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DECOMPOSITION ANALYSIS OF COOPERATION AS A FACTOR OF ECONOMIC TRANSFORMATION OF TERRITORIAL COMMUNITIES

ABSTRACT

The current economic situation poses new and more complex challenges to the country's economy. Local self-government plays an important role in strengthening statehood and its defense capabilities. The chosen strategy of European integration requires Ukraine to carry out reforms and gradually enter a highly competitive environment, and this is impossible without finding new tools to ensure sustainable local development. The development of cooperative relations might become an effective tool in becoming competitive territorial communities.

The purpose of this study is to theoretically substantiate and build a conceptual model of cooperation in the territorial community, which involves the effective formation of cooperation at all subjective levels of the economy of the territorial community (local governments; villages, towns, and cities, businesses) and establishing a system interaction between them, which will intensify the processes of economic development of the territorial community by optimizing the potential internal resources.

A comprehensive approach to the formation of the concept of cooperative relationships at different subject levels of the territorial community is proposed. It is represented as a two-level conceptual model of cooperation relations of the territorial community, which contains cooperation both at inter-municipal and intra-municipal levels.

The scientific novelty of our approach is to take into account the impact on economic growth and sustainable development of the factor of cooperation not only in the form of inter-municipal and international cooperation but also cooperation at the enterprise level in the form of cooperatives. In addition, we have taken into account the processes of cooperation between rural and urban communities during the voluntary association of territorial communities.

Keywords: cooperation, inter-municipal cooperation, intra-municipal cooperation decentralization, stakeholders, economic development, sustainable development

JEL Classification: O13, P32

INTRODUCTION

Decentralization of authoritative and financial powers of the state in favor of local self-government is one of the most significant reforms since Ukrainian independence.

The main strategic task of state administration and territorial reform is the formation of effective local self-government and capable territorial communities that create comfortable living conditions for citizens, provision high-quality and accessible public services. Achieving these goals is impossible without the economic transformation of the respective territories, so it sets the task of searching for new tools to ensure it.

The aspect of cooperation is one of the most important, which, to a large extent, affects the success of the functioning of amalgamated communities. Cooperation in form of agro-cooperatives leads to economically active business entities, a sufficient number of skilled workers, and developed industrial and social infrastructure.

Inequality in the socio-economic development of territorial communities determines the need for local municipalities to combine efforts and resources. It is provided through inter-municipal cooperation and allows to create capable communities that can maximize the organizational, financial, and economic potential to achieve desirable socio-economic development of the territories.

Thereby, expanding the scale of cooperation and strengthening its role in a difficult crisis period is becoming an objectively necessary factor to improve the economic climate of the country and ensure the sustainable development of territorial communities.

Thus, the scientific discussion includes arguments and counter-arguments on the issue of cooperation in the economic activities of entities at different levels, communities, farmers, and households.

LITERATURE REVIEW

The scientific basis for studying the issue of cooperation as an economic category is laid down in the foundations of the modern school of economic theory - the new institutional economics (new institutionalism), related to the neoclassical direction [1]. The founder of this scientific school was Robert Coase with his work "The Nature of the Firm", in which he offered an economic explanation for why people choose to form partnerships, companies, and business entities rather than trade bilaterally or through market contracts. R. Coase considered firms as institutions that are a special form of coordination that allows for minimizing transaction costs. These are the costs that have to be borne when obtaining information about prices or the quality of goods, they also include the costs of negotiating, concluding contracts and agreements, and monitoring their implementation, which also provides for the legal protection of the rights of the owner [2]. The conclusions from the work of R. Coase have found their application much wider than in the theory of the firm, economists and political scientists use them to explain the functioning of organizations in general.

T. Bowens also used the theoretical foundations of the new institutional economics in his research on specific forms of social enterprises: non-profit organizations and cooperatives. He explored the causes of cooperatives at three levels: the individual level, the firm level, and the intra-organizational level [1].

Another area of modern research has been the study of cooperation in the context of economies of scale. The theory of reduction of unit costs during the consolidation of production, associated with changes in the unit cost depending on the scale of its production, in the long run, has found application in research on inter-municipal cooperation. Bell G. and Warner M.E. in their works prove the effectiveness of inter-municipal cooperation in reducing costs [3].

G. Linz conducts a significant analysis of territorial cooperation in a two-tier system of government, studying intra-municipal and inter-municipal cooperation. The author defines cooperation between municipalities as occurring in a two-tier management model [4].

Hillebr B., Biemans V.G. in their work, explore the relationship between internal (cooperation between structural units) and external (between organizational relationships) cooperation from a theoretical point of view and conclude their unconditional relationship. The authors offer an understanding of three reasons for the connection between both types of cooperation: internal and external cooperation can be linked through the existence of related norms of relations in the system, and internal cooperation contributes to the dissemination of new knowledge gained through external cooperation, and internal cooperation can function as a coordination mechanism to resolve the complexities of external cooperation. This indicates that internal cooperation is a prerequisite for effective external cooperation, so they need to be studied together [5]. Cohen J. describes in the monograph the following types and levels of cooperation - intra-household, inter-household, and community levels [6].

Ukrainian scientists are also focusing their research on the study of cooperation. Burkinsky B.V., Laiko O.I., and Talpa V.P. consider the tools of economic cooperation of communities as a means of ensuring the economic viability of communities in terms of unification, as well as an alternative to the process of unification of territorial communities [7].

Sirik Z.S. studied the effectiveness of mechanisms of horizontal cooperation of territorial communities in the context of decentralization of power. The author examines the cooperation of communities from the point of view of management and proposes a conceptual scheme for the project of cooperation of territorial communities, covering the components of the management process: organization, planning, motivation, and control [8]. Tolkanov V.V. studied the legislative, institutional, and financial aspects of inter-municipal cooperation as an innovative mechanism for local sustainable growth, and as one of the priorities of local government reform in Ukraine [9].

Despite the significant scientific heritage on the research topic, a number of theoretical and applied problems remain unresolved regarding scientific and methodological approaches to the study of cooperation processes at the internal and external organizational levels of territorial communities. This determines the relevance of our study.

AIMS AND OBJECTIVES

The purpose of this paper is to theoretically substantiate and build a conceptual model of cooperation of the territorial community, which involves the effective formation of cooperation at all subjective levels of the economy of the territorial community and establishing a system of interaction between them, which will intensify the processes of economic development of the territorial community by optimizing the potential internal resources.

MATERIALS AND METHODS

The methodological basis of the research is based on the fundamental provisions of economic theory, state regulation of the economy, modern concepts of managing the social and economic development of the social and economic development, as well as scientific practices related to the development of cooperation. The following methods of investigation were formulated: analysis, synthesis, historical analysis, logical grouping, and structural decomposition.

RESULTS

Nowadays, decentralization is a term that has gained popularity in the literature on local development and is the main method of governance at the local level, which provides significant opportunities for the local community to manage their development.

The concept of intra-municipal cooperation emerged in Western Europe in six Scandinavian countries as a result of the consolidation of territorial communities and the implementation of decentralization reform [10].

Dealing with the consequences of financial crises and addressing the issue of improving local financing, for a number of European countries it has become a traditional policy to reduce the costs of municipalities due to their consolidation or amalgamation. Although these processes could be both coercive and voluntary, in practice most of the cases were coercive due to the common reluctance of municipalities to amalgamate. However, the results of the reduction of costs from the merger did not live up to expectations. Therefore, it is inter-municipal cooperation that allows for to expansion of municipal services, benefits from potential economies of scale, and maintains jurisdictional autonomy. In these cases, aggregating the service will reduce the average cost of delivery. This applies primarily to services for solid waste disposal and municipal water supply [11].

It should be noted that the intra-municipal relations of local communities and their role in adjacent (neighboring) self-government are the focus of research. Adams J. in his study shows that there is a high correlation between the active government of a neighboring municipality, higher participation in the management process, higher confidence in local government (both district and municipal), and greater willingness to pay for better living standards.

Successful practices of neighborhood self-government can help new decentralized municipalities to solve citizens' problems and provide minimal services, through the exchange of best practices between representatives of local executive authorities, and training. Even with a low level of trust in local government, with the successful experience of neighboring communities, residents show a willingness to take an active part, and the vast majority agree that citizens can influence change at the local level. These results demonstrate significant potential for increasing self-determination and citizen participation. It is obvious that citizens want change, want to solve their problems, and are ready to participate in solving local problems [12].

Thus, based on the conclusions of scientists and on the relevant experience of the stage of voluntary association of territorial communities in Ukraine, we distinguish at the level of intra-municipal cooperation internal organization sublevel.

U. Devers-Kanoglu expands the approach to the definition of intra-municipal cooperation, which he considers as an interaction between different individuals, population groups, the private business sector, academic general, etc. within the municipality.

The author defines inter-municipal cooperation as interaction and partnership between different municipalities, as well as related groups and individuals. Also, in his study, the author argues that small communities are less effective, and the

municipality of the community should be in the zone of maximum territorial accessibility for citizens [13]. Which fully complies with the principles of forming capable amalgamated territorial communities in Ukraine.

Intra-municipal cooperation is characterized by a fundamental similarity of the environment within the administrative-territorial unit, while inter-municipal cooperation adds a special feature: the difference between groups and individuals from different organizational and cultural backgrounds [13].

Thus, intra-municipal cooperation has the potential to become a sustainable form of citizen participation, in particular through periodic public hearings organized by municipalities or public organizations.

Due to the decentralization reform, the number of municipalities in Ukraine has significantly decreased. However, the outcome of the reforms was not as expected, as municipal services and tasks are quite heterogeneous. That is why, in order to provide local public services in a cost-effective way, inter-municipal cooperation must be organized. In particular, it will promote the coordination of environmental and economic policies in all interested municipalities to achieve common results of sustainable local development.

Inter-municipal cooperation activities help to build community-based partnerships and develop interactions between different stakeholders at the local level. It also can provide an opportunity to solve problems of the suboptimal size of administrative-organizational units.

Thus, cooperation is an effective means of increasing the level of economic development of territorial communities through the use of classical and new forms of division of labor in the form of cooperation, concentration, and specialization. As a result, the development of cooperation on different levels, the territorial community with a different level of development and entropy differences, the transformation into an economically efficient territorial-government complex.

Thanks to it, the areas around large centers (cities), urban or rural, can be territorially divided, but have close and stable relations and are part of a common economic chain of cooperation.

As a result of our research, it is noted that domestic authors in their studies consider separately cooperation at the level of agricultural cooperatives and cooperation between territorial communities. There is no comprehensive approach to understanding the processes of cooperation at the internal and external organizational levels, as is done in the studies of foreign authors. However, foreign authors in their research do not take into account the factor of cooperation at the level of community enterprises, which is widely represented in the form of agricultural cooperatives. This aspect of cooperation is considered by scientists separately.

Based on this, in our work, we propose to consider a complex range of internal and external organizational cooperative relationships that arise in the local community. To do this, we offer to divide them into two substantive levels, depending on the subjective level and their economic orientation:

- 1) inter-municipal cooperation;
- 2) intra-municipal cooperation.

The meaningful context of research on cooperation issues indicates the need to form a comprehensive approach to the formation of the concept of cooperative relationships at different subject levels of the territorial community, which can be represented as a logical-structural scheme (fig.1).

The level of inter-municipal cooperation consists of two sub-levels:

- macro: participation of local authorities in international economic cooperation within the framework of regional development projects;
- local: direct inter-municipal cooperation of territorial communities.

At the level of intra-municipal cooperation, we also distinguish two sub-levels:

- internal organizational: at this level, the cooperation between the Village and the Settlement Council at the stage of voluntary association in the consolidation of territorial communities of Ukraine is presented. This is the basic link of the inter-territorial decision-making space with the participation of local councils and the local population;
- micro: cooperative relations arise in the production and business environment and are most widely represented in the activities of agricultural cooperatives. At this level, the classical form of cooperation in its understanding in economic theory is presented.

Through the development of cooperation involving households, farms, and agricultural producers, the maximum effect is achieved by using own resources, obtaining additional income from combining and sharing business risks, expanding access to various markets, as well as saving on transaction costs.

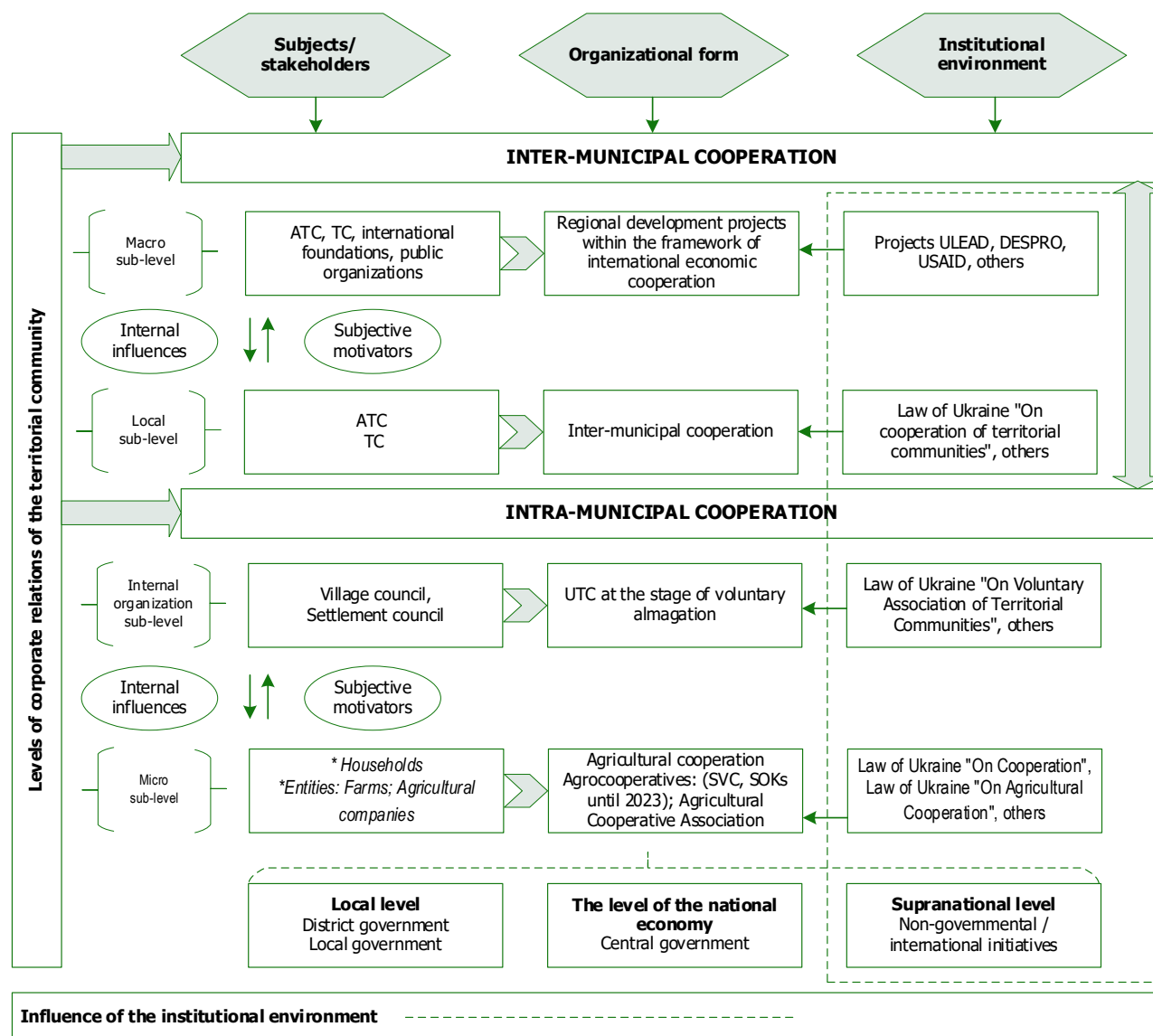


Figure 1. Structural-logical model of formation of cooperative relations of a territorial society. (Developed by the author on the basis of elaboration [1-13])

Understanding the nature of the relationship between internal and external cooperation of territorial communities is useful for representatives of local authorities to better in terms of:

- involvement of both internal and external partners,
- formation of a communication model,
- organization of training,
- setting organizational standards
- use of internal cooperation as a mechanism for coordinating external cooperation.

Regarding the need for the development of international cooperation in the territorial communities of Ukraine, it should be noted that at the stage of their formation, there was a problem of active participation of citizens. There is a need to encourage citizen participation in decision-making at the local level. This is why donor community activities are being implemented, such as the creation and support of civic committees, non-profit NGOs, and other NGOs; support for public hearings and meetings. The successful practices of participatory development, which consist in intensifying the processes

of participation of the local population in the implementation of development projects financed by donors, are taken into account.

Thus, in addition to inter-municipal cooperation, international cooperation has become an effective tool for sustainable local development for local communities.

Examples of projects whose recipients are directly the administrative-territorial units:

- the Urban Development Partnership project, supported by the Government of Canada, the recipients of the Association of Ukrainian Cities, 16 city councils, and 5 NGOs. The goal is to strengthen the municipal sector of Ukraine and create a more favorable environment for local economic development and entrepreneurship;
- U-LEAD with Europe project, supported by the EU, recipients of Administrative Services Centers. The goal is to improve the quality of local services to improve the quality of life of citizens;
- project Decentralization brings better results and efficiency (DOBRE), with the support of the US government, more than 50 recipients: OTG Dnipropetrovsk, Ivano-Frankivsk, Kirovograd, Mykolaiv, Ternopil, Kharkiv, Kherson regions, etc. The goal is to assist local governments in improving the efficiency of resource management;
- Enhanced Partnership for Sustainable Development project, supported by the Government of the Kingdom of Sweden, recipient local authorities, local communities, civil society organizations, businesses. The goal is to ensure the ability of local governments to interact transparently and cooperate with the business sector, as well as civil society with local communities, to ensure sustainable local development [14].

CONCLUSIONS

Thus, in modern conditions, cooperation can become a real tool for consolidating and rallying the efforts of territorial communities at different subject levels for the sake of economic strengthening and sustainable development of territorial communities.

A comprehensive approach to the formation of the concept of cooperative relationships at different subject levels of the territorial community is proposed. It is represented as a two-level conceptual model of cooperation relations of the territorial community, which contains cooperation both at inter-municipal and intra-municipal levels. The scientific novelty of our approach is to take into account the impact on economic growth and sustainable development of the factor of cooperation not only in the form of inter-municipal and international cooperation but also cooperation at the enterprise level in the form of cooperatives. In addition, we have taken into account the processes of cooperation between rural and urban communities during the voluntary association of territorial communities.

Cooperation might become an instrument of increasing territory communities' capacity thought it can provide better and more varied services to its residents, implement social and infrastructure projects, create conditions for business development and investment attraction, elaborate local development programs, and fund other measures to comprehensively improve the living conditions of local residents.

ADDITIONAL INFORMATION

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Дуванова О. С.

ДЕКОМПОЗИТНИЙ АНАЛІЗ КООПЕРАЦІЇ ЯК ФАКТОРА ЕКОНОМІЧНОЇ ТРАНСФОРМАЦІЇ ТЕРИТОРІАЛЬНИХ ГРОМАД

Сучасна економічна ситуація ставить перед економікою країни нові та складні виклики. Важливу роль у зміцненні державності та її обороноздатності відіграє місцеве самоврядування. Вибрана стратегія європейської інтеграції вимагає від України проведення реформ і поступового входження у висококонкурентне середовище, а це неможливо без пошуку нових інструментів забезпечення сталого місцевого розвитку. Розвиток кооперативних відносин може стати ефективним інструментом становлення конкурентоспроможних територіальних громад.

Метою даного дослідження є теоретичне обґрунтування та побудова концептуальної моделі кооперації територіальної громади, яка передбачає ефективне формування кооперативних зв'язків на всіх суб'єктивних рівнях економіки територіальної громади (органи місцевого самоврядування; села, селища, міста, бізнесу) та налагодження між ними системної взаємодії, що активізує процеси економічного розвитку територіальної громади за рахунок оптимізації потенційних внутрішніх ресурсів.

Запропоновано комплексний підхід до формування концепції кооперативних відносин на різних суб'єктних рівнях територіальної громади. Вона представлена у вигляді дворівневої концептуальної моделі відносин кооперації територіальної громади, що включає кооперацію і на міжмуніципальному, і на внутрішньомуніципальному рівнях.

Наукова новизна нашого підходу полягає у врахуванні впливу на економічне зростання та сталий розвиток громад фактора кооперації не лише у формі міжмуніципального та міжнародного співробітництва, а й кооперації в підприємницькому середовищі у формі кооперативів. Крім того, ми врахували процеси співпраці сільських та селищних рад під час добровільного об'єднання територіальних громад.

Ключові слова: кооперація, міжмуніципальне співробітництво, внутрішньомуніципальне співробітництво, децентралізація, стейкхолдери, економічний розвиток, сталий розвиток

JEL Класифікація: O13, P32