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## **ADMINISTRATIVE-TERRITORIAL REFORM AS A FACTOR OF THE LOCAL ECONOMY EMPOWERMENT**

**Problem statement.** According to the theory of organizations, a comprehensive development of the country is possible only with the targeted effective functioning of all its elements. Territorial and administrative components of any state are grassroots structural units that form its administrative and territorial division.

**Analysis of recent research and publications.** In Ukraine the study of the transformation of the administrative-territorial structure problem of is in its infancy backing in a certain period in research as directed by the central government in terms of discussing the prospects of the administrative-territorial reform. Some studies conducted in this context by O.Gladky [1], B. Danylyshyn [2], M. Dolishniy [3], V. Kravchenko [5], V. Nudelman [6], A. Melnyk [7-9], G. Monastyrsky [7-11], the working group members on modeling the administrative-territorial structure of Ukraine [12]. However, indicated studies are not of systemic nature, do not include issues of finding the best options for strengthening primary administrative-territorial structure of Ukraine, taking into account the financial and administrative aspects of national economic, social and political features.

**Objective.** The aim of the paper is a comprehensive assessment of the problems and prospects of the administrative-territorial reform in Ukraine by its institutional support, which has defined the logic of the study.

**The main material of the study.** One of the main characteristics of the municipality is its viability. Viable municipality - is, in author's opinion, deliberately formed, economically, socially and politically active human community, the most

self-sufficient in its existence and development in terms of the provision of financial and economic resources.

Evaluation of municipal government in Ukraine and other European countries from the standpoint of its territorial base gives the reason to believe that Ukraine has objective territorial and spatial barriers for realizing of local government potential. The study of functioning and development of municipalities argued that one of the main reasons for the unfavorable socio-economic situation in small municipalities, especially rural ones, is the discrepancy between rural communities and sustainability requirements of territorial communities of grassroots level: the number of community members not less than the minimum possible level, the financial autonomy, organizational and legal independence, government support and security, system integrity.

Characteristics of financial autonomy are a basic condition for the viability of the territorial community. It means that the municipality can independently generate financial resources to perform its own tasks aimed at providing public services to the population at a level established by the state minimum social standards, and able to dedicate a portion of these resources in the development budget, the funds of which are used in the implementation of programs of economic and social development of the area.

Only the availability of sufficient financial resources enables the maintenance by territorial community the required number of public utilities which constitute the material basis of local government. It determines the financial and economic capacity of local government, which is the main criterion for the effectiveness of its management activities. The study shows that the financial base of local communities' baseline is formed on residual basis without fiscal territory and does not provide the minimum needs of local governments for the proper exercise of powers in relation to economic and social development of municipalities.

Grassroots level administrative-territorial unit cannot be artificially separate part of the country, and must have microregion's features as integral territorially-natural, demographic, social, economic and commercial components, formed in

compliance with the criteria of historical certainty of ethnic homogeneity and socio-economic feasibility. Continued adverse trends in the development of small municipal systems led to violations, imbalance and de-harmonization of established links between their sub-systems, which are the cause of uncontrolled destructive processes in the local environment.

Research on the current situation in the field of administrative-territorial structure of Ukraine allowed, except for the above, identify a number of problems [4]:

1. Existence of specific administrative-territorial subdivisions, where there are several independent administrative units, but whose residents do not constitute a single local community. This creates a problem of self-differentiation rights of different communities that coexist within the same local government area (within administrative boundaries of nationwide and regional level cities and significance there are 35 small towns' councils).

2. Uncertainty of clear procedures and the lack of clear criteria for the formation of regions, referring localities to a category of villages, towns and cities. Thus, 14 cities with a population of less than 20 thousand people given the status of regional significance, causing major distortions of administrative units, considerably complicates the ability to manage territories, forecasting and setting strategic goals of development.

3. Absence in many cases defined boundaries of administrative-territorial units or the establishment of a large part of such units' boundaries without considering local natural, historical and other factors, the prospects of development of regions and settlements. This creates a constant competence disputes between local governments and public authorities, in particular the rights of land ownership, taxes and more.

One way to ensure the viability of the base of communities, improving socio-economic situation and create conditions for the dynamic development of municipalities are administrative-territorial reform, which aims to solve the problem of the formation of legal, economic and organizational conditions for effective implementation of the functions of local government. This vector is declared in the

Concept of Administrative Reform in Ukraine and the Concept of Regional Policy of Ukraine, however, the practical arrangements for its implementation are not elaborated yet. The reform of the administrative-territorial organization and local government are inextricably linked. The efficiency of solving one will certainly affect the solving efficiency for another. The experience of European countries, the reform of the administrative-territorial organization and local government cannot be separated in time. Administrative-territorial reform first associated with the process of decentralization, which is the essence of local government reform in Europe.

At this stage there is no joint concept of national administrative-territorial reform. There are projects developed by NGOs and international organizations, in particular the Concept of decentralization of public administration and local self-running developed by Association of Ukrainian Cities, Conceptual foundations of the reform of the administrative-territorial structure of Ukraine proposed by Ukrainian Association of Local and Regional Authorities. However, their diversity scattered the attention, so focus should be concentrated on developing a government project. All projects of administrative-territorial reform in Ukraine indicate that the first stage of its formation is intended to provide basic self-sufficient political subdivisions, resource potential of which would allow to effectively exercise the functions and powers of local government. The implementation of this phase is associated with the transformation of the territorial structure of Ukraine.

**Findings from this study.** In discussions about the administrative-territorial reform, we believe that too much attention is given to the bureaucracy, modeling the organizational structure of government. But ordinary people, in the end, do not care who will provide services - local governments or public authorities. The focus of reform should be on the person to whom the authorities have to provide quality services. Therefore it is necessary to start with the establishment of social standards of living guaranteed by the power. These parameters need to back up with the sources of material and financial support.

Great mistake, in our view, is the willingness of some politicians to hold the administrative-territorial reform simultaneously. Currently, the focus should be on

priority reforming of the primary level of local government that directly close to the individual. Reforming of districts and regions is the case for the future. In addition, artificial transmutation of regional and district administrations apparatus into the executive bodies of local self-government is not the solution. Today, we should talk about a radical transformation of the executive bodies' functions in accordance with the requirements of the time.

During the implementation of the administrative-territorial reform the possible scenarios of its consequences should be taken into account. It is inappropriate to study only the optimistic scenario, because the administrative-territorial reform is associated with enormous political, social and economic risks. In this case central government must introduce a mechanism of risk management and crisis management, considering all the "pros" and "cons".

It should be noted that a full-fledged territorial community on the criterion of size and population is not an end goal for administrative-territorial reform, since the presence of these characteristics are not guarantees of economic and social development of grassroots level local communities. Effectiveness of measures aimed at consolidation of the primary subdivisions, is possible only if the application in the management of integrated development approach that would be based on the principles of municipal management, which is successfully applied in the European Union. In the course of the administrative-territorial reform the recipes tried and tested by international experience, adapted to our realities must be taken into account.

Thus, reforming of the administrative-territorial structure, and, respectively, reforming of local self-government should be focused on the following tasks [4]: the legal definition of the concept and principles of administrative-territorial structure of Ukraine, legal status and levels of administrative units, solutions order by state and local governments for territorial organization; establishing criteria for formation administrative units; simplification of administrative-territorial structure; optimizing the classification of administrative units; clear definition of the boundaries of administrative units; decentralization of power, determination of the powers' pattern between authorities at the regional level; improving intergovernmental relations and

the tax system, making more rational mechanisms of finances redistribution; support to depressed areas, etc., and thus the formation of organizational, financial and material capable of performing both own and delegated state functions, territorial communities; creation of conditions for the improvement of living; provision of space-time equal availability for all citizens (regardless of their place of residence) to the resources of human development, including the full range of social and cultural institutions providing various services (education, culture, health care, trade, etc.); compliance with state-guaranteed social standards of each citizen, regardless of where they live; efficient use of natural, economic, labor, academic and other areas' potential.

Administrative - territorial reform is like surgery invasion of the state body that objectively determines the importance of a balanced and scientifically sound approach to its implementation. In the process of the administrative-territorial reform it will be not just shifting of administrative boundaries, but breaking of established historical management and economic ties. The focus of reform should be not on "territory", but on Human as the highest value of the Ukrainian state, the welfare of whom is the mission of the powerful functioning system. An integrated approach to the problem of administrative-territorial reform will be further field of research in this area.

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### **Панухник О.В. АДМІНІСТРАТИВНО-ТЕРИТОРІАЛЬНА РЕФОРМА ЯК ЧИННИК ЗМІЦНЕННЯ МІСЦЕВОЇ ЕКОНОМІКИ**

**Мета:** комплексна оцінка проблем та перспектив реалізації адміністративно-територіальної реформи в Україні з позиції її інституційного забезпечення.

**Методика дослідження:** У процесі дослідження використано: монографічний, абстрактно-логічний підхід до вивчення теоретичних і практичних проблем реалізації адміністративно-територіальної реформи в Україні; методи порівняння, аналізу і синтезу – при вивченні просторово-територіальних аспектів реалізації адміністративно-територіальної реформи; аналогії – у процесі імплементації зарубіжного досвіду адміністративно-територіальної реформи до вітчизняних умов.

**Результати:** Розкрито сутність адміністративно-територіальної реформи. Обґрунтовано принципи створення дієздатної адміністративно-територіальної одиниці. Визначено необхідність застосування системного підходу при побудові ефективного адміністративно-територіального устрою. Окреслено завдання успішного проведення адміністративно-територіальної реформи в Україні. Визначено оптимальний підхід до реалізації напрямків адміністративно-територіальної реформи з урахуванням існуючих обмежень .

**Наукова новизна** полягає у застосуванні комплексного підходу до реалізації адміністративно-територіальної реформи в Україні з позиції її інституційного забезпечення.

**Практична значущість:** Отримані результати дослідження дозволять забезпечити ефективність розроблення, впровадження та реалізації адміністративно-територіальної реформи в Україні з урахуванням зарубіжного досвіду. Вони можуть бути використані у практичній діяльності органів державної влади та органів місцевого самоврядування.

**Ключові слова:** адміністративно-територіальна одиниця, адміністративно-територіальна реформа, місцеве самоврядування, місцевий економічний розвиток, муніципальне управління.

### **Панухник Е.В. АДМІНІСТРАТИВНО-ТЕРИТОРІАЛЬНА РЕФОРМА КАК ФАКТОР УКРЕПЛЕНИЯ МЕСТНОЙ ЭКОНОМИКИ**

**Цель.** Комплексная оценка проблем и перспектив реализации административно-территориальной реформы в Украине с позиции ее институционального обеспечения.

**Методика исследования.** В процессе исследования использовано: монографический, абстрактно-логический подход к изучению теоретических и практических проблем реализации административно-территориальной реформы в Украине; методы сравнения, анализа и синтеза – при изучении пространственно-территориальных аспектов реализации административно-территориальной реформы; аналогии – в процессе имплементации зарубежного опыта административно-территориальной реформы к отечественным условиям.

**Результаты.** Раскрыта сущность административно-территориальной реформы. Обоснованы принципы создания дееспособной административно-территориальной единицы. Определена необходимость применения системного подхода при построении эффективного административно-территориального устройства. Очерчены задания успешного проведения административно-территориальной реформы в Украине. Определен оптимальный подход к реализации направлений административно-территориальной реформы с учетом существующих ограничений .

**Научная новизна** заключается в применении комплексного подхода к реализации административно-территориальной реформы в Украине с позиции ее институционального обеспечения.

**Практическая значимость.** Полученные результаты исследования позволят обеспечить эффективность разработки, внедрения и реализации административно-территориальной реформы в Украине с учетом зарубежного опыта. Они могут быть использованы в практической деятельности органов государственной власти и органов местного самоуправления.

**Ключевые слова:** административно-территориальная единица, административно-территориальная реформа, местное самоуправление, местное экономическое развитие,

муниципальное управление.

**Panukhnyk O.V. ADMINISTRATIVE AND TERRITORIAL REFORM AS A FACTOR OF THE STRENGTHENING LOCAL ECONOMY**

**Purpose.** Integrated assessment of the problems and perspectives of the administrative-territorial reform in Ukraine, with the position of its institutional support.

**Methodology of research.** The research used: monographic, abstract and logical approach to the study of theoretical and practical problems in the implementation of administrative-territorial reform in Ukraine; comparative methods, analysis and synthesis - the study of spatial and territorial aspects of the implementation of the administrative-territorial reform; analogy - in the process of implementing the administrative-territorial reforms' best practices to domestic conditions.

**Findings.** The essence of the administrative-territorial reform is defined. The principles of creating a viable administrative-territorial subdivision are justified. The need for a systematic approach to building an efficient administrative and territorial structure is identified. Tasks for successful administrative-territorial reform in Ukraine are outlined. The optimal approach for implementing the directions of the administrative and territorial reform, taking into account existing constraints is defined.

**Scientific novelty** lies in an integrated approach to the implementation of the administrative-territorial reform in Ukraine with the position of its institutional support.

**Practical significance.** The results of research will ensure the effectiveness of the development, deployment and implementation of administrative-territorial reform in Ukraine using best practices of foreign experience. They can be used in the practice of public authorities and local governments.

**Key words:** administrative-territorial unit, administrative-territorial reform, local government, local economic development, municipal management.