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STATE AND PROSPECTS OF DEVELOPMENT OF INTERMUNICIPAL COOPERATION IN UKRAINE

СТАН ТА ПЕРСПЕКТИВИ РОЗВИТКУ МІЖМУНІЦИПАЛЬНОГО СПІВРОБІТНИЦТВА В УКРАЇНІ



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Лаїко О.І., Цинальєвська І.А., Чехович З.В. Стан та перспективи розвитку міжмуниципального співробітництва в Україні. Науково-методична стаття.

На основі аналізу стану співробітництва територіальних громад в Україні та розвинених країнах, включаючи ЄС, визначені інституціональні, організаційні, економічні, адміністративні заходи активізації даного процесу як такого, що сприяє підвищенню рівня згуртованості населення громад, сприяє розвитку горизонтальних зв'язків, формує соціальний капітал та підвищує стійкість децентралізованих суспільно-господарських систем до кризових явищ, викликаних пандемією та збройною агресією проти нашої країни. Встановлено, що співробітництво територіальних громад в Україні, незважаючи на належне законодавче забезпечення, не отримало широкого розповсюдження, особливо в сфері економічного розвитку, з огляду на низький ступінь зацікавленості громад в його застосуванні, а заходи прямого фінансового стимулювання призводять до тимчасових сплесків активності з подальшим зниженням. Позитивні результати використання інструментарію співробітництва принесло громадам України в сфері державних сервісів та соціального розвитку. Встановлено, що сучасним пріоритетом для співробітництва громад має стати першочергове забезпечення економічного розвитку і залучення територіальних підсистем до ефективного розподілу праці. Розроблено систему заходів нормативного, інформаційно-організаційного, фінансового характеру для стимулювання економічного співробітництва громад в Україні.

Ключові слова: економічне співробітництво громад, згуртованість, міжмуниципальне співробітництво, міжтериторіальна кооперація

Laiko O.I., Tsynalievskaya I.A., Chehovich Z.V. State and Prospects of Development of Intermunicipal Cooperation in Ukraine. Scientific and methodical article.

Based on the analysis of the state of territorial communities cooperation in Ukraine and developed countries, including the EU, institutional, organizational, economic, administrative measures to intensify this process have been identified as one of the factors that promote communities cohesion, improve horizontal links, build social capital and increase sustainability of decentralized socio-economic systems and their resilience to the crisis caused by the pandemic and armed aggression against our country. It has been established that the territorial communities cooperation in Ukraine, despite proper legislation, is not widespread, especially in the field of economic development, which caused by the low level of community interest in its application, and direct financial incentives lead to temporary bursts of activity with further decline. Using cooperation tools has brought positive results to the Ukraine's communities in the field of public services and social development. It has been established that the current priority for communities cooperation should be economic development and the involvement of territorial subsystems into the efficient division of labour. A system of normative, informational, organizational and financial measures that are aimed on stimulating economic cooperation between communities in Ukraine has been developed.

Keywords: communities economic cooperation, cohesion, intermunicipal cooperation, cross-territorial cooperation

Regional economic cooperation is actual, but not fully investigated issue and peculiarities of its revealing in theoretical terms, filling with methodical approaches, proposals, actions in applied aspect are determined by characteristic features of those territorial and economic systems within which the apparatus of economic cooperation is considered. The need to provide proposals and mechanisms for regulating the socio-economic communities development in the process of establishing the institution of regional economic cooperation arose due to the need to support points of economic growth in communities, as well as lack of scientific validity and methodological support for such an approach in Ukraine. Due to the rather short deadlines for local self-government reform implementation in Ukraine, most of the initiatives and tools for ensuring sustainable development of territorial and economic systems in the EU cannot be implemented in a balanced and systematic way. The extensive applied and scientific experience of stimulating effective economic territorial communities cooperation formed in the EU countries and other developed countries, where there are scientific schools, created appropriate institutions and available scientific works of well-known scientists and regionalists, can be realized in our country, but on the basis of adaptive principles and on the basis of the principle of priority provision

of economic development with further realization of social and other social initiatives. The institutional basis for the communities cooperation implementation in Ukraine is defined in the Constitution [1] and in a special Law [2], but there is a lack of systematic methodological support for intermunicipal cooperation, especially in the economic dimension.

Analysis of recent research and publications

The topics for stimulating territorial communities cooperation in economic and other fields are considered in the works of such well-known European researchers such as R. Halst, R. Monfort and A. Montfort, who defined the principles, conceptual foundations and basic apparatus for regional and intermunicipal cooperation. The experience of regulating the processes of creating territorial and economic, in particular industrial complexes in Poland, the Czech Republic, Slovenia in comparison with the first six EU countries, on the basis of economic cooperation is presented in the works of G. Bonsdof, T. Kachmarek, D. Kotsiuba, I. Rakar, B. Tikara and other scientists. Also, key aspects of implementing economic cooperation in the regions are described in the documents of the European Commission, in particular among the provisions of the convergence policy of levels of economic development of the EU regions for the periods 2014-2020 and 2021-2027. In the international dimension, the methodological aspects of applying the contractual forms and tools for territorial communities cooperation are defined in analytical reports and manuals published by the Organization for Economic Cooperation and Development [3]. The experience of using the tools of intermunicipal cooperation in implementing the decentralization reforms, local self-government and administrative and territorial organization is revealed in the works of scientists of Odesa, Lviv and Kyiv scientific schools of regional economics, namely: B.V. Burkynsky, V.F. Goryachuk, I.V. Zablodska, O.I. Layko, V.M. Osipov, V.O. Dergachova, O.A. Yermakov, I.Z. Storonyanska with the participation of ideologists of decentralization reform such as A.F. Tkachuk, M.B. Datsyshyn and others [4-6].

However, the results of the abovementioned studies are still in Ukraine at the initial stage and the issue of forming the comprehensive system of state regulation by economic cooperation of functional territories at the local, regional, national, international levels in terms of ensuring the improvement of well-being and achievement of the best indicators of socio-economic development of regions and national economy remains insufficiently disclosed.

The main aim of article is to determine the theoretical and methodological, institutional support and measures to promote the economic cooperation development of territorial communities in Ukraine. In order to achieve these aims, it is necessary to solve such partial objectived as: analysis of the current state of intermunicipal cooperation in Ukraine and in the developed world countries, in particular in the EU; identification of trends and factors of dynamic

changes in the intensity of using the apparatus for cooperation; strategic directions formation, measures and proposals determination for their implementation with the help of tools for institutional, organizational, administrative, information and methodological nature.

The main part

Economic cooperation as one of the main directions of ensuring the territorial communities development in economic, social, administrative and other aspects has not yet received active development in Ukraine in the economic sphere. This is evidenced by the official data of the Decentralization Portal, as well as the results of its own analysis of the dynamics and structure of the cooperation process since the announcement of decentralization reform (since 2014) and the adoption of the Law of Ukraine "On Cooperation of Territorial Communities" [1, 2, 7]. Under the conditions of insufficient institutional support of territorial communities cooperation, the activity of using this apparatus is relatively low, especially in the field of the territories economic development.

The official materials on communities cooperation organization state that: "cities and villages have a number of issues that are difficult to solve on their own. For example, collection, utilization and processing of garbage, ensuring quality centralized water supply and sewerage, repair and cleaning of roads, organizing passenger transportation, maintenance of fire protection, etc. It is easier to cope with this in cooperation, i.e. to unite funds and efforts with neighbouring communities, which are also interested in it" [7, 8]. The mechanism of such intermunicipal consolidation is provided by the Law "On Cooperation of Territorial Communities", which was adopted in 2014 and includes 5 regulated forms in which cooperation can be carried out. However, apart from the general institutional framework in the form of a special law on the organizing communities cooperation, additional regulatoty documents, programme measures and tools to encourage communities cooperation in the field of economy and economic development have not been elaborated. Cooperation between territorial communities is mainly used to ensure better implementation of administrative tasks and functions, but this approach is not used to organize the labour division and efficient deployment of productive forces in order to form sustainable horizontal links and effective structure of the region's economy. The task of organizing economic cooperation has not yet been set at the level of central authorities and methodological support has not been developed. Since the adopting the law on cooperation, hundreds of communities have improved the quality of public services provided on their territory, gained the status of able-bodied communities in administrative terms, as they have been able to provide their residents with the services of Centres for Administrative Services, Health Care Centres, schools and kindergartens concluded agreements, if such institutions were absent in the

territory of their own communities. However, very few cooperation agreements have been concluded in the economic sphere, at least with indirect involvement in the real sector of the economy. Despite the fact that the total number of cooperation agreements for the entire period of implementation of this regional development apparatus has increased, the dynamics of growth in the number of agreements in recent years has tended to decrease and remains unstable (Table 1).

The unstable and declining activity of territorial communities in Ukraine regarding cooperation is explained by the fact that this instrument was not

demanding in the first years after the adoption of the Law, which defined an institutional framework for intermunicipal cooperation in Ukraine, since there were no objective incentives and prerequisites for the agreements conclusion for communities economic cooperation. Introducing the formal requirements to the territorial communities capacity in the context of their performance of state services and social, medical services has forced the territorial communities to conclude cooperation agreements, but mainly in the sphere of provision of state services, medical, educational and other social services, infrastructure development.

Table 1. The Statist of Territorial Communities Cooperation in Ukraine (at the end of 2021)

	2018		2019		2020		2021		<i>Total</i>	
	The number of agreements	The number of participating communities	The number of agreements	The number of participating communities	The number of agreements	The number of participating communities	The number of agreements	The number of participating communities	<i>The number of agreements</i>	<i>The number of participating communities</i>
Increase in the number of concluded cooperation agreements, units	282	539	130	272	106	213	137	275	X	X
The number of concluded cooperation agreements since the beginning of the reform, units	At the beginning of the year:		At the end of the year:		At the time of elections in October 2020		At the end of the year:		773	1676
	118	535	530	1188	620	1380	773	1676		
	At the end of the year:				At the end of the year:					
	400	1074			636	1401				
The number of concluded cooperation agreements from the date of gaining powers by territorial communities after the elections in 2020, units	-	-	-	-	16	21	153	296	X	X

Source: compiled by authors on materials [7, 8]

During the whole period of local self-government reform, from 2014 to the end of 2021, more than 750 cooperation agreements were concluded in the country (764 according to the official infographics of the Decentralization Portal [7, 8] and 773 according to own estimates based on the Register of Communities Cooperation Agreements) in Ukraine [9]), but in reality it is not very much, as some agreements are concluded, and some terminate and not all the communities participated in the cooperation process, and some communities could participate in several cooperation agreements. According to official data [7-9], the number of communities in Ukraine after the

decentralization reform completion is 1470 units instead of the former 12,000 communities, of which 4,500 communities became 982 amalgamated territorial communities (ATC), and the Decentralization Portal identifies the following population points in the communities composition: 443 cities, 1960 townships, 26261 villages.

The analysis of the dynamics and number of concluded agreements on communities cooperation in Ukraine is complicated by the fact of recalculations made in the official infographics of the Decentralization Portal in connection with the update of information surveillance in territorial communities

since October 2020, i.e. from the moment of gaining authority by territorial communities after the elections.

The only clear conclusion is that communities cooperation agreements were most actively concluded in the period up to 2018 inclusive (from the moment of the adoption of the Law "On Cooperation of

Territorial Communities in Ukraine" to the end of the period when most active territorial communities concluded cooperation agreements in order to ensure the compliance with one from the criteria for participation in the competition for financial support from the State Fund for Regional Development) (Figure 1).

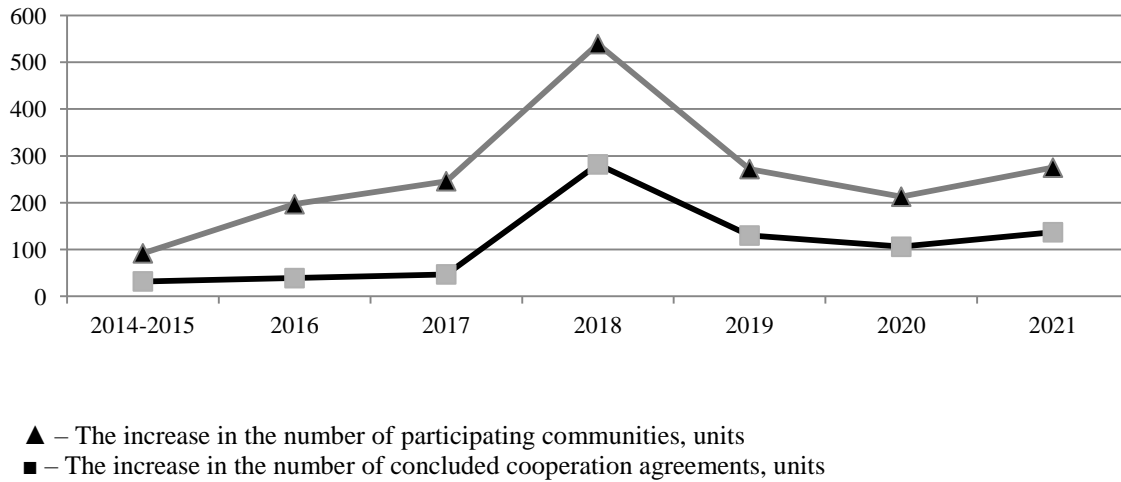


Figure 1. The Increase in the Number of Concluded Cooperation Agreements, Units
 Source: compiled by authors on materials [7-9]

Changes in the dynamics of territorial communities cooperation in Ukraine indicate a surge in activity in 2018 caused by financial incentives to support the cooperation established by the State Fund for Regional Development (hereinafter SFRD). After mastering the apparatus for cooperation in the social and administrative spheres of communities life, participation of such communities in projects supported by the SFRD, the activity of using the tools of cooperation has decreased significantly. A slight revival in the conclusion of cooperation agreements was observed from the end of 2020 to 2021 inclusively. Such activity was explained by the holding of elections in territorial communities after announcing the formal completion of decentralization reform in September 2020, and since the territorial communities came to power after the elections, there

was a need to conclude new agreements or re-existing ones [10, 11].

The conducted analysis of the nature and structure of such agreements shows that contracts are concluded mainly in the field of administrative and social services, and not in the field of real sector of the economy (Figure 2).

Measures to formally stimulate the territorial communities activity in their cooperation, thanks to the SFRD initiatives, allowed the communities to see its effectiveness in the field of public services, administration and services, social security of the population. However, this was not entirely the case, since in developed countries, in particular in the EU, cooperation agreements are the basis for economic cooperation between the communities themselves and the business entities working in the communities.

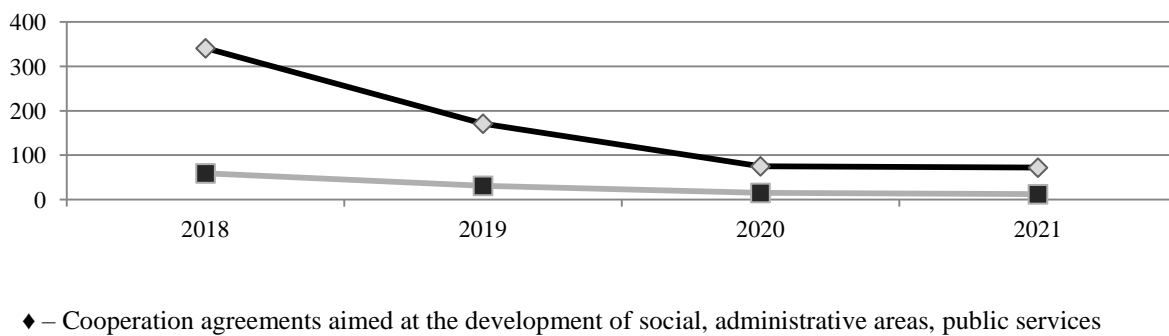


Figure 2. The Dynamics and Ratio of the Number of Cooperation Agreements focused on the Socio-Administrative Spheres Development of Community Activities and Economy Real Sector Development
 Source: compiled by authors on materials [4-6]

As we can see from the data in Figure 2, a small share of cooperation agreements (estimated, not more than 15% of the total) directly or indirectly relate to economic development, while cooperation prevails in the social, administrative and public services, etc.

There are several reasons for this situation:

- relatively short deadlines for local self-government reform and the presence of many local communities are therefore vectors and measures of state regulatory policy, which are currently actually aimed at implementing social initiatives, but must support the economic vector of cooperation (as stated in the Concept of Local Self-Government Reform and National Strategies of regional development until 2020 and until 2027) [13];
- lack of objective interest and incentives from the state for territorial communities in the economic cooperation implementation, although the feasibility of participation in labour division and the potential effectiveness of such participation communities are aware. Lack of financial and economic incentives from the state to support cooperation, including in the economic sphere;
- insufficient institutional and methodological support for the process of promoting the apparatus of cooperation in territorial communities. Despite numerous recommendatory and methodological materials developed by public organizations, scientific institutions [12], most of them relate to organizing the cooperation in the field of public services, social security, and only some of them cover the organization of economic cooperation [5, 12, 14]. The role of the authorities, in particular the relevant Ministry, in methodological support coordination and development for economic cooperation in Ukraine should also be more active.

We emphasize the economic component and state policy to stimulate investment in local regional development, as well as economic cooperation, as it is a means of ensuring the capacity rather than subsidies of territorial communities, and because this is the rational way in the developed EU countries: initially economic reforms and the formation of viable territorial and economic systems, and only then – administrative, organizational and territorial consolidation of the existing boundaries of economic and territorial entities. For Ukraine, the decentralization process of power and administrative and territorial organization is organized and carried out in a relatively short time without prior preparation of the economic base. On the one hand, it is a risky step, but on the other it is a forced one, as reforming the system of local self-government became one of the key tasks for the country many years ago.

If in the first years of decentralization the function of communities cooperation was mainly to ensure the

ability to perform administrative functions, provide public services, in the coming years ensuring the communities economic development may become an urgent task and topic for cooperation. The apparatus for community cooperation is permanent and should continue to be actively used to increase the economic and financial capacity of territorial communities.

Based on the experience of neighbouring developed European countries, we can say that the successful and comprehensive application of the apparatus for cooperation requires systemic institutional support, which will include: regulatory, methodological, informational, incentive components (Figure 3).

In the EU and other developed countries, cooperation agreements are used as a tool for ensuring the interaction and implementation of common policies, mainly in public services, as in the real sector of the economy cooperation in the cross-territorial dimension cases require measures of state regulation and influence. In Ukraine, the situation is different: territorial communities that have received budgetary powers and are obliged to perform their functions to ensure the population's livelihood do not have the appropriate economic basis for this and therefore there is a need to encourage sustainable horizontal cross-territorial economic ties increasing economic efficiency, increasing added value and, consequently, the communities well-being and tax capacity.

According to the Law of Ukraine "On Cooperation of Territorial Communities" territorial communities cooperation means relations between two or more territorial communities, carried out on a contractual basis in the forms specified by this Law to ensure socio-economic, cultural development, improving the quality of services interests and goals, effective implementation of local self-government powers.

In the very definition of cooperation, the emphasis is on achieving the goal, first of all, of socio-economic development, but in reality, supporting economic development, as it can be seen from previous tables and figures, is given too little role in Ukrainian communities. The territorial communities activity of different regions in implementing the cooperation in all the spheres is also uneven, which is explained by different degrees of cohesion, willingness to cooperate, and so on. In order to analyze the communities activity in cooperation, given the variability of the information base on the Decentralization Portal and the interruption of its continuity and zeroing from the date of entry into force of territorial communities after the elections in October 2020, after which by the end of 2021 in Ukraine the agreements with the participation of 296 communities, we propose to consider the activity dynamics on the conclusion of cooperation agreements before and after the reset date (Table 2).

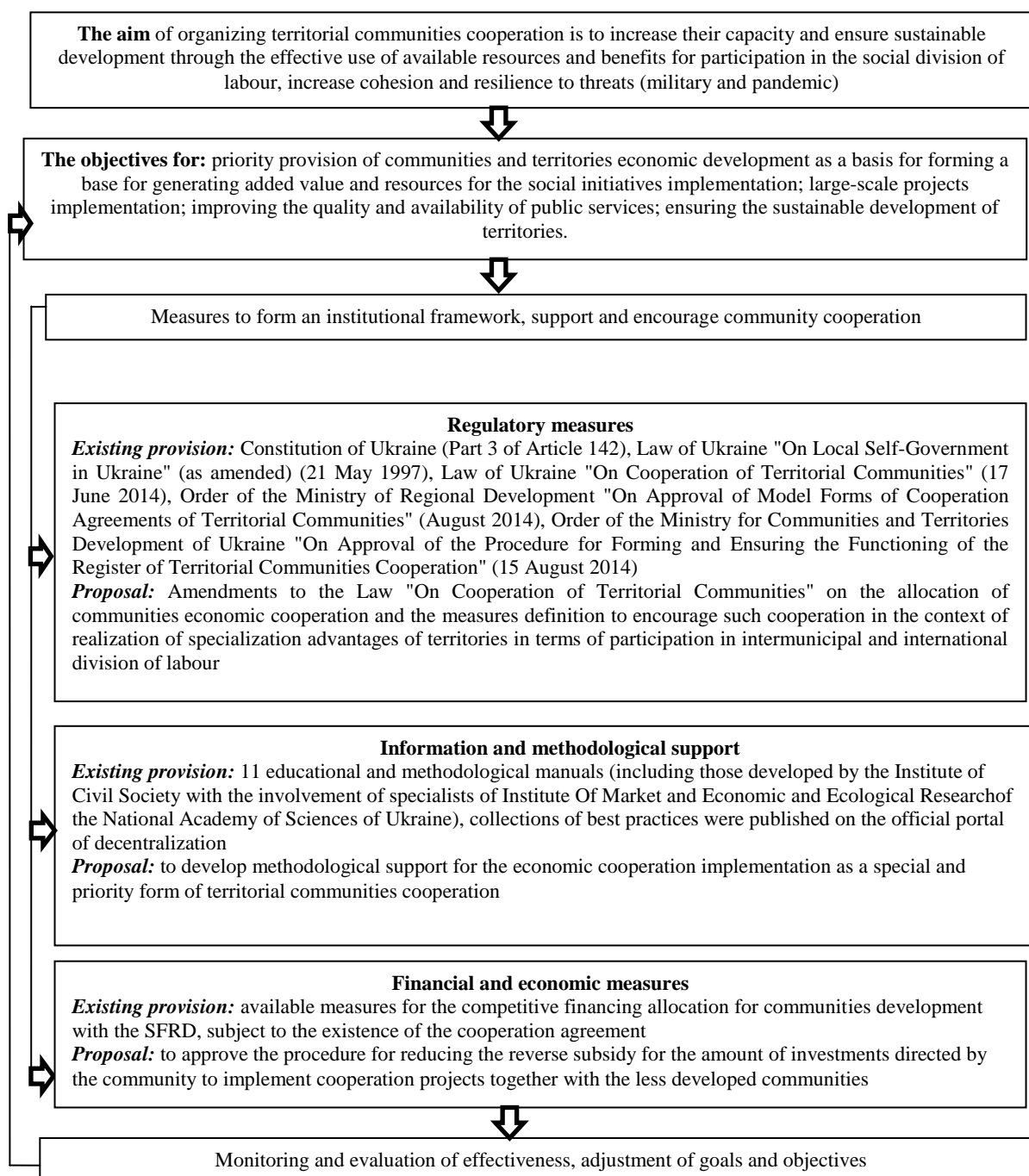


Figure 3. Components and Proposals for Improving the Institutional Support of Territorial Communities Cooperation in Ukraine

Source: compiled by authors on materials [1-14]

Table 2. The Status of Communities Cooperation in Ukraine

	2018		2021	
	The number of agreements	The number of participating communities	The number of agreements	The number of participating communities
1	2	3	4	5
Vinnitsia	100	173	7	15
Volyn	27	37	1	4
Dnipropetrovsk	12	29	17	22
Donetsk	2	5	1	2
Zhytomyr	44	77	2	5
Transcarpathian	4	10	3	21
Zaporizhzhia	21	29	16	14
Ivano-Frankivsk	13	40	5	25
Kyiv	11	15	8	7

Continuation of Table 2

1	2	3	4	5
Kirovohrad	12	22	8	10
Luhansk	4	9	1	2
Lviv	60	222	13	30
Mykolayiv	4	7	6	12
Odesa	2	9	6	7
Poltava	109	283	7	9
Rivne	17	31	14	32
Sumy	58	61	4	7
Ternopil	14	22	1	10
Kharkiv	31	89	15	19
Kherson	4	11	1	2
Khmelnysky	11	25	1	6
Cherkasy	36	92	4	11
Chernivtsi	7	16	6	18
Chernihiv	17	66	6	11
The Kyiv city	-	-	-	-
Total:	620	1380	153	296

Source: compiled by authors on materials [7-9]

The most active territorial communities with the largest number of cooperation agreements are the Poltava, Vinnytsia, Lviv, Sumy, Kharkiv, Zhytomyr, Cherkasy regions, but the Ukrainian Black Sea coast regions are not very active in concluding cooperation agreements. So, for the investigated period (from 2014 to the end of 2020) in the Odesa region only 2 cooperation agreements were concluded, in the Nikolaev region were concluded 4 cooperation agreements, in the Kherson region were concluded 4 cooperation agreements, after carrying out elections in communities in October 2020, accordingly in the Odesa region were concluded 6 cooperation agreements, in the Nikolaev region were concluded 6 cooperation agreements, in the Kherson region was concluded 1 cooperation agreement [7-9, 11].

The low demand for cooperation agreements as a tool for regional economic development is explained by the lack of direct interest of territorial communities in implementing the cooperation in the real economy sector development, the presence of certain paternalist moods in well-developed communities, which is not only a problem of territorial communities in Ukraine, but also within the European Community. Regional paternalism may result in a stronger mood, a stronger degradation of economic systems, increased inter-regional divergence, and reduced incentives for development in stronger communities, as most of the additional results obtained by communities will be withdrawn through the system of reverse grants and distributed in favour of weaker communities. The key reason for such paternalism is the inadequacy of the state regulatory policy in the field of regional development. In order to overcome the paternalism, it is necessary to stimulate the investments attraction processes in the development of economic growth points, in the links development for economic cooperation and interaction of developed communities with weaker ones in order to develop common territorial and economic systems based on effective labour division to create a higher added value.

One of the key tasks of the decentralization reform, recognized by the Ministry for Communities

and Territories Development of Ukraine, is "to increase the financial capacity of communities, but not through the redistribution of budgetary resources, but through the economic development of each community" [5]. One of the reform tasks is to strengthen financial autonomy and the capacity of local self-government through the territorial and economic complexes development, which will be the basis for endogenous ensuring the communities economic development.

However, in order to ensure the stable economic development of territorial communities in Ukraine, according to the experience of developed EU countries, systematic actions are needed to ensure their capacity, which include:

- Building a network of interaction and mutual development of economic entities related to the functional roles of labour division and joint participation in the creation of competitive goods and services;
- Effective distribution of powers between executive bodies and self-government bodies at different levels;
- Administrative consolidation of an effective structure of economic development and cooperation in territorial communities.

Thus, in all the EU countries, with minor differences, the process of reforming the administrative and territorial system followed the economic reform that has already taken place. The created functional territories (single territorial communities united by economic, commercial, socio-cultural, ethnic and other social ties) has become the basis for future administrative statistical units, including NUTS 1-3 and LAU.

According to the experience of the neighbouring EU country, Poland, the country's economic renewal reform package was first implemented (i.e. Balcerowicz's plan for shock therapy and economic revival), and then, on the basis of the formed points of economic growth, the redistribution of administrative authority between administrative and territorial units was carried out to simplify and facilitate the access to

administrative services of business and population representatives.

In Ukraine, on the contrary, an attempt was made to simultaneously form new administrative and territorial units together with the territorial organization of the government and to form a system of social and administrative services provision, to create an economic basis necessary for financial and budgetary provision of the state authorities obligations and functions.

As a result of such inconsistent policy, we have inconsistencies and poor effectiveness of ongoing reforms.

The system of territorial communities formed in Ukraine in the vast majority is characterized by the level of economic development and tax capacity below average, as evidenced by the official data of the official portal of communities capacity in Ukraine [7-9]. However, a much larger number of communities can perform the necessary administrative functions and ensure the provision of public services at a relatively high quality level. However, transfers from the state budget are often used to properly perform the functions assigned to communities, which partially compensate for the lack of own revenues of the local budget. The key task in this context is to form a proper economic base in territorial communities, based on their active cooperation in the field of management, which will increase the degree of development, economic self-sufficiency and resilience to crisis effects of economic and administrative systems of communities.

One of the key tasks set in the Concept of Reforming the Local Self-Government in Ukraine is the creation of proper material, financial and organizational conditions for ensuring fulfillment of local self-government bodies of their own and delegated powers requires further scientific substantiation and mechanisms, tools for practical realization.

Also, the organization and promotion of territorial communities cooperation in Ukraine meet the goals and objectives of the State Strategy for Regional Development of 2021-2027, i.e. "A Cohesive State Formation in Social, Humanitarian, Economic, Environmental, Security and Spatial Dimensions" [8]. The communities cooperation development contributes to the formation of horizontal links of interaction between people's communities, increases the level of cohesion and resilience to crisis challenges, i.e. pandemic, military and others.

The enlarged districts formed by the Verkhovna Rada of Ukraine on 17 July (according to Resolution 807-IX "On the Formation and Liquidation of Districts") now have 136 districts, instead of the old 490 districts, but quantitative and territorial-organizational transformations have not led to increase of efficiency and functional effectiveness. The district administrations operate in conditions of uncertainty, unaware of their real functions, which must be clearly defined and delegated to them by the state and the corresponding law.

A key mistake made in the decentralization reform was the neglect of the principle of prioritizing economic development and rational allocation of productive forces, in accordance with the territories specialization. However, in this situation it is necessary to take into account the fact that the reform of the local self-government system has been taking place in Ukraine in too short a time and the comprehensive achievement of all important goals of territorial and spatial development is an extremely difficult task. It is worth noting that a positive aspect and one of the achievements of local self-government reform and the using apparatus for communities cooperation is a significant increase in cohesion around solving common problems and problems, which has become invaluable social capital of Ukrainian communities and military aggression against our state.

Taking into account the experience of the EU countries in reforming local self-government and communities cooperation, it should be noted that first economic reforms were introduced, systems of effective cooperation between enterprises and regions were built, characterized by labour division and participation of each region appeared the concept of functional territory, i.e. a coherent set of interconnected settlements with close location and close economic, financial, economic, social, cultural ties, with their inherent stable scheme of cooperation and joint implementation of economic projects. And already on the basis of functional territories the revision of structure and levels of administrative-territorial units has begun in order to bring the process of administration and management of economic, social development of territories to real needs and configurations of the formed functional system.

Ministry for Communities and Territories Development of Ukraine is trying to ensure the capacity of territorial communities with the help of apparatus of intermunicipal cooperation, creating appropriate administrative prerequisites by simplifying the procedure for organizing communities economic cooperation in Ukraine. In particular it is proposed to introduce a procedure for joining territorial communities to existing cooperation under a simplified procedure, i.e. by concluding an additional agreement on joining cooperation, for which a bill has been developed [8, 11], but to enhance cooperation between communities in the context of improving their economic capacity increasing the interest of business entities in concluding economic cooperation agreements. But such measures, we believe, should not be isolated, but systemic, such that will ensure the economic interests realization of the communities representatives.

Economic cooperation in the EU and other developed countries has become an effective and powerful tool for the territorial and economic systems development, allowed to use existing resources with great efficiency, transformed ordinary areas of cities, townships, villages into functional territories, i.e. the areas where a certain economic activity, provide favourable living conditions for local residents. Due

to the increase in the level of economic development, well-being indicators have increased, migration processes and excessive urbanization have stopped. Despite the fact that most intermunicipal, cross-regional and cross-border cooperation agreements are concluded in the field of public services, economic cooperation is still active, especially in the eastern EU. The EU's cooperation tool identifies and addresses the following key challenges:

- overcoming poverty, territorial divergences and uneven settlement, social tensions, ensuring the population's well-being and high levels of employment;
- ensuring the availability and quality of public services;
- promoting economic development and building horizontal links between economic entities, the communities population, the points formation of economic growth that can form areas of economic influence and stimulate increased value added;
- unification and simplification of regulatory rules and procedures in the field of economic development;
- forming a strong integrated economic base with a high level of economic development, which is able to produce high added value and provide a material and financial basis for administrative, financial and budgetary capacity of communities.

The governments of European countries and the European Commission pay special attention to solving the problem of balancing the economic development levels in polarly different communities, in particular, support is provided for cooperation between urban and rural communities. Ensuring the convergence of economic development of urban and rural areas in the context of overcoming backwardness, stopping the depletion of rural areas and excessive urbanization is also relevant for Ukraine. The solution to the problems of cooperation between urban and rural areas is to form close economic ties based on the labour division, investments attraction in rural development, create new jobs, and build household and transport infrastructure.

In the course of decentralization reform, local self-government bodies were formed in the EU and numerous small municipalities were created, which were allegedly economically sufficient in terms of revenue and expenditure per capita, but were unable to bear the costs of large projects and administrations. This is especially important in countries with a large number of local authorities (for example, with less than 1.000 inhabitants, or even less than 199 inhabitants, as in the Czech Republic) [6]. In such tiny local jurisdictions, the cost of maintaining the administration must be a heavy burden on the local budget. In Hungary, some of these small local self-government bodies have already started to set up "joint offices" that provide administrative services for two or more municipalities. A similar solution is used in Poland, the Czech Republic and Slovakia.

Cooperation between local authorities seems to be the only logical solution if you need to master modern

technologies, including waste management systems, road construction or repair, or the provision of administrative services to residents of surrounding the city and nearby rural communities where there is no financial capacity to sustain on a regular basis, some departments and divisions that are in demand for the population only a few times a year. When delegating the authority to provide administrative services to one of the municipalities, it is usually envisaged that part of the tax payments of residents from other jurisdictions served in an administrative services provision will be directed to the benefit of such a municipality.

In the EU countries, intermunicipal cooperation between rural and urban areas is widespread in the field of infrastructure management (water, sewage, roads, heat networks, etc.). Among the institutions (actors of implementation) responsible for implementing the cooperation management of urban and rural territorial communities, local and regional authorities, which play a decisive role in the implementation of the European regional policy, are: more than 91000 local and regional institutions are implementing more than 70% of all European legislation and through such bodies more than 16% of GDP in the EU countries, more than 56% of employment in the public sector and more than 60% of public investments are made [7].

The provisions of European cooperation policy are different in different countries, according to the specific territories, such as France, the Czech Republic and Slovakia, municipalities have an average population of about 200-2000 residents, while in the UK there are more than 100.000 residents. This factor determines the country's preference in choosing a certain type of means of intermunicipal cooperation from the main list of classic tools to stimulate socio-economic development of territorial communities, common in world practice [12-16] and in the EU. The individual characteristics of each country affect the final type of institutional framework for cooperation in the intermunicipal, urban dimension.

Financial and budgetary decentralization, reform of the administrative and territorial structure and local self-government should be accompanied by a basis for economic capacity building of communities. Through the efficient use of local resources and the creating the added value on the basis of division of labour and cooperation, territorial communities in Ukraine must form their economic bases for capacity building and financial resources in order to ensure a high standard of living in communities. The existence of an economic base is very important, even more important than the parity of tax revenues distribution between budgets of different levels.

The experience of Poland, which earlier than Ukraine carried out the decentralization processes of financial and budgetary relations and the reform of local self-government, is indicative and useful for Ukraine in this aspect. The main source of financial support for basic level budgets is the personal income tax, 37% of which is directed to the local budget at the place of the person's main residence. The

percentage of this tax distribution in favour of the local budget is much lower than in Ukraine (60%), but the developed economic base of Polish communities with a predominance of manufacturing, even among small businesses combined in cooperative networks, allows to receive significant revenues to the local budget. The budget of the Michałowice commune (one of the small communities in south-eastern Poland) is now PLN 33 million (UAH 219.2 million) in 2020-2021, with an area of 51.27 sq. km and an official population of about 10 thousand people [15]. That is, almost UAH 22 thousand per 1 inhabitant. Such an indicator in Ukraine is unattainable even at the capital level.

In the community of Mechow (Poland), with a population of about 20 thousand people, the budget is about PNL 60 million, i.e. almost UAH 20 thousand per 1 resident [16].

According to the research conducted by specialists of Ministry for Communities and Territories Development of Ukraine and experts of the Decentralization Portal in 2020, the average income per capita in Ukraine in local budgets amounted to UAH 7.3 thousand. However, within Ukraine, the income differentiation was quite significant, i.e. in Kyiv it is almost UAH 15 thousand per 1 resident, in the Chernivtsi, the Luhansk and the Zakarpattia regions is within UAH 4 thousand.

Experts note that 872 amalgamated territorial communities had significant differences in financial potential indicators. The difference between the highest and lowest incomes per capita in different communities with a population of up to 10 thousand reaches 40 times, while in the communities-cities of regional significance they differ only 3.9 times [16].

The key aspect of success in providing budget revenues, residents' well-being and economic systems development of territorial communities, following the example of Poland, is the formation of an economic relations network on the basis of specialization and use of competitive advantages of communities in the process of cooperation. The principle of the work of the community leader Mikhalovice, the war of Mr. Anthony, is "money should be sought not in the budget of the state or the military, but in itself".

The tool of applying cooperation agreements in the social, administrative, social and economic spheres is very actively used in Polish communities.

Concluding cooperation agreements or establishing joint territorial organizations (associations, governing bodies, joint administrations, etc.) also contains an alternative that is analyzed and the preferred and best way for the country to organize intermunicipal cooperation is chosen.

In order to implement a modern European policy of convergence and development of rural-urban cooperation, common points of interaction, common chains of values and values are necessary, which will allow considering territories interacting as an integral system, i.e. a functional territorial unit. The boundaries of the functional territory do not coincide with the administrative ones, but are determined by the actual length of relationships (economic,

demographic, social, environmental, etc.), which will allow to consider the conditional association of territorial units as a whole system.

As a catalyst for more effective use of intermunicipal cooperation tools in urban and rural communities in the EU countries, project activities and activity are organized through regional development funds, in particular the Interreg Europe Programme, which is funded directly by the European Union and the European Regional Development Fund, and where it is expected to get the maximum return from the investment fund 359 million euros for the period of 2021-2027 [17-20].

Conclusions

The key directions for ensuring the intensification of economic development on the principles of territorial communities cooperation on the basis of stimulating the distribution of new investment projects are:

- 1) Providing targeted tax benefits and special conditions for conducting business activities for complex investment projects, which are implemented on the basis of the use of cooperation apparatus. Targeted tax benefits should be provided on a competitive basis in accordance with the identified priority areas of management in the communities and in the region and on the terms of mandatory accrual and payment of high wages to employees involved in cooperation projects. Initing amendments to the Budget and Tax Code regarding the deduction of the part of the income tax collection due to local budgets to the communities budgets at the place of residence (registration) of employees and at the place of the business entity registration;

- 2) Providing funds from the state budget and horizontal equalization funds on the basis of co-financing of investment projects, and not just in the form of subsidies;

- 3) Introducing official ratings of local communities officials (base of best practices of local self-government);

- 4) Ensuring budget coverage of equity participation of business structures of territorial communities of Ukraine in cross-border cooperation as an initiating basis for full-fledged attraction of European funds for regional development and structural modernization. Covering the initial expenses of participation in European cross-border cooperation projects will allow to ensure the Ukrainian stakeholders' participation in implementing interregional European cooperation projects (in particular Danube Interreg), to increase the total number of project applications, the desire of domestic stakeholders to participate in implementing the cross-border cooperation projects with the EU, the volume of financing raised with the EU for realization of the real goals of economic cooperation, to introduce in the process of cooperation the EU policies and supporting rules for investment attraction and stimulation of regional economic development, to move from zero point of departure the number of investment projects of cross-territorial cooperation

implemented in Ukraine in cross-border, not only in the domestic national dimension, using not only domestic but also European funds and financial resources. To ensure simplification of control procedures by the State Audit Office of Ukraine in terms of inspection of domestic contractors under the Danube Interreg programme, based on compliance

with statutory rules of force of international rules and agreements, subject to their ratification, over national rules, implementation of European rules and practices and easy verification of project results based on the implementation of the generally accepted principle (according to IFRS and GAAP) on the dominance of substance over form.

Abstract

The article considers theoretical, conceptual and methodical, and institutional bases for intermunicipal cooperation intensification in Ukraine on the basis of the analysis of dynamics, structure and institutional maintenance of territorial communities cooperation. It has been established that the territorial communities cooperation in Ukraine, despite proper legislation, is not widespread, especially in the field of economic development, given the low level of communities interest in its application, and direct financial incentives lead to temporary bursts of activity with further decline. Using cooperation apparatus has brought positive results to the communities of Ukraine in the field of public services and social development. Given the relatively short deadlines for local government reform implementation in Ukraine, most of the initiatives and tools of the EU to ensure the sustainable development of territorial economic systems cannot be implemented in a balanced and systematic manner. Economic cooperation as one of the main directions of ensuring the development of territorial communities in economic, social, administrative and other aspects has not yet received active development in Ukraine in the economic sphere. In Ukraine, cooperation between territorial communities is used mainly to ensure better implementation of administrative tasks and functions, but this approach is not used in order to organize the labour division and efficient deployment of productive forces in order to form sustainable horizontal ties and effective structure of the region's economy. The task of organizing economic cooperation has not yet been set at the level of central authorities and methodological support has not been developed. The unstable and volatile activity of territorial communities in Ukraine regarding cooperation is explained by the fact that this tool was not demanded in the first years after the adoption of the Law, which defined an institutional framework for intermunicipal cooperation in Ukraine, since there were no objective incentives and prerequisites for the agreements conclusion for communities economic cooperation. Introducing the formal requirements for the local communities capacity in the context of their public services and social and medical services has forced local communities to conclude cooperation agreements, but mainly in the provision of public services, medical, educational and other social services, infrastructure. Measures to formally stimulate the territorial communities activity in their cooperation, thanks to the initiatives of the State Fund for Regional Development, has allowed communities to see its effectiveness in the field of public services, administration and services, social security. However, this is not the case, as in developed countries, in particular in the EU, cooperation agreements are the basis for economic cooperation between the communities themselves and businesses operating in the communities.

Emphasis should be placed on the economic component and public policy to stimulate investment in local regional development, as well as in economic cooperation, because it is a means of ensuring the capacity rather than local communities subsidies, and because this is the rational path of developed EU countries.: first economic reforms and the viable territorial and economic systems formation, and only then administrative, organizational and territorial consolidation of the existing boundaries of economic and territorial entities. Based on the experience of the neighbouring developed European countries, we can say that the successful and comprehensive application of the cooperation tool requires systematic institutional support, which will include: regulatory, methodological, informational, and stimulating components. The results of the study allow us to conclude that in order to intensify the processes of intermunicipal cooperation in Ukraine and to use cross-territorial cooperation agreements as incentives for economic development, systematic measures of institutional, organizational, administrative, financial, informational and methodological nature are needed.

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