Theoretical aspects of territorial communities’ self-development

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Introduction

Conducting of authorities’ decentralization and local governance reform requires mobilization of all development opportunities and sources not only at the level of the country and its regions, but at the level of territorial communities as well. The lack of theoretical research on the issues of territorial communities’ development is related to their limited role as economic entities and excessive administrative and financial dependence of local governments on state authorities. Extension of territorial communities’ responsibilities in terms of handling the local and regional development issues requires forming of new approach to territorial community with endogenous growth in the core of its development.

The paper aims to theoretically substantiate the communities’ self-development.

Definition of theoretical approaches to self-development of territorial communities

In the late twentieth century, the theories of endogenous growth (David Romer, Robert Lucas, Robert Barro, etc) started to replace the exogenous growth theories. The feature of endogenous growth model is the orientation at own capacity and mechanisms of economic development, which in aggregate can maintain the self-development of social and economic system. The representatives of Ukrainian endogenous development school – V. Heyets, M. Dolishniy, M. Skrypchenko – proved the need to transfer from exogenously dependent to endogenously oriented strategy of economic development [Heyets 2003: 1008].

The concept of «self-development» based on endogenous and exogenous factors was examined by the range of domestic scientists, in particular by M. Molchanova, who examines the self-development of a territory as “the process of maintenance of sustainable social and economic development of a territory by means of both own sources of income and the raised funds in conditions of macroenvironment formed in a society” [Molchanova 2013: 132]. V. Osypov and O. Yermakova emphasize its endogenous origin:

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“region’s capability to maintain social standards of life quality in conditions of changing market on the basis of extended reproduction of Gross Regional Product mostly due to endogenous income innovative resources” [Osypov and Yermakova 2011: 180].

The new paradigm of local economic development focuses on the necessity of territorial communities’ self-development. Territorial community is seen as social and economic system oriented at the use of own capacity, which takes into account the interests of its residents. Responsibility for its development is attributed to local authorities. They are bound to provide the residents with social standards of life quality guaranteed by the state.

Opportunities of territorial communities’ self-development are defined in the first place by availability of resources – material, natural, organizational, financial, human, etc. Elinor Ostrom has contributed greatly to the research of territorial communities in the context of resources capacity management. In 2009, she won the Nobel Prize in economics for her research in the sphere of economic organization, where she examined the ways territorial communities rather than governments or private companies can successfully manage joint resources [Ostrom 2009: 445]. With her empirical studies of public resources’ exploitation all over the world, she has confirmed the efficiency of local communities in the management of public resources.

The peculiarity of Ostrom’s methodological approach is that, as opposed to the theories of public or private management, she has proven that the best condition of public resources is provided by the users of joint resources, who have the long-term interest to preserve and multiply them as well as to invest in monitoring and establishment of trust. In time, territorial communities find and adopt the rules of efficient use of resources. Instead, complete transfer of joint goods to a state is a bad choice. Bureaucratic system of public resources management stipulates the centralization of decisions and alienates the management coordinator from final consumers. Such public decisions cannot be adequate, because the rules imposed from above usually are poorly related to concrete local needs and ignore the views of immediate consumers of resources. Private property, which the supporters of market liberalism used to see as the most efficient way to use public goods, often leads to excessive resources exploitation and their depletion. Moreover, it contributes to the range of public problems related to local communities. They alienate from the use of benefits, which have been deemed as joint and nobody’s at once [Semyanov’s’kyi 2016: 104–108]. Ostrom has developed the principles of the system of public (collective) resources management that can be changed depending on the peculiarities of communities’ development and under the influence of additional variables (Table 1).

Table 1. Key principles of the systems of collective resources management (by E. Ostrom)

<table>
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<tr>
<th>Principle</th>
<th>Nature of the principle</th>
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<tr>
<td>1</td>
<td>Principle of clearly defined boundaries</td>
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<tr>
<td>2</td>
<td>Principle of clearly defined rights and responsibilities</td>
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Trust is especially important, when there are public resources concerned. It is necessary to develop the mechanisms of participatory decision-making. All community members should be well aware of the reputation of the individuals participating in direct public resources management.

Efficient control and permanent monitoring should be conducted by observers, who are the part of community or are accountable to it.

Responsibility principle stipulates the supervision and punishment for rules violation performed by the whole community or a person accountable to community. Community imposes the mechanisms of introduction and graduation of sanctions for perpetrators for violations of the rights to use public resources. For instance, soft punishment is imposed on condition of the first violation and the strict one is used in case of the repeat offence.

It is necessary to create efficient, cheap and accessible mechanisms of conflicts settlement. Direct communication between the participants of distributed public benefits is of utmost importance. If economic entities – public officials, private entrepreneurs or individual community members — make decisions anonymously without discussion with local residents, there is a risk of resources exhaustion and escalation of social conflicts.

The principle provides communities’ sustainable development. External (state) authorities should respect communities’ right to self-organization and independent use of public resources. Cooperation between various branches of authority is essential as well. Authorities not only can hamper the processes of self-organization, but also eliminate unnecessary barriers on the way to decentralization. Moreover, there’s always the role of a state in other spheres of economic life.

Organization is the necessary condition of efficient communities’ activity. In case of substantial volumes of public resources, the multi-level system of incorporated organizations (communities) and relevant independent systems of public resources management at each level is established.

Source: developed on the basis of [Ostrom 2009: 445; Semyanovs’kyi 2016: 104–108].

Therefore, E. Ostrom has proven that the key management decisions should be made at the bottom level by participants of territorial communities; territorial community is capable to efficiently manage its resources capacity; efficiency of resources exploitation depends on community’s capability to self-organize and self-regulate; the results of emergence of public benefits depend not so much on the ownership form, but on the rules that regulate the creation and use of public benefits.

Territorial community’s «self-development», in our view, should be understood as territorial community’s sustainable ability to provide long-term development by means of own and attracted resources in the interest of achievement of macroeconomic goals and implementation of own development strategies.

In our opinion, conditions of territorial community’s «self-development» should be divided into internal and external ones. External conditions are created by regulatory and legal framework, macroeconomic environment, society’s readiness for territorial communities’ self-development, reforms in terms of authorities’ decentralization (expanding of liabilities and independence of local authorities), budget decentralization (improvement of territorial communities’ financial capability through redistribution of revenues between the budget levels), administrative and territorial reform (territories’ consolidation). Internal conditions are expressed through the resource base – community’s «self-sufficiency» and ability to operate – territorial community’s «capability».

In some cases the essence of «self-sufficiency» is reduced to the ability to rely on own strengths, however majority of researchers understand it much more broadly. In particular, O. Ivanova see self-sufficiency through the potential with opportunities to attract not only own, but also raised resources [Ivanova 2014: 304]. When talking about self-sufficiency the researchers take into account demographic and investment factors, however financial self-sufficiency is what is emphasized the most [Grzebyk, Leończyk 2013: 83–89]. The volume of financial resources needed by the local governments to perform their functions and those delegated by the state defines financial self-sufficiency of territorial community. Revenues of territorial communities formed mostly by local taxes and fees are the basis of their financial (budget) self-sufficiency. Local governments’ independence in terms of forming of their financial base is very limited in Ukraine. In particular, financial resources in the form of subventions and basic or targeted subsidies are thoroughly regulated by state and determined according to standards. In fact, local authorities can influence only their own revenues. Structure and rates of these taxes are clearly defined by laws; therefore, self-governing bodies can only impose rates within the limits defined by the state.

Everything analyzed above has made it possible to determine that territorial community’s «self-sufficiency» is expressed in its two components – sufficiency of resources for development and independence. Territorial community’s independence is formed by legislation and is expressed through territorial, economic, financial and regulatory independence with regard to external impacts.

When talking about territorial community’s «self-sufficiency» it is important to emphasize the fact that resources sufficiency should be considered not only at the moment, but also in perspective. Therefore, we should talk about resources’ reproduction. Summarizing all the abovementioned, the following are the major features of self-sufficient territorial community:

* independence: availability of a territory, local governments, developed infrastructure, legal foundations of functioning, etc.
* resource endowment: availability of material, natural, financial, organizational, entrepreneurial, human and other resources in the volumes sufficient for development;
* resources reproduction and creation of conditions (investment attraction, support of entrepreneurship) for development in perspective (Fig. 1).
«Capability» is seen by us as ability to act. Explanatory dictionary provides that «capability – is the ability to perform some action; capable – is «the one able to perform some action». Territorial communities’ capability was first mentioned in Ukraine in 2015 with the adoption the Decree of the Cabinet of Ministers № 214 «On approval of the Methodics of forming of capable territorial communities». It provides...
that *capable territorial community* — is the territorial community of a village (town, city), which in consequence of voluntary consolidation is able to maintain sufficient level of services in the sphere of culture, healthcare, social protection and public utilities independently or through relevant local self-governing authorities, taking into account human resources, financial maintenance and infrastructure development of the relevant administrative and territorial unit. It is worth mentioning that “ability” is the key word here.

Therefore, if in case of territorial community’s «self-sufficiency» the emphasis is attributed to sufficient resources and independence, in case of community’s «capability» the ability to act is emphasized. Such ability in the context of territorial community can be manifested both independently and through relevant local self-governing authorities according to current legislation. Territorial community’s ability to operate should be expressed in the first place through improvement of the quality of servicing daily needs of community and efficiency of forming and exploitation of financial and other resources, etc.

The issue of territorial community’s «capability» should be examined in the context of organizational and management component, because the availability of resources capacity is an important condition of community’s self-development, but application of various management mechanisms will bring different effects, in particular, inefficient management can lead to the loss of community’s competitive advantages [Benovska 2018: 30–39].

Territorial communities’ self-development is a regulated rather than natural process. Opportunities of territorial communities’ self-development are defined not only by internal development capacity but also by forming of favourable external environment. External conditions should form social-political, legal and macroeconomic environment, in which territorial community will be able to self-develop. Orientation exclusively on own development reserves does not mean the refusal from interregional and international economic relations.

Conducting of reforms directed at strengthening of economic independence of peripheral territories and of the role of local governments in solution of local development issues became important preconditions of territorial communities’ self-development in Ukraine. It concerns in particular: the reform of authorities’ decentralization that maintains the redistribution of functions between central authorities and local governments in favour of the latter on the basis of subsidiarity principle, i.e. transferring of liabilities to the management level, which is as close to a citizen as possible and capable to accomplish the liabilities more efficiently than other authorities; the reform of budget decentralization that maintains the redistribution of revenues and expenditures among various levels of authorities; administrative and territorial reform that stipulates the change of administrative and territorial division. The changes are necessary, because not every administrative and territorial unit is capable to self-develop. There is a substantial inequality of resources capacity, branch structure, entrepreneurship development, infrastructure, implementation of state programs of social and economic development and other issues that in fact prevent too small depressive territories from moving towards the self-
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-development trajectory. Communities’ consolidation promotes horizontal aligning of territory’s fiscal capacity.

Conclusions

Therefore, with the improvement of the level of authorities’ decentralization there should be new approaches to the nature of territorial community. It should be seen as a social and economic system that is capable to evolve. It should be oriented at the use of own capacities and take into account the interests of all residents. Local governments should be responsible for territorial community’s development and provide social standards of life quality guaranteed by the state. Territorial communities’ self-development is a regulated process defined by state economic policy and maintained through reconciliation of interests between a center and a periphery. Public regulation of territorial communities’ self-development should be carried out through: application of the financial regulation instruments of territories’ self-development, in particular tax rates, fees, tax base, subsidies, subventions, etc; mechanisms of investment-innovative assistance of territorial development; public-private partnership development, etc.

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Teoretyczne aspekty rozwoju społeczności terytorialnych

Streszczenie

W artykule przedstawiono rozważania teoretyczne dotyczące funkcjonowania i rozwoju społeczności terytorialnych w kontekście reformy samorządu terytorialnego. Na wstępie zaprezentowano zewnętrzne i wewnętrzne warunki mające wpływ na działalność jednostek samorządu terytorialnego oraz zasady jego funkcjonowania. Następnie zwrócono uwagę na szeroko pojętą samowystarczalność społeczności lokalnej, w tym zdolności do efektywnego gospodarowania zasobami w kontekście obowiązującego prawa.

Słowa kluczowe: samorząd terytorialny, społeczność lokalna, samowystarczalność społeczności lokalnej, zasoby, rozwój.

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