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# MANAGEMENT PECULIARITIES OF INNOVATIVE DEVELOPMENT AREAS IN UKRAINE

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### Abstract

The purpose of this article is to explore innovative forms of territorial development, methods and tools of management, and identify the problems of their application in Ukraine. The processes of introducing innovative forms of territorial communities in Ukraine and other countries of the world are analyzed, their main problems are defined. The methods and the tools of innovative development areas management and peculiarities of their use in Ukraine are studied.

### Key words

development, management, territorial community, innovative form of public-private partnerships, clusters.

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## 1. Introduction

The level of development of the territorial community linked to its geographical location, available resources and capabilities. But the effectiveness of territory development directly depends on the development of its economy. This development should be sustainable to ensure a high level of functioning and quality needs of territorial communities. Such development can guarantee high quality of life of communities over time.

The development of such a complex socio-economic system as a settlement can not be chaotic. To decide some form of territory the authorities should promptly interfere in development processes through various methods and tools and direct it in the desired direction. Therefore, the study of exist-

ing in the world of forms of territorial development, methods and management tools and their application experience in foreign countries and possibilities of its implementation in Ukrainian reality do not lose their relevance at any time.

Such famous Ukrainian and foreign scientists as V. Babayev, V. Vakulenko, Y. Glinska, V. Mamonova, O. Olshanskiy, J. Terstriep, M. Florek, G. Hamilton and others devoted his scientific works to studying the problems of management of territorial development and settlements.

The use of innovative forms of the territorial community development and their management tools has their own peculiarities for each case of the choice. Innovations that affect the quality of life of territorial communities are related to the risk of their use and imperfect legislative, organizational and in-

formation support. The analysis of the application of innovation both in Ukraine and in foreign countries allows avoiding certain risks and negative impacts on the level of community development.

The process of innovation development always has some gaps of knowledge for its implementation, as the innovative process in fact can not be completely investigated. Only practice can prove innovation efficiency and provide some knowledge of it, identify gaps and ways to avoid them. But then it ceases to be innovation. Today in Ukraine the State defined the course on the introduction of innovative forms of territorial development. However, the questions of their implementation, methods and tools of management, international experience of their application are still remained insufficiently studied.

## 2. Introduction of forms of innovation development areas in Ukraine: the main problems

Sustainable development is a development focused on the present needs and the creation of economic, demographic, environmental and other conditions for a decent life for future generations (Семёнов, 2004). The experience of advanced countries confirms that it is possible to ensure sustainable development of territories only effectively using of innovative forms, methods and technologies in different sectors of the territorial communities.

A well-known American economist, a developer of a cluster model M. Porter (Портер, 2006) noted that clusters are present both in large- and in small economy, urban or rural area, as well as at several levels of the geographical separation. Clusters may be observed in conditions of the developed economy and of the developing one.

Cluster programs served as an important condition for the economic development of the European Union countries. Among them there are both national (Germany, Austria, the Netherlands, Finland, Italy) and regional (Poland, Great Britain, France, Spain).

Cluster formations are created under the influence and with the help of state and local communities. An important factor is that a state or a local government cannot force a cluster in a certain territory. They can only create favorable conditions for their formation and development, investment, and skilled personnel, development and introduction of innovation. The initiative of a cluster creating should come from the private sector, which is located in the territory.

As the world practice, clusters are formed of entities that operate in a particular area. The cluster is

not created again. Existing businesses join together in a cluster to obtain some synergy from its activities. The main factor that ensures obtaining this effect is innovations. They provide a new level of quality of cluster formation, the territory in which they are located, and the state as a whole. Clustering improves the competitiveness of the region and the state as a whole.

Therefore, in Ukraine a priority course for region clustering is declared. A study of international experience on the establishment and functioning of clusters is paid so much attention by Ukrainian scientists, civil servants and officials of local government.

For example, in Germany, a cluster form of production organization in a particular area is widely used. In this form scientific potential as a generator of innovative ideas serves a leading role. Its feature is that the process of development and innovation carried out in one economic system, the subjects of which are research centers and companies in various areas. All of them are links of one chain.

Clusters cover almost all areas of Germany. New clusters are constantly created and existing ones are developed. The process of clustering in Germany goes continually. The use of this production organization form allowed regions of the country to achieve a high living standard. It is confirmed by the socio-economic indicators of their development.

Application of the cluster approach to ensure effective innovation development of areas is successfully carried out in other European countries, and also in the USA and Japan. On average, one of the four companies in Europe with over 20 employees operates in a cluster field. One of the five from 3500 surveyed companies in Germany points that the choice of their geographical location was realized considering the opportunity to become a member of a cluster (Terstriep, 2008).

A high level of the development of these countries as a whole and their individual areas, the state of life quality of the population and products competitiveness in the global market suggests the success of the use of such forms of a regional development organization as clusters. In its application the issues of local and state budgets, employment, high-level education personnel, rapid innovation and positive perceptions of the communities, the life quality improvement and others are solved.

The first regional clusters in Ukraine began to function from 1998 in Khmelnytsky. Then, agricultural, construction, sewing, tourist and industrial clusters were created. After two years of the construction cluster more than 10 residential, domestic and industrial establishments were provided in operation use. The introduction of new technologies achieved

reduction in construction time, the complexity of construction works decreased by 15%, the cost of housing - 10%. The region attracted additional investment of \$750 000 (Пятинкин, Быкова, 2008).

These clusters were supported by Khmelnytsky and Ivano-Frankivsk administrations, district administrations, Carpathian Scientific Analytical Center and local universities. New jobs were created, revenues to local budgets were increased, living standards were improved, and competitiveness of the region was increased. For example, clothes produced by these wing cluster gradually replaced the similar Turkish and Chinese goods. Production of this cluster is in high demand in other regions of Ukraine.

In Ukraine there are such clusters as Ivano-Frankivsk handicrafts, Kramatorsk jewelry, Sevastopol Sea, Lviv regional, lifting equipment, wood-working and furniture production, IT business services (Мамонова et al., 2013). But the lack of legal regulation of the establishment and operation of cluster formations and unfavorable investment climate and severe protracted economic and political crisis in the country do not allow this process to gain widespread.

In our opinion, such a form of Community Development as a public-private partnership (PPP) (in world practice, public-private partnership (PPP)) is worthy to be noted. It is especially important to use this form taking into account considerable depreciation of fixed assets utilities, unreasonable economic rates for their services and the limited financial capacity of local budgets.

In general, in the world there are a lot of variants of the definition „public-private partnership.” In our view, the most accurate of them is the definition of the UN Economic Commission in Europe (UNECE). Public-private partnership (PPP) is an innovative contractual agreement between the public and the private sectors in the provision of public services and infrastructure. It combines the best with these sectors: private sector resources, its qualifying abilities, technology and public sector capacity for economic regulation and protection of the public sector (Hamilton, 2010).

In Ukraine, such a form as concession is applied most of all forms of PPP. But implementation of concession relations is quite difficult, although the government announced the introduction of a course on PPP, and the government approved the Concept of development of PPP in Ukraine in 2013–2018 years.

Ukraine has some experience in private sector involvement in the development of the national economy. According to the World Bank data, for the period from 1990 to 2011 with the participation of the private sector in Ukraine 40 infrastructure pro-

jects were implemented. The total investment in these projects amounted to 12.1 billion of US dollars, of which about 90 percent were aimed at the implementation of projects in the field of telecommunications. In other countries with income per capita below average total investment involved in 1990-2011 for the implementation of infrastructure projects involving the private sector amounted to 588.5 billion of US dollars. Mainly Africa, the least developed countries in Southeast Asia and CIS countries belong to this category. It indicates that the level of involvement of the private sector in the implementation of infrastructure projects in Ukraine is unsatisfactory (Про схвалення..., 2013).

In European countries the mechanisms of PPP has been used successfully in various spheres of state and local communities for a long time. Thus, Poland has used the advantages of PPP in preparation for the European Football Championship in 2012. In 2009 in Poland 41 projects of PPP implementation were announced with a total volume of about 1.7 billion euros, in which 46 private investors were interested. In percentage terms the benefits by area as follows: sports - 36% municipal infrastructure - 17%, health care - 14%, water supply and sewerage - 10%, education - 7% (Занатріна, 2010).

At the end of 2014 in Ukraine, 243 projects of PPP are implemented. 210 contracts were concluded with concession (86.42% of all concluded PPP contracts), 33 agreements were on cooperation (13.58%).

These projects are implemented in the following areas of economic activity: refuse disposal - 116 projects (47.7% of concluded agreements); collection, purification and distribution of water - 79 projects (32.5% of concluded agreements); construction and/or operation of highways, roads, railways, runways at airfields, bridges, road overpasses, tunnels and subways, sea and river ports and their infrastructure - 17 projects (7% of the concluded agreements); production, transportation and supply of heat - 7 projects (3% of concluded agreements); production, distribution and supply of electricity - 5 projects (2.1% of concluded agreements); search, exploration of mineral deposits and their mining - 3 projects (1.2% of concluded agreements); real estate management - two projects (0.8% of concluded agreements); tourism, recreation, culture and sport - 1 project (0.4% of the concluded agreements); the functioning of irrigation and drainage systems - 1 project (0.4% of the concluded agreements); others - 12 projects (4.9% of the concluded agreements).

Local governments signed 203 concession contracts and 18 cooperation agreements on communal property. The bulk of them are realized in the

provision of housing services such as water provision, villagers, manufacture and supply of heat and electricity, providing services for the collection and removal of garbage, providing services in the housing maintenance sector.

Much of the concluded concession contracts are implemented in the Autonomous Republic of Crimea. As of 01.01.2014 in the Autonomous Republic of Crimea 63 projects on concession of communal property were realized. Mostly these projects are in the sphere of housing and communal services such as collection, purification and distribution of water, provision of services for the collection and removal of garbage.

Today the process of applying PPP is increasingly spreading. So, local authorities identified 321 facilities of the communal ownership, which are planned to implement projects using the PPP mechanism in the following areas of economic activity: accumulation, purification and distribution of water – 103; production, transportation and supply of heat and the distribution and supply of natural gas – 47; tourism, recreation, culture and sports – 32; waste processing – 32; property management – 10; construction and / or operation of highways, roads, railways, runways at airfields, bridges, road overpasses, tunnels and subways, sea and river ports and their infrastructure – 8; search, exploration of mineral deposits and their extraction, except those which carried out under the terms of production sharing agreements – 8; health – 4; production, distribution and supply of electricity – 4; functioning irrigation and drainage systems – 2; others – 71 (Інформація щодо стану..., 2015).

But compared to the 1990–2011 process of introducing concession relationship can not be called satisfactory.

In our view, the reasons for the poor implementation of PPP projects in the field of municipal property in Ukraine are:

1. Gaps in the regulatory framework of PPP implementation. The provisions of legal acts are sometimes contradictory. Some issues still remain unresolved current legislation of Ukraine.
2. Low investment attractiveness of communal property, a large depreciation of fixed assets utilities (especially communications).
3. Significant risks of the private partner to implement their activities and profits, taking into account the long-term relationship. Inefficient distribution of risks between the public and the private partner.
4. Lack of qualified personnel by the local authorities in preparation of communal property to the conclusion of the PPP and in the support of PPP

projects throughout the period of validity of the contract.

5. Irrationality mechanism for setting tariffs for utilities, discrepancy actual expenses applicable tariffs. The complex and long-term procedure of changes in tariffs.
6. The negative perception by population of the implementation of PPP projects through his ignorance in this area.
7. The lack of real understanding of the local authorities on joint co-financing of PPP projects.
8. The unstable economic situation, the fighting in eastern Ukraine.
9. The impact of political situation on the stability of the private partner.

Recently, the Ukrainian authorities pay more attention to the creation of condominium associations (condominiums). This form of innovative community development in the field of housing and communal services aimed to solve the problem of residents' life quality. The main activity of the association is to implement features that ensure the realization of co-owners rights to own and use common property, proper maintenance of an apartment building and local area, co-owners assistance in obtaining housing and other services of good quality at reasonable prices and the performance of their obligations commitments related to the activities association (Про об'єднання..., 2002).

Although, the practice of introducing such associations in Ukraine appeared in the early 2000s, but unfortunately its distribution should be better. Moreover, there is a significant slowdown in the creation of such associations. Thus, in 2014 only 3.9% of the amount of the planned mergers under the regional programs of reform and development Housing Associations were created. For comparison, in 2012 this figure was 54.1%. In addition, in 2012 there was a positive dynamics of creating condominiums compared to the previous 2011 (9.6% increase). At the beginning of 2012 the share of condominiums in tenement housing was only 17%. As of 01.04.15 the proportion of such associations in Ukraine as a whole was 22.1% of the country's multi-storey buildings. In this case the main increase was obtained by 2013, when in the country relative political and economic stability was observed (Рейтингові показники..., 2015; В Україні 17%..., 2012; Удосконалення системи..., 2015; Про Загальнодержавну програму..., 2014).

Local government has attempted to interest residents of settlements in the creation of condominiums. So, in Severodonetsk, Luhansk reg. local authorities has priority in insulation of facade building by the city budget for the residents of that building,

who decided to create a condominiums at the general meeting. But, unfortunately, residents wanting to create condominiums still leave not much.

The reasons for the slow pace of growth in the number of associations are the unwillingness of tenants to actively protect their interests in government, spending additional time and financial resources. These findings were made by the National Institute for Strategic Studies under the President of Ukraine on the results of the work done. A series of financial and organizational problems makes disintegrating influence on the creation of condominiums, which the association faces after the completion of registration procedures. Negative practice execution of the powers of the administration and use of property condominiums especially disables association organizers. It is mainly caused by inadequate quality of legal support in this area (Пеліванова, 2012).

Local authorities in Ukraine actively contribute to the formation of condominiums, providing methodological and practical assistance for them. In addition, qualified assistance in creating of Ukrainian condominiums is provided by international organizations. For example, specialists in the social project of the European Union and the United Nations Development „Local Development CBA” conduct seminars and trainings in Ukrainian cities.

The main objective of such measures is developing the capacity of local communities and local authorities in implementing development community-oriented. Often these professionals are involved in local planning, public services, and restoration of basic social and communal infrastructures.

The mentioned measures include study on reforming housing and communal services in Ukraine, because today the priority of local government in Housing is energy planning and efficient use of energy, innovative technologies and campaigns to raise awareness in the field of energy efficiency. Also the best practices on the issue of foreign countries, review of current legislation on various issues, including establishment and operation of condominiums are considered.

Much attention is being generally paid to the creation and operation of condominiums. Topical issues are property rights, responsibilities and relationships between the owners of quarters in apartment buildings, peculiarities of the creation of associations procedure, maintenance of buildings and adjacent territory and the corresponding payments, condominium planning of economic activity, estimates of income and expenses, calculation of contributions in overhaul, transfer the ownership of the local area associations, efficiency, participation of condominium in local, national and international programs.

For example, mentioned above UNDP provides for standard micro project 75% of its value in three, sometimes two tranches. City budget and budget of top-level add 20% and CAs brings another 5%. Thus, we can solve the problems of water supply, insulation, replacement windows and doors, repairing the roof, porch and others.

Unfortunately, today in Ukraine activity of local condominiums is not too high. Some condominiums still have not learned to discuss problems of keeping their own house in common and come to a consensus in resolving them, some do not prepare the necessary documents in time.

Therefore, holding such seminars and training is an important measure to improve skills not only of the condominium members. There members of associations, condominium associations, community groups and local government officials gain knowledge and skills for implementation of the community-oriented methodology. This achieves sustainable local development, improves basic public services and living conditions of the inhabitants of the settlements. Participants of the seminars and trainings resolve the problems faced in the course of business. They also share the experience of solving these problems and define the possibilities of a successful economic management.

Today in Ukraine, another innovative development form, a united local community, is being actively promoted. Combining of local communities can improve the level of social and economic development of communities and the region. It is especially important in the current economic situation for small local communities - rural and village, and communities of small towns who „survive” at the expense of state budget subsidies. The experience of such developed countries as Germany, France, the UK, the USA and others shows that a prosperous and independent state consists of capable local communities that have reached a high level of socio-economic development. Due to the decentralization of power they have more opportunities to solve local problems using their own material, financial, human and information resources. A larger united community has more opportunities for growth and a high level of satisfaction of their needs, but its needs are more too.

The right to associate was given to local communities in the Law of Ukraine „On Local Government in Ukraine”, adopted in 1997. But this right was determined only for rural communities. In addition, the mechanism of such association was not defined by law. This mechanism was defined by the Law „On voluntary association of communities” adopted in 2015. This law gave the right to associate in village

and urban communities. Although this law cannot be called perfect.

The main purpose of Territorial Communities Association is to enhance their socio-economic development and prosperity in their communities, quality and accessibility of public services that they provide. Achieving this goal is possible only if the local budget of the united community is capable to supply all the needs of the residents.

As practice shows, such unification is the most appropriate for rural communities. Usually several rural communities unite around a city, which becomes an administrative-territorial center.

The financial support of the state is to provide local community with combined funds in the form of grants. They are directed to the formation of appropriate infrastructure in accordance with the plan of socio-economic development of this local community.

But financial problems arise in local communities at the stage of unification. It depends on the state of local budgets. Especially this situation is inherent in village budgets, which are mainly subsidized.

Processes of Territorial Communities Association in Ukraine start soon. But now visible flaws in legislation regulating processes are defined. That is why it is necessary to adjust it according to today's realities. Combining allow local communities to achieve sustainable development of territories and ensure the course on decentralization proclaimed by the President of Ukraine.

Achieving sustainable development of the territory should be the common goal of functioning of all subdivisions, communities, governments, businesses and NGOs. Any priori community should strive to achieve the level of sustainable development through the use of new forms, methods and technologies.

### **3. Methods and tools pf management of innovative development territorial communities in Ukraine**

Innovative development of local communities is the activity of local communities controlled by local governments, which involves the introduction of advanced scientific and technological achievements in complex combination with experience and knowledge that first applied in the respective areas and aimed the communities to obtain qualitatively new and better needs of their members (Сердюкова, 2012).

As if development is a gradual move forward to achieve a certain goal, so the desired condition should be directed and managed.

Local authorities use various methods in the management of territorial development, administrative and legal, economic-financial, communication, moral, psychological, specific peculiar to management functions. The range of instruments is also wide enough. In general, they are divided into three groups: institutional, financial, and functional. Each group is represented by the set of tools used in the implementation of management functions (Мамонова, 2006).

All management functions are also inherent in the process of innovative development of communities. Each local community chooses its course of development. It uses a variety of forms, methods and tools along the way.

The investment component is an important part of any innovation. Each step of the innovation process related to the creation, development and dissemination of innovations requires investments. In carrying out the functions of planning the innovative development, local governments in Ukraine can develop Innovative Strategy of the certain regional development, Program of Innovation activity in the settlement with the definition of mechanisms for financing its activities, Model of Innovative development of territorial communities, Investor Roadmap in the certain territory, Balance of income and expenses from innovation activity and others.

Investor Roadmap is developed to provide legal and formation of investment policy in the territory. It includes the following sections: *introduction*, which states the aims and methodology of its creation, general information; *characteristic of the region*, which provides information on the appropriate region or sub-region, where the settlement is, the direct characterization of the settlement and its leaders in industrial production; *information resources*, which provides information on the global and national information base, as well as regional and local information resources; *investor map motion in the territory*, stating the information on legalization for foreign public documents, work permit and registration of temporary residence of the foreigner, the state registration of foreign investments and business activities, licensing of economic activities, permitting procedures, obtaining land, lease of municipal property, real estate acquisition, construction of structures for the investment activity, the connection of object to utilities, subsoil use, etc. (Дорожня карта..., 2012).

Investor Roadmap also contains the information necessary for the investor activities directly, namely

on the specifics of labor relations, taxation, external relations (imports or exports), state control in appropriate cases and so on.

Investor Roadmap is usually published on the website of local governments. It is an example for a potential investor interested in the establishment of business activity in the certain Ukrainian settlement. Roadmap presents an analysis of the steps which should be taken by the investor.

The image of the settlement is an important factor in attracting investors to the proceedings of its activities in the territory. The authorities should take opportunities of marketing to create the image of the settlement that allows achieving certain results in the settlement management and high socio-economic indicators, and supplying the expectations of the residents. And it also has its own tools for investors (Glińska et al., 2009).

Among the management tools of innovation development organization in Ukraine authorities use the evaluation of innovative potential of the territory, normative legal local documents (different techniques, practices, regulations, etc.), organizational structure, parts of which perform certain administrative functions, that serves and ensures the implementation of innovation and investment activity, promoting interaction of scientific-research organizations, universities, financial institutions, businesses and others. The required information is also posted on the official websites of local councils.

The innovative potential is a number of economic resources, which society can use for its development at any certain time (Жиц, 2008).

In carrying out the coordination of the innovation process, public discussions are organized concerning the process of implementation and identification of problems. For example, deciding on the implementation of public-private partnerships, vital to the territorial community of communal property, it is appropriate to discuss the opportunity and the need for its implementation with the general public and to consider the possible risks. In addition, it is important to report regularly to the community on the results of the use of innovative forms, methods and technologies through the media. An important tool is the involvement of experts coordinating the implementation of innovative development territory. At this stage of management local governments must use such tools as conferences, seminars, webinars, training experience exchange and training of personnel.

Motivation of innovative development areas involves stimulation of innovation activities individuals and investors, providing various tax breaks, targeted subsidies and financial compensations for

individuals of innovation development areas. But on the other hand, various penalties may be imposed.

It should be noted that there is no mechanism providing benefits to the private partner at the implementation of PPP projects in Ukraine. The current resolution of the Cabinet of Ministers of Ukraine „On approval of determining the concession objects, concessions which may be granted exemptions in concession fees, subsidies, compensation and their conditions” only defines the procedure for appealing of the concessionaire to the concessioner for benefits, subsidies and compensation, and consideration. But the current legislation does not specify which privileges, subsidies and compensation concessionaire can get, in what way deferred further payments will be paid by the concessionaire to the local budget. The current resolution regulates that the exemptions in concession fees, subsidies and compensation may be available only for loss-making and low profitable concession objects that have great social value. The right to determine a list of such objects according to this resolution is the responsibility of the relevant executive authority of local councils (Прозатвердження..., 2000), which under the current legislation on concessions can act as concessioners.

Especially problematic is the provision of such benefits, subsidies and compensations for communal property in today's difficult situation of local budgets. For local authorities, to receive additional revenues to the budget as concession fees, and the restoration and modernization of fixed assets of the concession is the aim to provide integrated property complexes utilities in a concession. Also, if this resolution determines the benefits provided in respect of concession fees, but does not defined the objects of subsidies and compensation, as well as cases of provision in general.

In carrying out the functions of monitoring the efficiency of the use of various forms, methods and technologies of innovative development of local communities, they can use analysis of indicators that characterize the results of innovation, implementation of innovative strategies and programs of the areas, check the conditions of contracts that ensure the implementation of innovative forms of territorial development, audit of financial and economic activity of individuals of innovation activity and so on.

Control of the management in the areas of innovative development occupies an important place. At any stage of innovation it reveals difficulties in the operation of innovative forms of community development, to take the appropriate management decisions in time and to prevent negative impacts on the livelihoods of local communities. Effective control can reduce the tension in the society through inno-

vation, which in Ukraine is extremely wary community perceive or do not care.

In our opinion, today in Ukraine the main reasons for such attitude to innovation in the field of territorial development are:

- low level of awareness in innovative ways, methods, techniques and results of its implementation in other countries;
- low life quality of local communities;
- distrust of the government (the last local elections of city, town and village mayors and local deputies in Ukraine showed low voter turnout – 46.62% in the first round and 34.08% in the second. It was particularly low in the eastern and southern regions, (Вибори депутатів..., 2015). This suggests population fatigue and uncertainty of the fact that the new government will improve the lives of almost indifference to candidates elected. This is confirmed by the social survey in different towns of Ukraine);
- low inform of the local community during the preparation and implementation of innovative forms, methods and technologies of the essence of innovation and the results of its implementation;
- low level of community participation in public life. For example, in Severodonetsk, Luhansk region during the month of public consultation on initiatives to maintain the association of city, town and rural communities in one capable community, local government did not receive any response from the local community.

Therefore, for local authorities in its activities in the areas of innovation development it is extremely important to consider all of the above factors and work to eliminate them. Everything is made by local authorities, made only for community development reaches a new, more qualitative satisfaction of their own needs. The purpose of the innovation of local government should be a new level of community development, quality of operation.

It has been known for a long time, and long experience of mankind proved that only innovation can ensure the development of any system, and the local community is not in this exception.

Conducting monitoring implementation of innovative forms of development is different. Subjects of such control are the local governments, public authorities and public entities if the innovative process takes place with their participation (e.g. PPP, cluster form of organization of territorial development, etc.).

Control in the innovative development of communities may take place in the following areas: economic, financial, administrative and financial (applies to control the repayment of various kinds

of debts), industrial and technical, property, environmental, legislative (control of compliance with existing legislation, such as in the area of utilities), social, labor, mobilization.

It should be noted that the powers of local governments and public authorities are defined by the current legislation of Ukraine and by agreement on joint innovation (such as the PPP agreement, the agreement on cluster Association, etc.).

Social control has an important place in the system of control in the sphere of innovation development areas: it allows not only to prevent abuses by unscrupulous its duties by officials of local governments and private partners, and promote transparency and efficiency of innovation. The community provides feedback from the end users of services, reveals the positive and negative impacts of innovation at any stage of their implementation. That is why, public opinion is so important for local governments and private partners in decision of making on coordination of operation of innovative development (e.g., PPP – is the integral property complex of communal enterprise transferred to the concession).

However, it should be noted that public control has no direct effect on control object. Its results can only affect local governments and private partners in decision-making. Public control can be carried out separately by citizens and specially created by them, such as community councils. The composition of the public council includes representatives of the territorial community. It operates on a voluntary basis. Decisions of Public Council are advisory to the local council and are obligatory for consideration. These solutions contain suggestions and comments from the public on the urgent local issues.

Unfortunately, this type of control in the implementation of innovative forms of development is not given sufficient attention from both the public and local governments. This is due to the specificity of innovation, the need for the presence of specific knowledge and experience in this area, and the passivity of the local community.

The system of public oversight in Ukraine is still only in its infancy. Legal framework of the implementation of such controls is determined by Law of Ukraine „On Access to Public Information“, which was passed in January 2011 but the mechanism of public control in local government, and particularly in the provision of public services is still not clearly defined. The public pursuant to this Act can receive information to control it only in certain limits.

In accordance with this Law, the public oversight of the enforcement of media access to public information is made by members of local councils, NGOs, community councils, citizens personally through ap-



propriate public hearings, public examination and so on.

In Ukraine information on the environment, the quality of food and consumer goods, accidents, disasters, natural hazards and other emergencies is published and submitted for requests that have occurred or may occur and threaten the health and safety of citizens, as well as other information of public interest (public information required).

In the field of communal service entities the public can get information on the terms of the supply of goods, services and prices.

Furthermore, the public has unhindered access to information about the management of budget funds, possession, use or disposal of the state, municipal property, including copies of relevant documents, subject to such funds or property, surname, name and patronymic of individuals and the names of legal people who received the money or property (Про доступ до публічної інформації, 2011).

For example, PPP public can only express their opinion on the quality of services provided by the private partner in a particular area. Therefore, we propose to resolve the issue of the control of the public in the areas of innovation area at the legislative level. Thus, in this case it is necessary to involve real experts that understand the economic, financial, technological, organizational and other issues of innovative development. In our view, this can be achieved through their participation in community councils. Such councils are permanent advisory collegial bodies, which are formed at the respective local councils. The purpose of their creation is ensuring of public participation in the formulation and implementation of local importance.

#### 4. Summary

Thus, in the presence of significant number of innovative forms of territorial development, methods and tools for its management in the fulfillment of engagements, local governments execute their own choice, taking into account their advantages and disadvantages, and specifics of a region, based on the experience of introducing these forms in other regions and foreign countries. It is important that their application should ensure achieving the desired level of community development in the territory. Further exploration in this area will include the development of mechanisms of their implementation in Ukraine.

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