Eastern Europe, particularly Ukraine. In Ukraine, citizens build economic relations using the principles of strategic partnership, keeping in mind the primary aim of joining the European Union. In this context, it becomes important to evaluate the historical, organizational, and legal preconditions of the transformation processes of local communities in Ukraine and their modern conditions. More specifically, it becomes necessary to study the particulars of administrative and municipal reforms,

the financial base of self-governing subjects, and their relations with other levels of the territorial order of states.

2. The need for an administrative and territorial reform in Ukraine

One way to promote vitality in communities, for improving socio-economic conditions and creating a precondition for the “dynamization” of their development, is administrative-territorial reform. Such a reform will work toward improving the formation of legal, economic, and organizational conditions for the effective fulfillment of the different functions of local self-government. Although the need for these processes have been proclaimed in “The Concept of Administrative Reform in Ukraine” and in the “Concept of State Regional Policy of Ukraine”, the practical mechanisms for implementation have not been worked out yet.

The problems of both reforming the system of administrative-territorial order and local self-government are connected. The efficient solution for one will certainly affect the effectiveness of the solution for the other. A consideration of the experience of European countries reveals that the reforming of administrative-territorial order and local self-government must occur simultaneously, because administrative-territorial reform is connected with the process of decentralization, which is the core of reform for local self-government in Europe.

Currently there is no unified national concept of an administrative-territorial reform. However, several drafts prepared by non-governmental and international organizations exist, in particular “The Administrative Strategy Draft of State Local And Regional Development for the period of 2004–2010” (2003), and the “Concept of Decentralization of the State Administration and Development of Local Self-Government” prepared by the Association of Ukrainian cities and communities, the conceptual principles of the reform of the administrative-territorial division of Ukraine offered by the Ukrainian Association of local and regional authorities, the Draft Law “On Amendments to the Constitution of Ukraine” to improve the mechanism of the organization of public authorities (the next stage of the constitutional reform) (2007), the Draft of administrative-territorial reform of the Ministry of Regional Development and Reconstruction of Ukraine (2008–2009), and the draft of the Constitution of Ukraine (2009) [Monastyrskyi 2010, p. 210]. This great number of drafts has led to a lack of focus in addressing this important topic, hence the need for working out a unified governmental draft. However, a starting point does appear from all these efforts – the provision of a self-sufficient basic formation of administrative and territorial entities which effectively would lead to the fulfillment of the functions and powers of local self-government. The implementation of this phase is connected with the transformation of the territorial structure of Ukraine. The common features of the above-mentioned documents are as follows: focusing

on strengthening local self-government, extending the decentralization of power, utilizing models of interaction between the central and local authorities. Conversely, the main drawbacks of these are as follows: the lack of complex organization, a certain lack of clarity, a secondary economic component, overemphasis on the reformation of the administrative apparatus, the consideration of territorial extension as a kind of panacea without taking into account the mechanism of functional consolidation, the danger of maximum power devolution within local self-government, and the under-utilization of anti-recessionary management techniques.

The main characteristic of local communities is vitality. A vital community is deliberately formed. It stands as an economically, socially and politically active community of people that is almost self-sufficient in its existence and development from the point of view of the available financial and economic resources.

The problem of forming independent communities stems from the destructive tendencies during the development processes of administrative and other subsystems of territorial communities, especially small ones. On proclaiming independence, changes in both the political and economic systems of Ukraine have made it possible to create a democratic institution of management for territorial communities, for a kind of local self-government. Nevertheless, the constitutional right to the allocation of self-government to all territorial communities has not led to the formation of vital territorial communities. Instead, it has led to divisions and the weakening of the communities (see Table 1).

Table 1. Characteristics of rural territorial communities (for the period of January, 1 of a certain year)

Index	Year		2011, % till 1985
	1985	2011	
Number of rural settlements, units	29 188	28 490	97.6
Number of rural inhabitants, thousands of people	17 850	14 557	81.6
Number of rural councils (territorial communes), units	8 621	10 278	119.2
Average amount of settlements, that form a territorial commune, units	3.4	2.8	82.4
Average amount of inhabitants of a territorial commune, thousands of people	2.07	1.42	68.6

Source: counted using the materials of Supreme Soviet of Ukraine [Materialy Komitetu...].

An analysis of Table 1 reveals that during the period of 1985–2011, the number of villages decreased by 698 units (2.4%) and the number of inhabitants dropped by 18.4% (3293 thousand people). At the same time, the number of rural councils grew by 1657 (19.2%). Additionally, each council under consideration included on average 0.6 per village, less than in 1985, and the number of inhabitants of each community is only 1.42 thousand people (0.65 less than 26 years ago). Therefore, these communities are mostly formal, not vital formations. The World Bank specialists and professionals, such as Glen Rite, emphasize that the minimum population of

a community has to be not fewer than 5–6 thousand people [Kravchenko 1999, p. 87]. However, although the population of communities is very important, other criteria enhance vitality as well. For example, what if rural communities cannot provide enough revenue expenditure to fulfill their functions and power, according to the Law of Ukraine as defined in “On Local Self-government in Ukraine”, even if they have a perfect tax system, an effective mechanism of intergovernmental relations and passing all kinds of taxes to a local budget? Instead of realizing a solid foundation for local self-government, the opposite process takes place; for example, rural local communities will deteriorate into “parcelization”, they will start splitting up, and their resource potential will decrease in all components.

An evaluation of the municipal administrations in Ukraine and other European countries based on territory, reveals the presence of objective territorial barriers to the realization of local self-government in our country. The research on local territorial communities’ functioning and development provides evidence that one of the main causes of disadvantageous socio-economic situations for territorial communities, especially for rural ones, is the mismatch of rural local communities with the vitality of basic local communities: the number of members of the community is not smaller than the minimum possible level, financial autonomy, organizational and legal independence, state support, and protect the system’s integrity.

Table 2. Characteristics of basic territorial communities in Ukraine, Sweden and Italy

Index	Ukraine	Poland	Sweden	Italy
Name of a basic territorial community	Village or villages union, settlement and town	Gmina	Commune	Municipality
Country square, thousand km ²	603.7	312.7	450.0	301.2
Population on 1 January 2011, mln people	46.1	38.7	8.9	57.6
Number of basic territorial communities on 1 January 2011, units	11 623	2 489	288	8 000
Average square of a basic territorial community in a country, km ²	51.9	125.6	1562.5	37.7
Average number of inhabitants at a basic territorial community, thousand people	4.0	15.6	30.9	7.2

Source: based on the materials of Supreme Soviet of Ukraine [Materialy Komitetu...].

At present, the administrative-territorial structures in Ukraine are characterized by extreme divisions that define the objective lack of vitality for local territorial communities (see Table 2). In Ukraine, these units are 2.4 times smaller than in

Poland, which is geographically smaller and which has a population 3.8 times smaller than Ukraine. As for Sweden, this distinction is more impressive, correspondingly 30.1 and 7.7 times smaller. Moreover, even if we take into consideration urban local communities, the average population of the communities does not conform to the minimum level. As mentioned above, the division process of territorial communities in Ukraine has increased over the last decade. Ukraine contains 10 278 rural territorial communities, many of which consist of one or two villages and encompass fewer than one thousand inhabitants. The existence of small local communities in certain foreign countries (e.g. Italy, Spain), is recompensed by private sector organizations, but not by weak municipal bodies.

3. Conclusions for Ukraine

Basic local communities cannot operate as separate entities within territories of the country. Instead, they should function like micro-regions – whole, natural, demographic, social and economic components of the territory formed in accordance with the criteria of historic certainty, national and ethnic homogeneity, and socio-economic expediency. The continuing unfavourable development trends of small municipal systems have caused disruption, deregulation and reharmonization of fixed connections between their subsystems which is a reason for the emergence of unmanaged destructive processes in the local environment.

Ukraine should take into account the fact that in some cases, local self-government has deep and common historical roots with its neighboring countries. The research on the formation genesis of a basic territorial community gives an opportunity to use the political and cultural potential of territorial communities in the modern practice of a local self-government.

The successful experience of European countries, including Poland with its vital territorial communities, the so-called *gmina*, can be used in Ukraine in the search for the optimal model of territorial communities of cities, towns and villages.

Ukraine should take into account the positive experience of the EU countries during the process of real decentralization of state power, functional and organizational reform of the state administration in a region.

It is necessary to conduct comprehensive monitoring of the financial state of local self-government in Ukraine in order to reveal and find out the mechanisms to eliminate the possible lack of financial security of territorial development.

Ukrainian scientists should intensify their cooperation with EU professionals, members of Parliaments and clerks of local authorities in the field of the transformation of administration, and the establishment of local self-government, as well as hold various joint seminars, internships, scientific conferences and round table sessions.

During the process of implementation of administrative-territorial reform, Ukraine should take into account all possible results, considering more than just optimistic scenarios, since administrative-territorial reform is connected with

enormous political, social and economic risk. In this case, the central bodies of the authorities must apply mechanisms of risk management and crisis management when considering all the pros and cons.

As regards the formation of local communities, the criterion of size and the number of inhabitants should not be taken as the most important point for administrative-territorial reform, since these characteristics do not guarantee the economic and social development of communities. The effectiveness of extending primary territorial formation is possible only in cases using the approach based on the principles of municipal management that has been very successful in the countries of the European Union.

Taking into account international experience, the system of reforming administrative-territorial divisions, as well as the system of local self-government in Ukraine, should focus on the following points: legal definition of concepts and principles of administrative-territorial division of Ukraine, definition of legal status and levels of administrative-territorial units, solving problems of territorial order by the authorities and by local self-government bodies; establishment of criteria for the creation of administrative-territorial units; simplification of the system of administrative-territorial division; classification optimization of administrative-territorial units; clearly established boundaries of administrative-territorial units; decentralization of power, setting up a clear scheme to distribute power among authorities at the territorial level; mechanisms for the improvement of finance redistribution; support for depressed territories, and then, the formation of the local communities which are organizationally and financially able to perform both their own and state determined functions; the improvement of living conditions for the population; providing equal rights for all to access the resources of human potential development (regardless of where people live), including the whole range of social and cultural institutions of various kinds of services (in the fields of education, culture, health care, trade, etc.); observing the social standards guaranteed by the state for every citizen; efficient use of the natural potential of the territories as well as economic, labour, and science potentials.

The new territorial model of local economic development has to meet the following standards: providing territory optimization for municipal services, taking into consideration not only social but also minimum financial expediency; taking into account the result of service but not the subject; understanding of the fact that territorial union is necessary, but it is not the only factor of territorial consolidation; differentiating the division of power between the state and local self-governing authorities; advancing decentralization based on the subsidiary principle and at the same time forming a system of state monitoring of local self-government activity within the legal framework of the state; taking into account the experience of administrative-territorial reforms of foreign countries, especially post-Soviet ones; the necessity of forming public municipal policy and the practical realization of public regional policy; considering the system of criteria of integration of different

settlements into common territorial community; providing valuable local self-government at a second level on the basis of combining authorities, a mechanism of their realization and responsibility; creating a mechanism of functional integration of territorial communities; implementing an administrative-territorial reform based on the state volitional decision and providing a complex approach to reforming a management pattern of territories' development. The above will allow for the creation of objective conditions for the modernization of management in local economic development.

The levers for economic interest of territorial communities with their own resources just as for a united community with poor vital formations could be: by rendering target subventions of the state budget; transferring state shares from authorized funds of enterprises into local self-government administration; transferring some types of national taxes to local budgets; transferring plots of land which belong to the state to community property. Using these means will result in diminishing the possibility of the appearance of or the increase in unfavorable tendencies in settlements with considerable resource potential, also it will compensate for the heavy administrative, social and economic burden on their systems.

The implementation of reform for local self-government and the administrative-territorial structure of Ukraine based on the principles of strengthening local self-government and deepening decentralization of power, using the model of cooperation between central authorities and local power is obligatory and necessary for the development of our country. However, such reform cannot be formal, groundless, feckless, masking the irrelevances and archaisms of the existing territorial administration model. For its realization, we need the mutual political will of our leaders, concerning the interests of territorial formations at different hierarchical levels.

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ROZWÓJ JAKO PRZESŁANKA ADMINISTRACYJNO- -TERYTORYALNEJ REFORMY UKRAINY

Streszczenie: Artykuł zawiera analizę problemu instytucjonalizacji administracyjnych i terytorialnych czynników lokalnego rozwoju gospodarczego. W jego początkowej części omówione zostały historyczne i organizacyjne aspekty kształtowania administracyjnych i terytorialnych podstaw ustroju Ukrainy. Następnie wskazano warianty przeprowadzenia reformy administracyjno-terytorialnej tego kraju. Wymieniono także tendencje we umacnianiu ww. ustroju. Przedstawiono również dowody na konieczność podjęcia kompleksowych reform ukraińskiego modelu administracji terytorialnej.

Słowa kluczowe: lokalny rozwój gospodarczy, samorząd lokalny, zarządzanie w samorządzie lokalnym, reforma administracyjno-terytorialna.