INTERREGIONAL COOPERATION AS A PREREQUISITE FOR THE ECONOMIC DEVELOPMENT OF AMALGAMATED TERRITORIAL COMMUNITIES IN UKRAINE

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Abstract. Research background: the implementation of the decentralization reform and the strengthening of trends of interterritorial disparities in Ukraine leads to a restructuring of development plans at the amalgamated territorial communities (ATCs) level: their impact on the development of cities, villages for each region separately and for the development of interregional cooperation in general. However, not all ATCs are able to independently determine their strategic priorities and goals, position themselves in the conditions of the internal and external environment. The purpose of the article: provisions of the article provide a step-by-step explanation of the final stage of the ATC Development Strategy, thoroughly expand the Methodological Recommendations for the Development of Program-Targeted Documents for the Socio-Economic Development of Communities (proposed by the Ministry of Regional Development, Construction, Housing and Communal Services of Ukraine, Order No. 75 of 2016/03/30), which determines the relevance and purpose of this article. Methodology/methods: This work is based on the generalization of the official methodological information in Ukraine, on the official normative legal act of Ukraine about the ATC economic development, scientific and practical research of leading scientists and economists on the process of creating an ATC Development Strategy. The methodological basis of ATC strategic planning is the systemic and situational approaches, which include the methods of comparison and analysis, grouping, graphical method of information processing. Value/originality: The provisions of the article reveal the essence of Methodological Recommendations for the Development of Program-Targeted Documents for the Socio-Economic Development of Communities (proposed by the Ministry of Regional Development, Construction, Housing and Communal Services of Ukraine, Order No. 75 of 2016/03/30), pointing to the economic and legal shortcomings of its articles. For the first time in Ukraine, the results of the ATC Development Strategy in the context of interregional cooperation are presented in the step-by-step detailed description. Instructions for each of the next steps of the final stage of the ATC Development Strategy are developed: formulation of the ATC mission; formation of a strategic vision, choice of priorities; formation of strategic and operational goals, definition of tasks for the ATC development; mechanism for realizing the tasks and the most probable scenarios for the ATC development; definition of financial resources; formulating a draft Strategy and holding public hearings to discuss it; consideration of the draft Strategy at the session of the local council, its adoption. The article is summarized by the algorithm, developed by the authors, for the creation and implementation of strategic goals of ATCs in the context of interregional cooperation. The algorithm is aimed at both building the economic potential within the community (traditional approach to strategic planning for the ATC development) and ensuring the development of the economic, social, and environmental spheres at the interregional level, which has been tested on the ATCs in Luhansk region. Practical Implications. Results of this article will form the basis for the assistance to various ATCs in Ukraine in the matter of strategic planning since no clear and detailed actions for them have yet been recorded. Also, this work is relevant for representatives of state authorities and scientists who deal with issues of interregional cooperation because no one in Ukraine has ever considered these issues in the context of ATC strategic planning.

Key words: amalgamated territorial communities, economic development, interregional cooperation, ATC Development Strategy, decentralization reform in Ukraine.

JEL Classification: P25, D6, F63, R5, R11, P41

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1. Introduction

Ensuring sustainable development is one of the priority goals of the state policy of many countries being implemented both at the national and local levels (Börzel and van Hüllen, 2014). Realization of fundamental reforms in socio-economic and political directions in Ukraine, the formation of a corresponding system of ATC values, and the reliable interaction of civil society institutions and public authorities gradually bring the country closer to realizing and ensuring the principles of sustainable development at all levels: national, regional, and local. In addition, issues of local development are now dominant in Ukraine in accordance with the provisions of the Association Agreement with the EU (Doidge, 2014) and are being implemented through the process of decentralization and the growth of a number of amalgamated territorial communities (hereinafter ATCs). However, it cannot be denied, that the strengthening of tendencies of interterritorial imbalances in Ukraine lead to the restructuring of development plans and at the community level: their influence on the development of cities and villages is of fundamental importance both for each region separately and for the development of interregional cooperation as a whole (Doidge, 2007).

Not all ATCs are able to independently determine their strategic priorities and goals, position themselves in the conditions of internal and external environment, and Methodological Recommendations for the Development of Program-Targeted Documents for the Socio-Economic Development of Communities" (proposed by the Ministry of Regional Development, Construction, and Housing Communal Services of Ukraine, Order No. 75 of 2016/03/30) require a thorough expansion and step-by-step explanation in each stage of Development Strategy, especially – its final stage, which determines the relevance and purpose of this article.

2. Research Methodology

This work is based on the generalization of the official methodological information in Ukraine on the process of creating an ATC Development Strategy, drawing attention to its imperfection. The provisions of the article supplement, expand, and substantiate each step of the final stage of this process in order to provide practical recommendations for ATCs managers and other stakeholders to facilitate the process of creating an ATC Development Strategy.

The methodology of the ATC strategic planning is based on four levels of knowledge: a general philosophical level (set of common views and knowledge about phenomena related to the ATC development); general scientific level (understanding of common approaches, principles, ATC organization form); specific methodology of sciences (aggregate knowledge of the economic development of ATC). The methodological basis of ATC strategic planning is the systemic and situational approaches. According to the system approach, the community should be regarded as a system consisting of certain interrelated elements that ensure its life activity, and elements of a larger system, which functioning and development are determined by economic laws and patterns characteristic. According to the situational approach, ATCs are complex socio-economic systems, characterized by a number of their unique features. Also the research is based on methods of comparison and analysis (in the context of practical experience in the economic development of ATCs Development Strategies), groupings and graphical method of information processing (in the context of creating an algorithm for the formation and implementation the ATC strategic goals), is based on official normative legal act of Ukraine about the ATC economic development, scientific and practical research of leading scientists and economists (Cyrek M.; Fox W.F. and Murray M.N.; Blume L.; Smith B.C.; Małkowska A. and Głuszak M. and others).

3. The current situation of ATC development in Ukraine

In recent years, much attention has been paid to such a sectoral characteristic of the economy as the heterogeneity that dominates in advanced economies (Hänggi, 2006). However, the diversity of activities carried out at different levels (national, regional, interregional), does not allow us to single out among them the dominant sectors of the economy (Cyrek, 2014). This thesis allows exploring a comprehensive approach to the development of any set of administrative-territorial units of any country in the world, including Ukraine. The main attention in Ukraine is still being paid to the decentralization reform, resulting in the creation of ATCs, which in their activities are based on the main local regulatory document – ATC Development Strategy. Not only the level of ATC development but also the region in which it is located depend on the effective formation of a strategic vision, values and goals in the development of a future program-target document. Therefore, in this context, it is important that each step in the process of creating an ATC Development Strategy corresponds to the strategic goals and directions of the regional development and the objectives of interregional cooperation of the adjacent territories (European Bank for Reconstruction and Development, 2014).

The practice of creating program-targeted documents at the local level proves that one of the most important factors for successful economic development is a direct public investment at the local level that creates conditions for private investment initiatives (Fox and Murray, 1990; Blume, 2006). However, in Ukraine, unfortunately, these conditions are not implemented
at the level of the ATCs, but the formation of the strategic vision, values and goals of the communities for the creation Development Strategy of its final stage is reduced to the usual wishes: improvement of the demographic situation; the activation of social policy, transition to targeted social assistance, achievement of a marked improvement in the material condition and living conditions; ensuring effective employment of the population, improving the quality and competitiveness of the ATC labour potential; intensification of the development of the ATC scientific, cultural and educational potential; improvement of the environment, etc. However, attention to this issue alone is not sufficient for the effective creation and implementation an ATC Development Strategy, therefore, it is recommended to expand and divide its entire final stage into the following steps: the formulation of the ATC mission; formation of a strategic vision, choice of priorities; the formation of strategic and operational goals, the definition of tasks for the ATC Development Strategy; the mechanism for realizing the tasks and developing the most probable scenarios for the ATC Development Strategy; definition of financial resources; formulating a draft strategy and holding public hearings to discuss it; consideration of the draft strategy at the session of the local council, its adoption (Čepinskis, Smilga and Žirgutis, 2002).

4. The first detailed step for the ATC Strategy Development

The formulation of the ATC mission is the starting point in the final stage of the Development Strategy creation process (Figure 1) because it must reflect the highest goal of the community’s existence and activity, the long-term direction of its development, namely, interaction with the external environment (positioning and relations with the communities in other regions on the basis of interregional cooperation). This direction of development is often associated with the acquisition of the necessary values: reputation and image, so they refer the process of choosing a mission to such a category of marketing as branding. However, it is important to remember that the mission and the brand are not identical concepts.

The ATC mission is the high appointment of a particular community, which contributes to the formation of its priorities and strategic goals, clearly substantiates the purpose of its existence and activities (answers the question “What is this community for?”). It is carried out with wide public participation.

The ATC brand is an intangible asset, a figurative and psychological perception of a particular community in terms of its unique characteristics (answers the question “What is this community associated with?”). Implemented by professionals, wide public participation is not provided.

For the most complete and effective representation of an ATC, the mission and brand should exist in close interconnection. The mission is the “framing” of the brand and, at the same time, the brand should be at the heart of the mission, otherwise the idea of community will be vague or similar to a strategic goal, is not correct. The process of formulating an ATC mission must meet the following requirements: a mission must be realistic and appropriate for each community. So, for a small rural community, it is inappropriate to define a mission as “transformation into a world leader in the sphere of IT technologies”; factors of expediency and concreteness are also very important – a mission is formed for a specific community, so it cannot be universal. Often the mission is formulated too abstractly: for example, the thesis “improving the population life quality” sounds beautiful but requires specificity; if the ATC has a clear specificity, it is advisable to reflect this in the mission

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Fig. 1. The detailed content of the first step of the final stage of the ATC strategy development

Source: own elaboration
(if possible). The mission should be of interest, to unite the ATC territorial parts (towns and villages) around the common goal, to promote an increase in the civic engagement level of the population in the region (to which ATC belongs), and to ensure the development of links from the position of interregional cooperation.

5. Detailed strategic step for the ATC Economic Development

The next step in the creation process of an ATC Development Strategy is the formation of a strategic vision, the choice of priorities. Strategic vision can be defined as a realistic dream, that is, a clear picture of the ATC future (in 7 years) [Ministry of Regional Development, Construction, Housing and Communal Services of Ukraine, 2016]. Such a presentation should be formed not abstractly but based on the current situation in ATC. For this purpose, it is recommended to take into account the results of not only an internal analysis of the social and economic state of ATC but also the results of a comprehensive analysis of current regional features of the territory where the community is located, and also take into account the interregional directions of its interaction with other communities.

The formation of a realistic strategic vision is an important task for partnership in ATC; it is an important step towards creating and implementing the entire Development Strategy and attracting local residents to it. It is important not to allow the formulation of the vision to be simply a wish list (for example, “Comfortable community for life and business”), because such theses do not contain sufficient information for the ATC development, do not serve as a guide for the implementation of specific actions. Also, such theses do not fit in with interregional ties, so it is necessary to take into account the opportunities, problems, and assessment of risks (taking into account the territorial affiliation of a particular community and its interregional projects and programs).

Development priorities are formalized, described in a formal way, guides which must be achieved in the medium and short term. In order to comply with the principle of realism, the number of ATC development priorities should be determined no more than five [Ministry of Regional Development, Construction, Housing and Communal Services of Ukraine, 2016].

Determining development priorities is an extremely important step in the creation process of ATC Development Strategy, which is the logical continuation of the strategic vision (Ciegis, 2001). It should be noted that setting priorities also takes into account the support amount (taking into account the financial resources of regional budgets and private investors), the limited resources of the community itself and, therefore, it is necessary to strike a balance between priorities aimed at the development of various spheres of ATC (a classic example in this context is the economic, social, and environmental component).

A number of priorities should be reasonably limited because otherwise their list also risks becoming a simple wish list. It is also advisable to take into account the opinion of residents (by collecting data and questioning all stakeholders), for which it is recommended to include the following elements in the process of determining priorities: the direction of ATC development; a clear understanding of the strategic vision of ATC (within which the priorities are formed) and the methodology for achieving it; correlation of strategic vision and priorities with interregional processes, clear definition of the range of stakeholders (who benefits from implementing a particular priority in ATC); the definition of responsible persons for the implementation of a priority in ATC; the definition of specific indicators for assessing the state of implementation of a given priority.

The third step in the creation process of ATC Development Strategy is the formation of strategic and operational goals, the definition of tasks. The development goals are defined as the expected accomplishments based on the implementation results of interrelated tasks and activities aimed at solving the most important issues of ATC development and solving problems [Ministry of Regional Development, Construction, Housing and Communal Services of Ukraine, 2016].

The main problem of many communities in Ukraine is the lack of the necessary financial and human resources, so it is often possible to meet these theses, which are the basis of strategic goals, incorrectly and inefficient for the ATC development. The most rational and simple solution to this problem can be assistance in the context of interregional cooperation – the migration of these types of resources can speed up the solution of the pressing problems in ATC and give it time to implement more fundamental tasks. Therefore, in the framework of this research, the strategic goal is defined as the socio-economic status of the community, is recognized by participants in strategic planning as the desired benchmark for its activities (achievable for 7 years), taking into account interregional links; has a quantitative and/or qualitative dimension.

The main requirements for the ATC strategic objectives: a) the number of strategic objectives. Undoubtedly, there may be several desirable targets for the ATC activity, but one should not put them much because the ways to achieve these goals can immediately become complicated. There is no legal definition of the number of strategic goals in Ukraine, but the practice of ATC Development Strategy creation indicates that it is advisable to limit to three goals (for each component of the socio-economic ATC development – one goal), each of which should contain operational goals and objectives; b) when forming strategic goals, it is necessary to adhere to the unity principle: in aggregate,
they must work for the overall ATC result (in accordance with its mission and strategic vision), at the same time, each of them must meet its internal integrity (achieving the desired in a particular field); c) the strategic goals should correspond to the triad of benchmarks: first, reflect the problem that is to be solved; secondly, be aimed at the need (prevents similar problems in the future), which is expected to be met; thirdly, be directed to the future (it forms the needs that will arise in the future); d) strategic goals must be agreed – timely, useful, realistic, should fit into the ATC economic situation, be based on interregional cooperation, and not violate the balance with other goals and priorities; e) strategic goals should be specifically defined in time, help focus on their implementation.

To determine the operational goals and objectives of the ATC Development Strategy, it is necessary to know the answer to the following questions: “How the achievement of the strategic goals of the ATC will take place?” “What actions need to be taken for this?” Therefore, it is necessary to specify strategic goals – to move from general to specific, to disclose their content for operational purposes, and the content of operational goals – in tasks. The latter should be agreed by the members of the ATC Development Strategy working group since they identify persons responsible for the tasks, set deadlines for their implementation, and determine the necessary resources. To implement this step, it is expedient to formulate a plan of concrete actions for each strategic objective on SMART technology, that is, to create a structured list of all desired achievements, where tasks and low-level goals serve to achieve more serious, strategic goals. SMART is an abbreviation, widely applied in the field of project management, each letter defines an appropriate characteristic for each goal and task: S – is “Specific”, M – “Measurable”, A – “Attainable”, R – “Relevant”, T – “Time-Bound” (Freeman, 2006).

In the formulation of tasks, as well as objectives, it is necessary to observe the expediency principle. If we assume a solution to a very large number of tasks, this will dispel the attention of planners and lead to unnecessary expenditures from the budget (Grigoriev, 2013). If you focus only on those areas that are considered to be solved most successfully and quickly – the principle of the sufficiency of tasks will be violated to achieve the corresponding strategic goal. When all the objectives have already been chosen and formulated, the correctness of their choice can be verified using one of the fairly simple methods: cross-analysis of the constituent matrix SWOT (this analysis is carried out at the previous – the analytical stage of ATC Development Strategy). The essence of using this method consists in pairing the previously defined elements of the SWOT matrix and generating corresponding comparisons for each block, which will form the basis for the next step – the creation of the most probable scenarios for the ATC development (Figure 2).

After the formation of the most important elements of the Strategy, it is necessary to develop a mechanism for implementing the tasks and the most likely ATC development, including organizational and administrative measures. Organizational and administrative measures are the consistent actions of the executive bodies of the city, settlement, and village councils aimed at achieving priorities and fulfilling the tasks of their development within the limits allocated or attracted for these purposes (Lippman and Blair, 1995). For each activity, it is recommended to provide information and data on its content and method of implementation, deadlines for implementation (in whole and in stages), identify executors, volumes, and sources of funding, broken down by years, indicator performance, and expected result from its implementation [Ministry of Regional Development, Construction, Housing and Communal Services of Ukraine, 2016]. The list of current and future ATC development plans and projects is recommended to be developed in a comprehensive manner in the areas of local policy (social, economic, environmental).
Such an integrated approach acts as a kind of guarantee against unilateralism and contributes to the balanced functioning of all the components of the social and economic ATC development and the mitigation of existing contradictions.

The list of plans and projects for each area may include the following elements: the name of the relevant priority, the strategic objective, to which the plan or project relates, details of the normative document approving the plan or project; the name of the operational goal and task, to which the plan or project is directed; a list of ATC projects under implementation (including information on the project name, the name and contact details of the entity that introduces the project, the form of ownership, goals and objectives of each project, implementation phase, estimated value, volume and sources of financing, start date and expected period completion, forecast of the expected results of the project and information on the main activities of the project, implementation issues and necessary measures to address them); list of projects under preparation (includes information on the name of the project, name and contact details of the entity that introduces the project, the form of ownership, goals and objectives of each project, implementation phase, estimated value, volume and sources of financing, start date and expected completion date, forecast of the expected results of the project and information on the main activities of the project, problem implementation issues and the necessary measures to address them); a list of promising projects, the implementation of which is necessary to achieve strategic goals, promote the development of regional and interregional cooperation (in accordance with the priorities) of the Strategy (including information on the project name, the name and contact details of the entity that implement the project, the form of ownership, goals and objectives of each project, coherence with relevant regional and interregional programs and plans, implementation phase, estimated cost, volume and sources of funding, start date, the expected completion, forecast of expected results of the project, and information about the main activities of the project, the problematic issues of implementation and the necessary measures to deal with them).

In addition, the important component of selecting projects for ATC development is the criteria, by which this procedure should take place. In this process, it is recommended to pay a close attention to the following: the relevance of a particular project to the ATC priority sectors, regional and interregional cooperation (in terms of achieving the goals defined in the Strategy), the availability and analysis of socio-economic project performance indicators (tax revenues to the local budget, workplaces, average wage, creation of social infrastructure facilities, etc.), the amount of private investment for the project, the level of co-financing from the state budget, etc. (Smith, 2009).

6. Algorithm formation of the final stage of the ATC Economic Development

For the formation of probable scenarios for the ATC development, it is recommended to take into account the results of analysis of its economic and social state, indices of external interaction, and alternatives of development made at the previous step. The most successful and effective development scenario for the ATC is the interregional scenario: it is based on a combination of three most important spheres of the ATC’s activity (economic, social, and environmental), in the direction of which a number of important interregional projects are supposed to be implemented. It will create conditions for the facilitation and receipt of the necessary resources for ATC from other regions (solving internal problems) and strengthen external relations between communities, helping to smooth out interregional disparities.

The next step is to determine financial resources. For each position of tasks and for the implementation of the strategy as a whole, it is necessary to prepare a detailed financial plan (budget). Financial support for the implementation of the ATC Development Strategy can be carried out at the expense of the state budget, in particular, the state regional development fund, subventions from the state budget for the ATC infrastructure development; funds of local budgets (including ATC own budget funds), EU technical assistance funds, other international donors, and international financial organizations; means of investors, including on the terms of public-private partnership, the own funds of enterprises; other sources not prohibited by law [Ministry of Regional Development, Construction and Housing and Communal Services of Ukraine, 2016]. In addition, funds from other regions through the links between different communities based on interregional cooperation (implementation of joint projects, programs) are an important financial source.

Further, when the main sections of the draft strategy have already been developed, it’s necessary to collect them in one document, with which you can go back to the public discussion. In order to ensure openness and accessibility of information on the Strategy’s main provisions, its project is to be posted on the ATC official website, as well as on other information resources of the general access, after which it needs to be considered and adopted at a session of the local council. The draft Strategy is recommended to be submitted to the relevant regional state administration to receive information, no later than 15 working days from the date of the project receipt, on the compliance with the strategic priorities, tasks and activities of the existing regional, interregional, and national strategies and action plan for its implementation. If it’s found that the Strategy draft of the regional state administration is inconsistent, it’s advisable to finalize the project with appropriate
recommendations. If the Strategy draft in line, it is recommended to be submitted, taking into account the public discussion results.

Thus, the creation process of the ATC Development Strategy (in its final stage), taking into account interregional cooperation, is rather complicated and time-consuming but it is impossible to avoid one of its steps for their importance and interrelation. Figure 3 concludes this research by proposing an algorithm for the formation and implementation of ATC strategic goals in the context of interregional cooperation. It is aimed at building up the economic potential within the community (the traditional approach to strategic planning for the ATC in Ukraine) and ensuring the development of economic, social, and environmental sphere at the interregional level.

7. Practical application of the results

This algorithm was tested in the creation process of ATC Development Strategies in Luhansk region (only its territory under Ukraine’s control), which indicates its viability. Practical application of the results in these areas when creating strategies for their economic development showed successful results. Step-by-step and detailed algorithm led the ATC representatives to establish their strategic priorities (they couldn’t do this more than 2 years).

So, in the Development Strategy of Bilokurakyne ATC until 2020, the following strategic goals are formed:

1. Development of business and investment attraction;
2. Development of ATC infrastructure;
3. Energy saving, improvement, tourism.

The Development Strategy of the Novopskov ATC until 2025 contains the following strategic objectives:
1. Development of business and investment attraction;
2. Development of ATC infrastructure and provision of quality services;
3. Clean environment – active recreation and tourism.

8. Conclusions

Undoubtedly, the process of decentralization in Ukraine carries a lot of positive changes and shifts, but the regulatory mechanisms of its implementation on the ground is extremely imperfect: there are no corresponding categorical apparatus, specific recommendations to those or other actions, there are no regulatory ratios at the interregional level, the means of program-target documents implementation. In addition, state aid, such as direct investment in specific projects at the local level, is the most commonly used and effective tool for the local development in the world (Malkowska and Głuszak, 2016).

However, in our country, such funds are not being fully implemented, therefore, in order to achieve goals of sustainable development and becoming a full member of the European community, representatives of the Ukrainian government (legislative and executive

![Fig. 3. Algorithm for the formation and implementation of the ATC strategic goals in the context of interregional cooperation](Source: own elaboration)
branches) need to go a long way of reforming from legislation institutions to subjects of local self-government (United Nations, 1996).

In the local development process, ATC Strategies are an extremely important process that requires a careful approach and professional specialists. At the stage of determining the strategic vision, values, goals and objectives, it is necessary to adhere to the principles of realism and expediency, as well as take into account interests of ATCs at the interregional level, as a result, the Strategy will reflect the socio-economic status of the ATC and its positioning in the external environment for the coming years.

The consideration of interregional processes in the ATC Development Strategies is of great importance through the participation in such projects, which leads to the formation of an economic, social and environmental sphere, concentrating resources both at the internal and external levels. The use of such an approach in strategic planning is effective because it aims to equalize conditions and living standards of the population in various communities of Ukraine by ensuring equal access to resources and equal opportunities, creating favourable environmental conditions and an effective development system, taking into account interregional features. Therefore, further research should be directed in addition, expanding, and clarifying the methodology for ATC Development Strategies using interregional cooperation indicators, paying considerable attention to the process of attracting new sources of organizational, financial, and personnel potential of communities.

References:


