



ORGANIZATIONAL MECHANISM FOR MANAGING ASSETS WITHIN CITY AGGLOMERATIONS

L. Bychenko, N. Fomitska, A. Kovalevskaya

Kharkiv National University of Municipal Economy, Ukraine
sapatuk84@mail.ru

Abstract. This article is devoted to the mechanism for creating the organizational structure of management of territorial communities' property of agglomeration settlements. The author has developed a model of agglomeration Committee, which aims to elaboration of strategies, projects, programs for the development of agglomeration communal services sector, as well as search for new opportunities to attract investors in municipal infrastructure.

Introduction

Development of the country and its regions depends on the progressive urban agglomerations, which should be viewed as a source of economic growth based on existing advantages of these spatial systems. Current global trends lead to the fact that cities are losing a compact shape and taking the strong features of urban areas with growing differences in the levels of growth and living conditions between regional centers and regional periphery. So, cities and adjacent areas are developing in this way and forming a complex social and economic agglomeration systems.

Any social and economic system during its operation and development strives to achieve certain goals. Ensuring their achievement is directly related to the implementation of management. Management is a deliberate action taken by a subject towards an object during the implementation of the basic functions (tasks), which provide system adaptability and agility to changing operating conditions, ensure its effectiveness and success while achieving goals.

In the context of studying effective management of the social and economic system, increases the relevance of mechanisms to control that actuates, drives and makes other mechanisms being involved. Numerous experts examine the meaning of the management mechanism, its components, and principles of action. This concept is multidimensional, which makes it useful in a variety of applications. The analysis of the literature shows that it is necessary to allocate a number of approaches to the definition of the "mechanism":

First, the internal structure of the mechanism, device, tool leading them into action (e.g., from Greek, mechane is a device for transmitting and transforming movements, which is a system of bodies (links) where the movement of one or more bodies causes certain movements of the rest of the body;

Second, the system determines the order of any type of activity (e.g., a sequence of processes that define a certain action and the phenomenon).

Management mechanism includes the elaborated organizational mechanism by which we mean a list of some of the constituent elements (norms, rules, methods, techniques and approaches). This combination creates the organizational basis of certain processes and phenomena (the internal and external interaction of objects within the system). It is in the process of organizational mechanism's development, all components of the system become organized, determined by their specific functional range of tasks, and positions; information and communication flows are regulated, and process of how to achieve the formulated goals are defined.

The conducted research has shown that the social and economic development of urban agglomerations mainly depends on the efficient use of internal (endogenous) factors determining the available resource capacity and management capacity to influence and increase its efficiency.

One of the most important internal factors that affect the level of social and economic development of the agglomeration area is the property complex that consists of fixed assets, current assets and financial assets. The qualitative characteristics of the property complex influence the quality of work and life of the population. Property is a strategic asset of the local government, as a factor for increasing revenues and

solving social issues, as well as a significant investment resource. At the same time, by being aware of the specificity of the management bodies present in the urban agglomerations, uncertainty in their impact zones, inconsistency and duplication of functions, tasks and responsibilities of different actors, the lack of clear hierarchy, etc., it is good to determine the direct impact on only a portion of the property complex – that is, communal property complex owned by territorial communities and accounted directly to local governments.

Such considerations suggest the relevance and appropriateness of the issue of forming effective organizational mechanism for management urban agglomerations assets.

Modern problems of the territorial development are of the interest of many outstanding foreign and native researchers. Among them are A.G. Granberg, E.S. Hubanov, O.Shonessi J., M.I. Nether, B.M. Danilishin, S. Doroguntsov, A.P. Golikov, A.L. Gaponenko, V.M. Babaev, I.N. Saliy, O.V. Dymchenko and others.

Domestic scholars V.V. Kravchenko and M.V. Pittsyk note that in many countries, solving the problem of short financial basis of local government is not in the consolidation of communes; and the development of cooperation between them is usually done by entering into agreements to provide services and joint activities in certain areas between different agencies and levels of local government. For example, in the U.S., municipalities enter into contractual relations with other municipalities or authorities in such areas as construction, fire safety, civil defense, health, the fight service against the effects of natural disasters and so on. In Israel, this goal is met through the Confederation of cities and towns. In France, there are syndicates communes, which may be mono- (garbage collection and processing, water supply, etc.), or multi- character, and districts with a minimum mandatory authority (housing management services, fire centers, etc.). French law also provides the formation of municipal associations. City Association is open to new members, but the law does not allow them to be out of it. It can be dissolved only by a qualified majority requirement (3/4 communes, representing 2/3 of the population).

According to M.O. Pukhtynsky, the use of foreign experience should be specific to building local governments in unitary and federal states with a parliamentary or presidential system of government; and solving the problem of the trade-off between a central government and a local government requires consideration of structure, governance style. In addition, the level of political and economic development is simply impossible to calculate on your own; therefore, the application of the elements of a model should be based on the principles of the Constitution of Ukraine (2012).

Local self-government based on the principles of municipality proved its viability in the West and social appeal as it is said by Kuibida V. The scientist notes that it is impossible mechanically to transfer the experience of foreign municipalities to Ukrainian; it must be used creatively by gradually adapting to the Ukrainian context (2004).

Also, the growing attention of scholars and practitioners on issues of communal property, ensuring efficient operation and use of communal property complex of different social and economic systems, especially cities, should be noted.

All stated above allows determining the purpose of this study reduced to the development of practical recommendations for the formation of effective organizational mechanism to manage property of complex urban agglomerations. At present, we need the following organizational forms that would much improve indicators of social and economic development. This type of organizational structure in modern conditions is of strategic importance to ensure that the economy emerges from the crisis. The key requirements of the new organizational structures have become a requirement of flexibility, democracy, efficiency, and maximum adaptability to market conditions.

Organizational management structure is determined by management functions applied to agglomerations where one can observe:

- Improvement in the mechanism of managing urban agglomerations assets in order to create organizational structures;
- Development of new forms of ownership;
- Promotion of the developed market infrastructure.

The objective requires solving a set of tasks, which apply to: (1) determine the current management structure in the property complex agglomerations and provide recommendations for its improvement, (2) form a series of actions and measures to be carried out for the implementation of this goal, and (3) define goals and

objectives of the organizational mechanism for management of complex property, (4) develop proposals for functional separation of powers and responsibilities between the constituent elements of the system.

Results

Under modern conditions of agglomerates development, there are inconsistencies regarding the mechanism of interaction between main subjects of management – that is, between governmental authorities. There is no clear distinction between the functions of regional government and local authorities in particular in terms of implementation of an effective coordinated management that aims to solve many problems and increase the level and quality of life in a social and economic system. At the same time, it is necessary to state that their interaction depends on the efficiency of local, regional and state policy, mutually beneficial relationships between adjacent areas within the metropolitan area. This is an objective necessity, which creates additional opportunities to attract investors to the region and agglomeration.

Rich international experience indicates productive forms and types of interaction between settlements of a city agglomeration. So, economically developed countries of the world use such forms of interaction in urban areas as inter-regional cooperation, inter-municipal cooperation, association of cities and towns, inter-municipal syndicates, metropolitan districts, and so on. Any forms of interaction in urban areas are aimed at obtaining economic and social benefits for all agglomerations of settlements in order to improve the level and quality of life by getting agglomerate effect. The process of interaction should meet coordination, combination, and realization of economic, social and environmental interests of individual units (cities and countryside settlements) that are part of the agglomeration.

Unfortunately, territorial disparities are linked to resources and property owned by each local government. For example, small local government located far from the city-core metropolitan area has much lower fiscal capacity index and smaller volume of resources needed to develop the relevant area and provide a higher level of quality service to the residents of this area than large territories do. On the other hand, more economically capable territorial community faces problems with limited resources such as land, water, electricity, and etc.

It can be argued that there is a need in the partnership of communities to solve their common problems. This combination of interests of cities and towns inside an agglomeration, interests of their citizens, interests of different authorities and business organizations should be the basis of mutually beneficial relations in the economic and social sphere. Due to this collaboration a specific effect can be obtained when a public company is registered in the one part of agglomeration and other territories do not get even a direct effect of income taxes to their budgets, but they can get "social impact" through solving the problem of unemployment in towns. Thus, the establishment of mutually beneficial relations between the adjoining areas within metropolitan area is an objective necessity and creates additional opportunities to attract investors to the region and agglomeration.

Each activity and forms of cooperation between administrative units should be defined in the legal field. Unfortunately, laws of Ukraine "Local Government in Ukraine" and "Association of local governments" do not provide a procedure for establishment and operation of inter-municipal organizations, and the extent of contractual relationships: preparation of the General plan of settlements inside the agglomeration and arrangement of single projects influencing regional economy.

Cooperation of settlements within the agglomerations shall be governed by law, which must define such terms as "agglomeration", "property agglomerations", "agglomeration community / partnership" and outline the procedure for the establishment of legal forms of publicly leaded communities with certain tax mode and responsibilities for their participants.

The authors propose the model for cooperation of administrative units within the metropolitan area titled as "Agglomeration partnership". This model of cooperation is a form of interaction between two or more administrative units within the respective metropolitan area, which combine their property being owned or jointly managed by these units, distribute the income and are jointly liable for its obligations. That is, the agglomeration partnership will be a contracting component between the parties, which will operate within the legal framework.

In the partnership, agglomeration participants will be entitled to elect one or more areas of joint activities towards the development of local economy (waste disposal, water, transport, communications, education, and healthcare) and have single-purpose and multi-purpose nature of their activities. This development should be in agglomerations within a single system of the strategic planning of each local government, which includes

the appropriate metropolitan area. This development involves the coordination of relevant authorities. Therefore, it is necessary to define an organizational mechanism for the formation of property relations between governmental authorities in the metropolitan area.

To ensure the organizational mechanisms to work, we need to create a body that will have administrative functions of possession, use and disposition of property that is owned by the administrative units of the metropolitan area. The new organizational structure should have its own development strategy and have relationships with the external environment.

The above mentioned organizational structure is given the name the "Agglomeration Committee", as an advisory body to the Regional Council, which has delegated some of its powers in the field of communal property management performed by communities within the metropolitan area. The primary task to develop the committee is to set stages of its formation. The activity of the Agglomeration Committee should be directed to the systematization and analysis of financial reports of communal companies, as well as provision suggestions regarding the advisability of using communal property and forms of managing property owned by territorial communities.

The agglomeration committee is formed through decisions of relevant Regional Council of the local government. This advisory body may create working groups and involve them into activity of local authorities, communal companies, institutions and organizations (with their consent). Members of the agglomeration committee are entitled to receive necessary information provided by leaders of communal companies and local governments. Therefore, it is necessary to separate the provision of public services at two levels: general use (provided by the state) and agglomeration use (provided by local authorities).

The first phase determines goals and objectives of the agglomeration committee. Its main objective is to submit proposals for the development of the municipal sector of the agglomeration to improve quality of life within communities belonging to the agglomeration. An important focus is to provide new opportunities to administrative units through the creation of a common information framework for public enterprises and priority projects.

Objectives of the agglomeration committee shall consist of the following items:

- 1 – Systematization of financial reports of public companies to identify the strengths and weaknesses of their operations;
- 2 - Choice of financial forms of how to manage communal property;
- 3 - Development of strategies, projects and programs of the municipal sector agglomeration;
- 4 - Seeking new opportunities to attract investors to the municipal sector;
- 5 - Controllability and accountability to the local governmental council.

Development of management levels of the agglomeration committee enables organizational structure. The agglomerate committee has three categories of management levels in terms of the functions performed by managers. The line managers are involved in maintenance of permanent records and analysis of communal companies' reports providing daily operations necessary for the effective operation of the committee. They also coordinate the activities of managers of utilities within the metropolitan area.

Top managers use reports of line managers to develop projects, programs, and find new opportunities for the development of the municipal sector agglomeration.

Managers of institutional level are busy with developing strategic plans and are linked to the external environment, government, businesses, and education sector. They are accountable to and controlled by a superior management – the Regional Council.

The next stage of the formation of an advisory body will focus on the distribution of powers between the team members, their rights, responsibilities, and timing. Development of levels of agglomeration committee management enables the creation of organizational structure in this body.

One of the most necessary components is a creation of the database with the information about agglomeration activity. At this stage, it is proposed to develop a passport of the metropolitan area mirroring social and economic indicators. This passport will show comprehensive and objective information on the economic and social performance of all subjects belonging to the metropolitan area, as well as key performance indicators of communal companies and ways of their development. This paper will highlight the conditions to attract investors in the development of municipal economy within the metropolitan area. On the basis of statistical information are calculated corresponding performance indicators of communal companies. Among them are heating, water supply, sanitation, transportation, communication, electric power, and etc. To

assess the level communal companies' development, it is necessary to use effectiveness of the use of public property because, as stated by the author, the profitability of the enterprise depends on the fixed and working capital, its structure and sources of creation. The condition of fixed assets owned by communal companies is direct measure of the effectiveness of communal resources management within local communities. Among these indicators are balance sheet value of communal companies; assets structure of communal enterprises; the growth rate of real assets of communal companies; analysis of the technical state of communal companies; evaluation of production potential; trends in main economic indicators of communal companies, analysis of business results; trends in profits and income structure. All these indicators are reflected in the work of the agglomeration committee.

Experts of the agglomeration committee need to focus more on just choosing the method of managing the communal property depending on the specific services provided to the public and underlying operating performance of each company, as well as the amount of budgetary resources that can be directed at reforming municipal sector of the economy.

Discussion

The new model of organizational mechanism for management of property relations between governmental authorities in the metropolitan area will enable decisions on sustainable social and economic development of agglomerations. Therefore, the choice of specific instruments should be driven by the results of a comprehensive analysis of municipal property and identified specific features of goods and services, as well as the current level of urban agglomeration. The creation of such a mechanism will allow developing a strategy of social and economic development of urban agglomeration. Development of agglomeration system will display the sustainable use of resources.

Bibliography

- Babaev, V. (2006) *Administrative division and regional development*. Kharkov: NTU "KhPI".
- Gaponenko, A. (2006) Office of Economic Development at the regional level. *Economy of Ukraine*, 3, pp. 43–52.
- Granberg, A. (2003) *Fundamentals of the regional economy*. Moscow: HSE.
- Golikov, A. (2011) *Regional economics and natural resources*. Kyiv: Centre textbooks.
- Gubanova, E. and Seliakova, S. *The development of urban agglomeration*. Available from: <http://www.vsc.ac.ru/file> [Accessed 05/02/14].
- Dolishnii, M. (2006) *Regional policy at the turn of XX-XXI century: new priorities*. Kyiv: Naukova Dumka.
- Dymchenko, O. (2010) *Regional Economics*. Kharkiv: KSAME.
- Kuibida, V. (2004) *Principles and methods of local government*. Kyiv: AIDP.
- Pukhtynskii, M. (2002) *The development of local government in Ukraine: state, problems and prospects*. Kyiv: Logos.
- Salii, I. (2005) *Urbanization in Ukraine: social and managerial aspects*. Kyiv: Naukova Dumka.
- Semynozhenko, V. (2005) *The new regionalism*. Kyiv: Naukova Dumka.
- Fashevskii, M. (2008) Development of research on the theory and methodology of distribution of productive forces and regional economy. *Productive forces and regional economy*, 1, pp. 4-12.