

UNITED TERRITORIAL COMMUNITIES FINANCIAL RESOURCES FORMATION AND IMPLEMENTATION IN TERMS OF BUDGET DECENTRALIZATION

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Introduction. Inter-budget relations reforming through budget decentralization is one of the priority areas of Ukraine development current stage. The limited revenue sources and the high financial dependence of local authorities on the central government decisions, the fuzzy distribution of spending powers and a decrease in responsibility for spending budget funds, as well as different levels of territories socio-economic development, their production and financial potential, natural and climatic conditions, and environmental conditions caused the need for budget decentralization in Ukraine.

Analysis of the latest research sources and publications. The papers by world-famous foreign scientists, namely: M. Bell, E. Zolt and A. Esson, R. Musgrave, V. Oates, C. Thibault and others, are devoted to determining the impact of budgetary decentralization on the regions socio-economic development. The issue of the territorial communities' formation, considering their financial viability under decentralization, has been studied by domestic scientists, including: A. Vlasiuk, H. Vozniak, I. Volokhova, Yu. Humeniuk, V. Zubrilin, A. Kyrylenko, M. Melnyk, S. Mykhailenko, A. Suntsova, M. Khvesyk, V. Fedosova, S. Yurii and others. Scientists prove that regions real financial independence can be achieved through budget decentralization and the efficient distribution of financial resources. At the same time, despite the large number of works devoted to the problems, the issue of the amalgamated territorial communities financial resources formation and use in the context of budget decentralization has not been sufficiently studied and requires further investigation of scientific research.

Problem statement. The aim of the article is to study the formation and use of the united territorial communities' financial resources in the conditions of budget decentralization in Ukraine.

Basic material and results. Budget decentralization is the main tool for ensuring the regions' independence; its main goal is to achieve financial independence of local governments as a result of providing the territories with the necessary financial and material resources. Budget decentralization is aimed at optimizing relations within the budget system: among the state budget and local budgets (vertical relations), among local budgets (horizontal relations), the redistribution of budget funds among "rich" and "poor" territories, as well as ensuring financial equalization of authorities state power and local government budget opportunities. Therefore, the need to study the financial support of the regions and improve the mechanism for transferring a centralized budgetary resource from the state to local authorities emerges in order to use it as efficiently as possible.

In national financial terminology, the concept of "budget decentralization" is interpreted as the process of transferring part of the rights, competencies, responsibilities and financial resources in the budget sphere from the central government to local governments [1]. Foreign financial science defines the concept of "fiscal decentralization" as the mobilization of financial resources in the revenue side of local budgets [8].

According to the Ukraine-2020 Sustainable Development Strategy, decentralization, public administration and regional policy reforms are identified as priority areas in achieving the ability of local self-government and building an effective system of power territorial organization in Ukraine, fully implementing the provisions of the European Charter of Local Self-Government, the principles of local government subsidiarity, omnipresence and financial self-sufficiency [9].

Budget decentralization enables to finance expenses at the place where users' needs arise, and requires regional authorities to reasonably determine the volumes of public goods provision and financing. Formation of effective local self-government, creation of comfortable living conditions for citizens, provision of high-quality and affordable public services to them is impossible without the respective territories proper economic development, their financial support, and sufficient sources to ensure local budgets.

One of the significant stages in the budget decentralization policy implementation is the administrative-territorial reform introduction in Ukraine, which is based on the Concept of local self-government and power territorial organization reforming in Ukraine [7]. The goal of the reform that has begun is to ensure the financially substantial territorial communities formation that can not only meet the population needs, but also provide the territories comprehensive and systematic development.

The administrative-territorial structure reform in 2014-2017 was based on the territorial communities strengthening, the budget reform continuation *and bringing it to the basic level – the budgets of villages, towns, cities of regional significance. It is impossible to achieve effectiveness budgetary decentralization without the formation of a lower administrative-territorial unit – a territorial community; it has sufficient financial and economic resources to provide services to citizens.

It emerged that the vast majority of the territorial communities of Ukraine cannot ensure the proper quality public services provision to the population on their own due to limited financial resources, infrastructure of decline or absence, and lack of appropriate qualified staff. The local self-government reform was aimed at ensuring its ability, at the expense of its own resources, to solve issues of local importance, and first of all – to mobilize the internal reserves of territorial communities.

During the reform, the local government budgets received additional financial resources, but for the vast majority of small territorial communities they are not enough to ensure financial viability. Therefore, the reform of local self-government, considering the positive European and own experience, provided for the amalgamation (enlargement) of territorial communities.

The mechanism and conditions for the capable territorial communities formation, the regulation of relations arising in the process of territorial communities of villages, towns, cities voluntary association, are determined by the Law of Ukraine “On the voluntary association of territorial communities” dated 05.02.2015 No. 157-VIII [2] and the Methodology for the formation of capable territorial communities, approved by the Cabinet of Ministers dated 08.04.2015 No. 214 [6].

Under the conditions of budget decentralization, the resource base of the amalgamated territorial communities consists of tax revenues, fees and other payments, other income. The main own financial resources of the amalgamated territorial communities are tax revenues (Fig. 1), among which 60% of personal income tax, 100% of property tax, 100% of single tax, 25% of environmental tax, 100% of income tax of enterprises and communal property financial institutions, 5% excise tax on the sale of excisable goods [1].

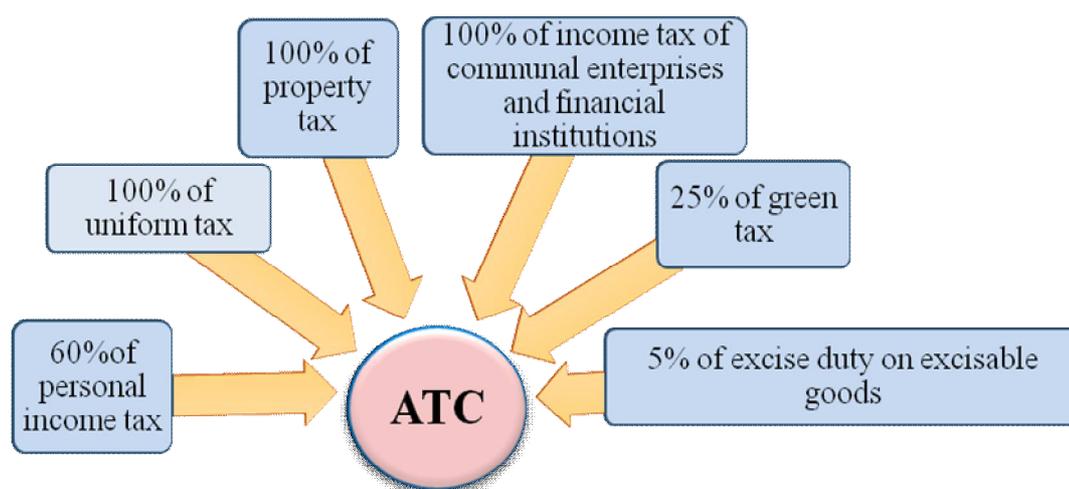


Fig. 1. Tax resources of amalgamated territorial communities [1]

The amalgamated territorial communities, recognized as efficient in the procedure established by the Law of Ukraine “On Voluntary Association of Territorial Communities”, have received the right to switch to direct transfers from the state budget: basic subsidies, medical and educational subventions, other subventions, capital transfers.

ATC received all the powers that now have cities of regional significance:
 society development planning and budget formation;
 economic development, attracting investments, entrepreneurship development;
 Land Resources Management Agency;
 housing and communal services, heat supply and drainage provision, waste collection and utilization,
 public property maintenance;
 organization of passenger transportation in the community,
 local infrastructure development;
 streets and roads within the community provision;
 first aid provision;
 schools and kindergartens provision;
 fire protection provision;
 houses, clubs, libraries, stadiums, sports grounds service maintenance and organization;
 public security by the municipal police;
 administrative services provision in service centers (in communities).

In addition, in the amalgamated territorial communities, residents are provided with services by public authorities: payment of pensions, subsidies, franchising, treasury services, sanitary monitoring, and registration of civil status acts.

Thus, one of the decentralization basic principles is observed: the distribution of powers in accordance with the principle of subsidiarity, according to which the largest powers are vested in those authorities that are the closest to people and at their level solving problems and providing services is the most effective and least resource-intensive.

The success of the amalgamated territorial communities functioning is evaluated by the financial result of their activities. So, the total income of 366 amalgamated territorial communities of Ukraine in 2017 increased by 26.2 times compared to 2015 and amounted to 28800,0 million, where the revenues share of 18 amalgamated territorial communities of Poltava region amounted to 4% (Fig. 2)

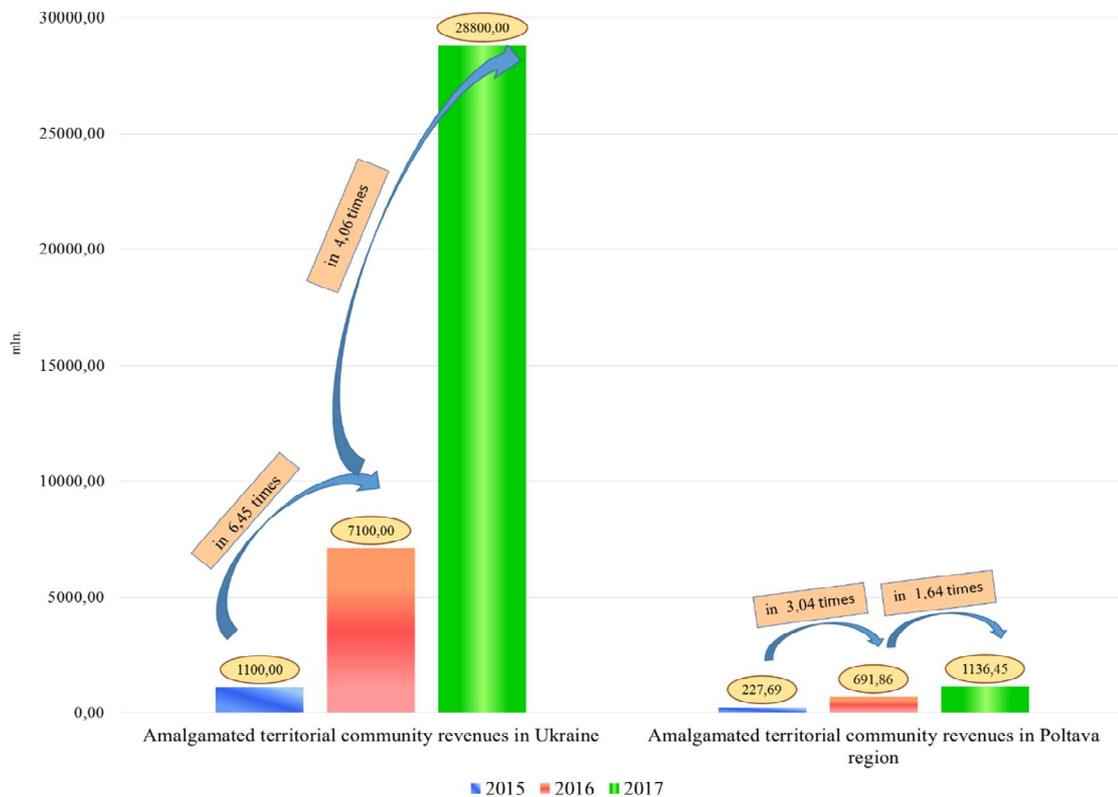


Fig. 2. The dynamics of amalgamated territorial community revenues in Ukraine and Poltava region in 2015-2017. (Including intergovernmental transfers)

Built by the authors according to [3, 5]

Dynamics of total revenues of the amalgamated territorial communities of Poltava region, amalgamated in 2015-2016, is presented in Fig. 3.

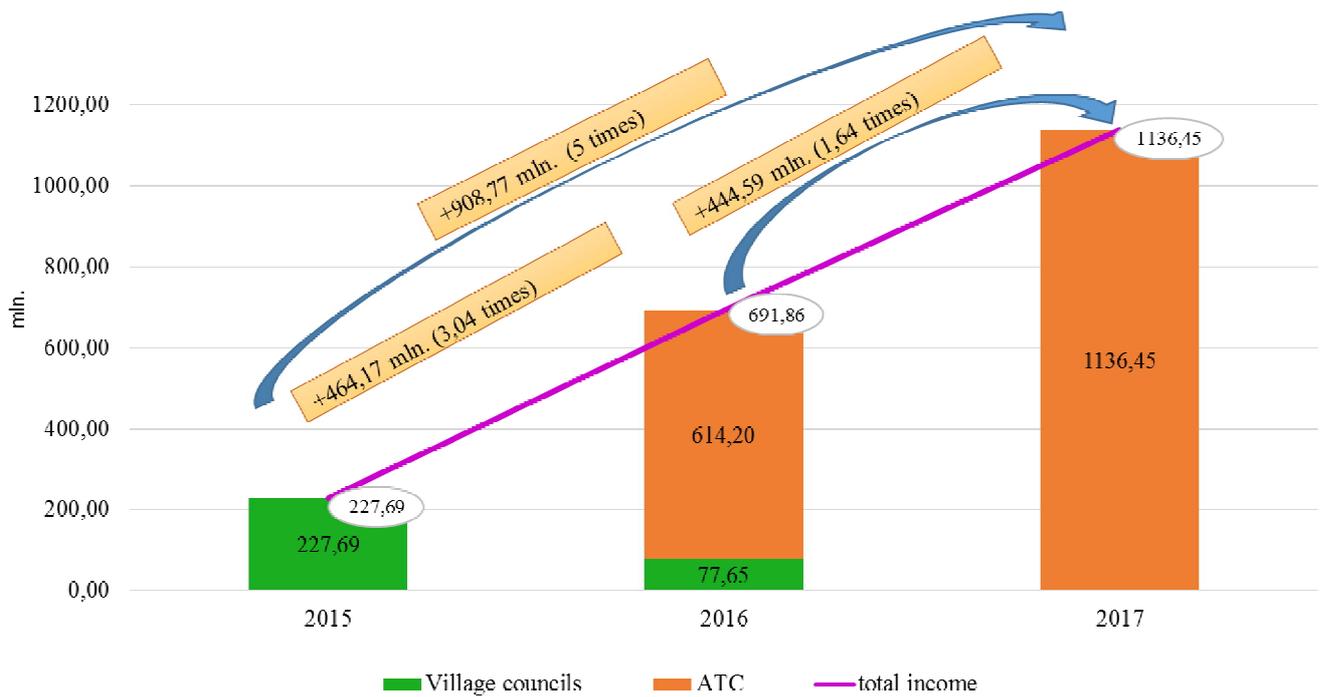


Fig. 3. The dynamics of ATC revenues of Poltava region in 2015-2017

Compiled by the authors according to [3, 4]

In 2017, the local budgets total revenues of the 18 ATC in Poltava region, created in 2015-2016, which in 2017 switched to direct inter-budget relations with the state budget, amounted to 1136.45 mln. These revenues increased by 444.590 mln. UAN (or 64.26%) compared with the corresponding period in 2016 (Fig. 4). In comparison with the incomes of 2015, the incomes of 68 amalgamated village councils increased by 908.77 mln. or 5 times (Fig. 5).

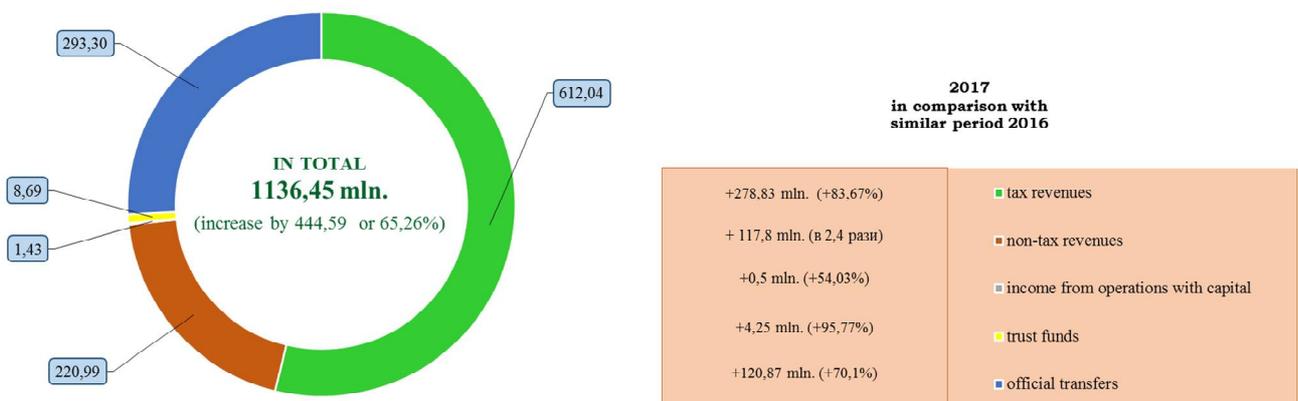


Fig. 4. Revenue structure of the 18 amalgamated territorial communities in Poltava region for 2017 (amalgamated in 2015-2016)

Compiled by the authors according to [3]

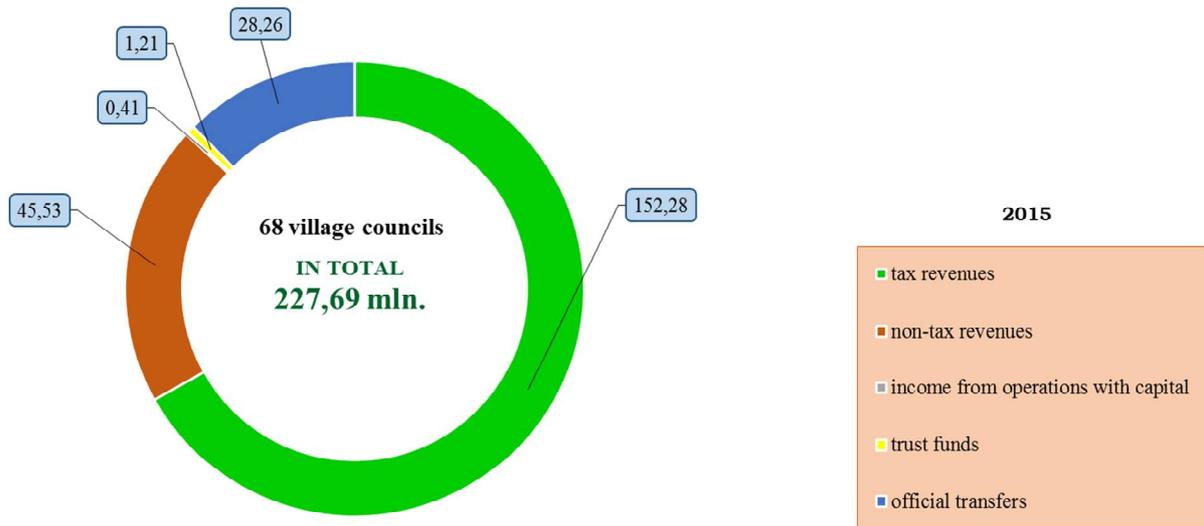


Fig. 5. Income structure of 68 village councils of Poltava region in 2015 (amalgamated in ATCs in 2015-2016)

Compiled by the authors according to [3, 4]

The changes analysis in the income structure in 2015 – 2017 showed that for this period: there was a decrease in the share of tax revenues in total revenues of ATC to 53.9% compared to 66.9% in total revenues of village councils; official transfers share increased to 25.8% against 12.4%; non-tax revenues share (19.4% versus 19.9%), income from capital transactions (0.1% versus 0.2%) and trust funds (0.8% versus 0.5%) did not have significant changes.

So, tax revenues and official transfers remain the main sources of revenue for local ATC budgets. The economic activity of business entities, the adequacy of skilled labor, industrial and social infrastructure development contributes to the communities’ successful development and increase their own ATC revenues.

By 2017, the expenditures of 18 amalgamated territorial communities’ local budgets in Poltava region, created in 2015-2016, amounted to 1133.61 mln. UAN, they increased by 510.05 UAN (by 81.8%) compared with the corresponding period in 2016 (Fig. 6). Comparing with the expenses of 2015, 68 village councils before amalgamation, expenses increased by 920.26 mln. UAN (or 5.3 times) (Fig. 7).

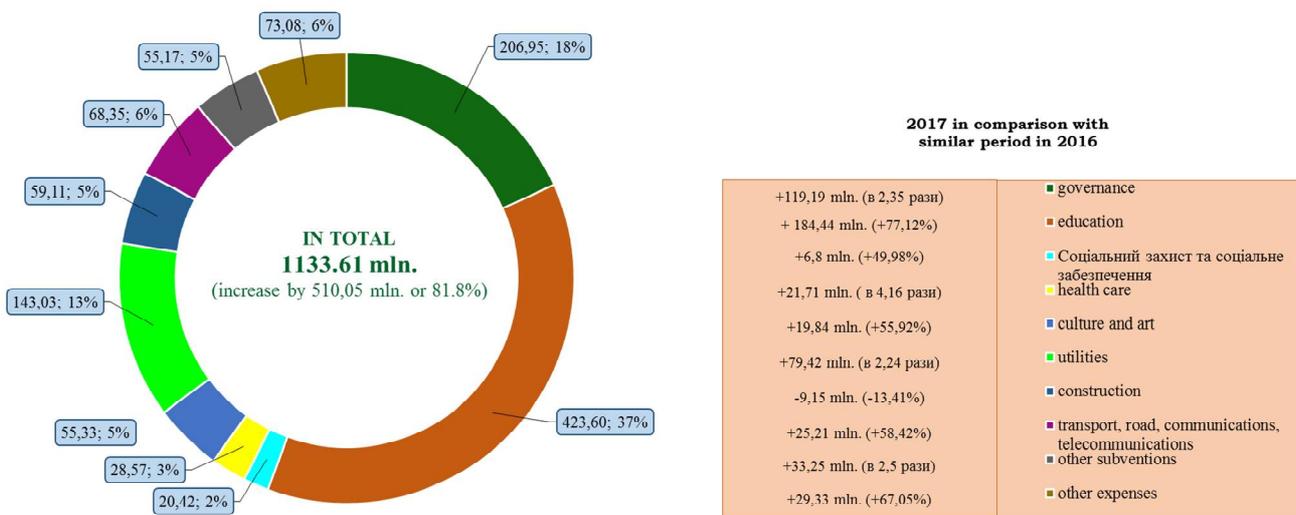


Fig. 6. Cost structure of 18 ATC in Poltava region for 2017 (amalgamated in 2015-2016)

Compiled by the author according to [3, 4]

Thus, the received financial resources enabled local governments to provide better and more diverse services to their residents, implement social and infrastructure projects, create conditions for entrepreneurship and attract investment capital, develop local development programs and finance other measures to comprehensively improve the living conditions of community residents.

The amalgamated territorial community got the opportunity to independently solve issues of local importance, therefore it is advisable to analyze how the structure of their expenses in 2017 changed compared to the expenses of village councils before amalgamation in 2015 (see Fig. 6 and 7).

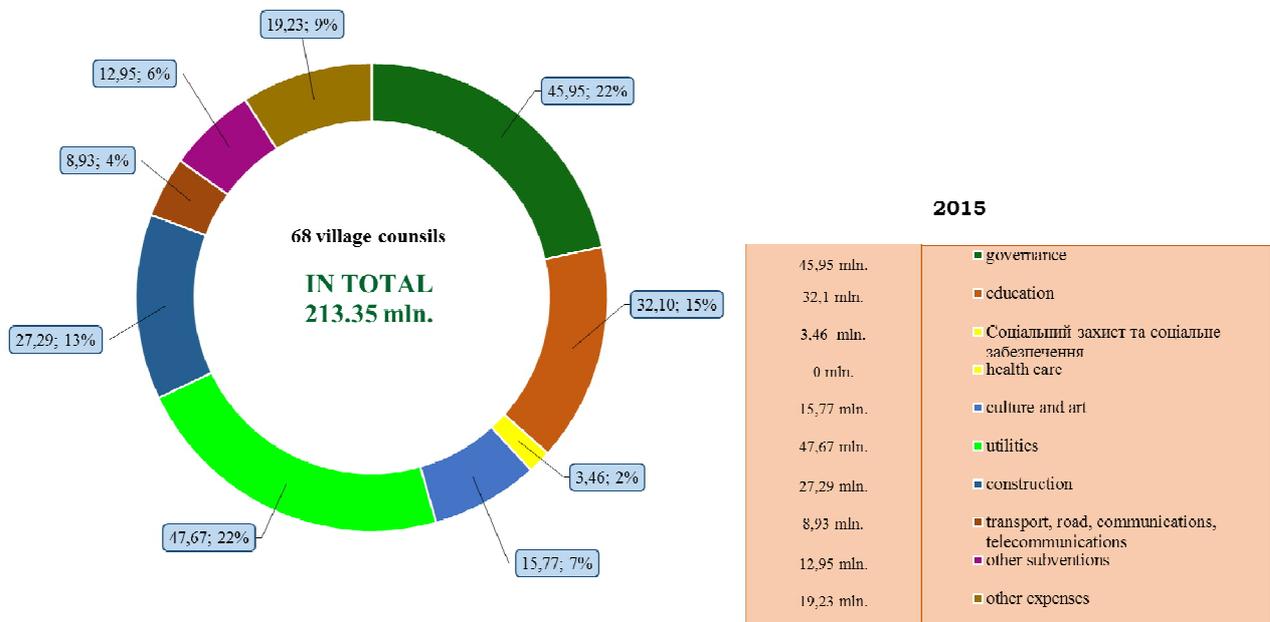


Fig. 7. Cost structure of 68 village councils of Poltava region in 2015 (amalgamated into ATCs in 2015-2016)

Compiled by the author according to [3]

In 2017, the expenses of 18 amalgamated territorial communities of Poltava region were mainly directed to education (423,6 mln. or 37%), public administration (206,95 mln. or 18%), housing and communal services (143,03 mln. or 13%). In 2015, the main areas of financing were housing and communal services (47,67 mln. or 22.4%), public administration (45,95 mln. or 21.5%), education (32,1 mln. or 15%), construction (27,29 mln. or 13%). Thus, while the financing branches maintaining, the basic expenses structure has changed.

At the same time, amalgamated territorial communities spent small amounts on such important areas as construction (59,11 mln. or 5%), healthcare (28,57 mln. or 3%), social protection and social security (20,42 mln. or 2%). The reasons for it can be considered insufficient experience of the communities managerial staff in planning expenditures, irrational use of a significant amount of financial resources received through budget decentralization, or insolvency to identify priority areas for ensuring the communities effective development.

In the context of territorial communities in 2017, Reshetylivka ATC (191,28 mln., growth 15.1 times compared to 2015), Shyshaky ATC (182.10 mln., growth 8.4 times), Hlobyno ATC (153,63 mln., growth 4.5 times), Zasullia ATC (111,48 mln., growth 6.0 times), Pyriatyn ATC (106,11 mln., growth 4.0 times), which are in the top of financial solvency leaders rating of 18 ATCs in Poltava region, formed in 2015 – 2016. Accordingly, these ATCs have the highest expenditures (Fig. 8).

However, according to the results of 2017, Shyshaky ATC, Pyriatyn ATC, Hlobyno ATC had a budget deficit in the amount of 10,25 mln., 9,5 mln., 3,65 mln. So, it indicates the presence of significant free financial resources for the previous year, which enables to implement more significant social projects and is another positive result of the budget decentralization reform implementation.

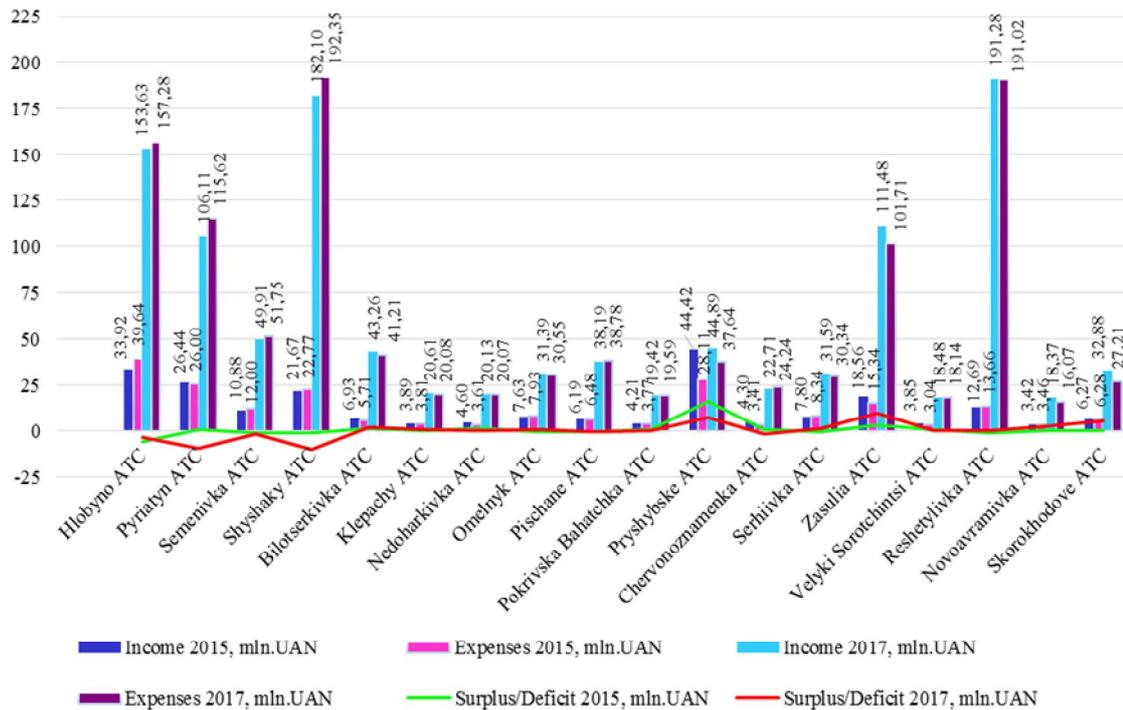


Fig. 8. Dynamics of income, expenses and surplus / deficit of ATC in Poltava region
 Calculated and built by the authors according to [3]

The analysis of income and expenses per ATC resident indicates that the average income indicator in 2017 increased 5 times (or 6.84 thousand) and amounted to 8.55 thousand in comparison with 1.71 thousand in 2015, expenses – increased by 5.3 times (or by 6.92 thousand) and amounted to 8.53 thousand in comparison with 1.6 thousand in 2015 (Fig. 9).

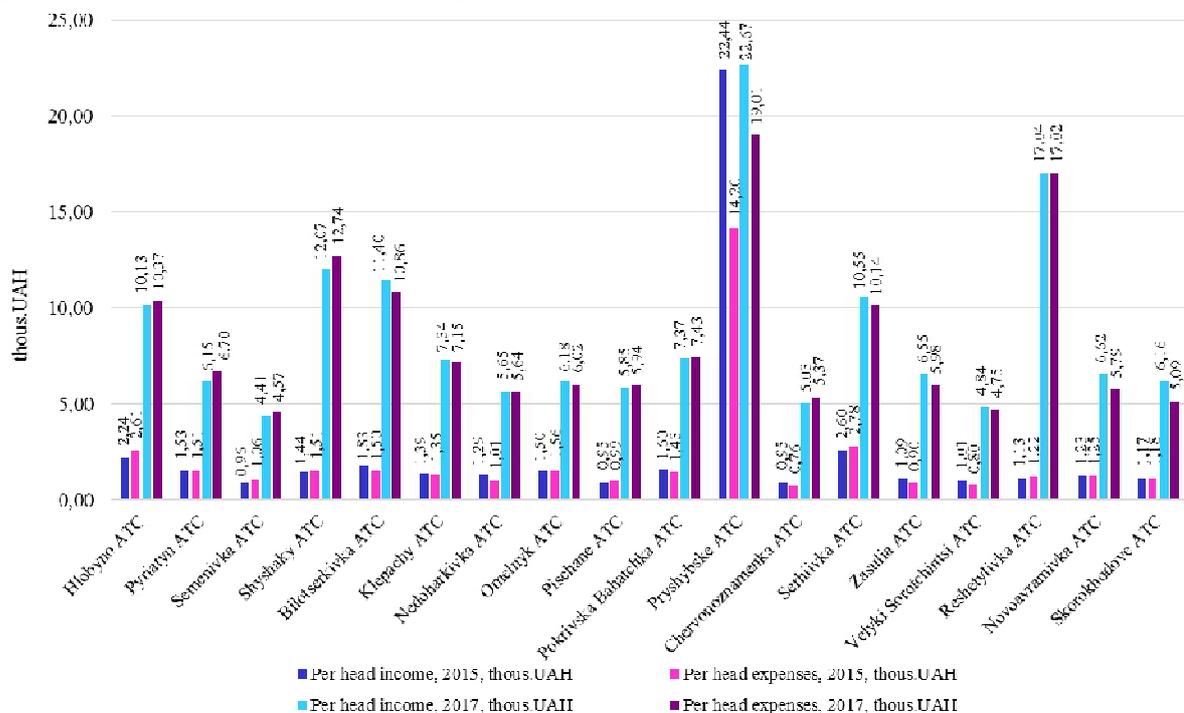


Fig. 9. Dynamics of income, expenses per 1 person in the ATC of Poltava region
 Calculated and built *by the authors according to [3]

The highest income level per resident of ATC in 2017 was Pryshyb ATC – 22.67 thousand in comparison with 22.44 thousand in 2015, Reshetylivka ATC – 17.04 thousand in comparison with 1.13

thousand., Shyshaky ATC – 12.07 thousand in comparison with 1.44 thousand., Bilotserkivka ATC – 11.40 thousand in comparison with 1.83 thousand, Serhiev ATC – 10.55 thousand in comparison with 2.60 thousand, Hlobyno ATC – 10.13 thousand in comparison with 2.24 thousand. Accordingly, these ATCs have the highest expenditures per resident (Fig. 9), which enabled local governments to provide better and more diverse services to their residents, implement social and infrastructure projects, create conditions for the development of entrepreneurship and attract investment capital, and develop programs local development and finance other measures to comprehensively improve the living conditions of community residents.

Conclusions. The united territorial communities in Poltava region demonstrate high rates of revenue growth, including their own. At the same time, the society development is possible only if there are economically active business entities, its provision with qualified personnel and reinforcement by a developed industrial and social infrastructure.

Regarding the use of funds, local governments need to optimize the budget expenditures structure, constantly monitor the budget funds use to prevent cases of their irrational distribution and expenditure, observe financial discipline, and form an effective and optimal number of managers.

Based on the analysis of the amalgamated territorial communities' budgets performance indicators in Poltava region, it was concluded that budget decentralization provided an opportunity for local authorities to expand their own powers and receive significant financial resources that, if they are effectively managed, ensure the sustainable development of territorial communities and the region as a whole.

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UDC 336.132.11

Бондаревська Ольга Миколаївна, кандидат економічних наук, старший викладач. **Дахно Олена Миколаївна**, старший викладач. **Штепенко Катерина Павлівна**, старший викладач. Національний університет «Полтавська політехніка імені Юрія Кондратюка». **Формування та використання фінансових ресурсів об'єднаних територіальних громад в умовах бюджетної децентралізації.** Визначено сутність поняття «бюджетна децентралізація», розкрито основні теоретичні й правові аспекти процесів бюджетної децентралізації, особливості проведення реформи адміністративно-територіального устрою та умови формування спроможних територіальних громад. Доведено, що досягнення ефективності реалізації реформи бюджетної децентралізації є неможливим без формування фінансово спроможної низової адміністративно-територіальної одиниці – територіальної громади. Проаналізовано фінансові результати діяльності об'єднаних територіальних громад України, в тому числі. Полтавської області у 2015-2017 рр. У розрізі об'єднаних територіальних

громад Полтавської області проаналізовано динаміку доходів, видатків та профіциту/дефіциту громад, в тому числі динаміку доходів, видатків на одну особу в громадах Полтавської області.

Ключові слова: бюджетна децентралізація, реформа адміністративно-територіального устрою, об'єднані територіальні громади, ресурсна база, міжбюджетні трансферти, доходи, видатки.

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Bondarevska Olha, PhD (Economics), Senior Lecturer. **Dakhno Olena**, Senior Lecturer. **Shtepenko Kateryna**, Senior Lecturer. National University «Yuri Kondratyuk Poltava Polytechnic». **United Territorial Communities Financial Resources Formation and Implementation in Terms of Budget Decentralization.** The article defines the essence of the concept of "budget decentralization", reveals the main theoretical and legal aspects of the processes of budget decentralization, the peculiarities of reforming the administrative-territorial structure and the conditions for the formation of capable territorial communities. It is proved that the achievement of effective implementation of the budget decentralization reform is impossible without the formation of a financially viable grassroots administrative-territorial unit – the territorial community. The financial results of the activities of the united territorial communities of Ukraine, including: Poltava Region (Poltava Oblast) in 2015–2017 yrs. In the context of the united territorial communities of Poltava Region, the dynamics of income, expenditures and community surpluses / deficits were analyzed, incl. dynamics of income, expenditures per person in communities of Poltava region.

Keywords: budget decentralization, administrative reform, united territorial communities, resource base, intergovernmental transfers, revenues, expenditures.

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Бондаревская Ольга Николаевна, кандидат экономических наук, старший преподаватель кафедры финансов, банковского бизнеса и налогообложения. **Дахно Елена Николаевна**, старший преподаватель кафедры финансов, банковского бизнеса и налогообложения, **Штепенко Екатерина Павловна**, старший преподаватель кафедры финансов, банковского бизнеса и налогообложения. Национальный университет «Полтавская политехника имени Юрия Кондратюка». **Формирование и использование финансовых ресурсов объединенных территориальных общин в условиях бюджетной децентрализации.** Определена сущность понятия «бюджетная децентрализация», раскрыты основные теоретические и правовые аспекты процессов бюджетной децентрализации, особенности проведения реформы административно-территориального устройства и условия формирования состоятельных территориальных общин. Доказано, что достижение эффективности реализации реформы бюджетной децентрализации невозможно без формирования финансово самостоятельной низовой административно-территориальной единицы - территориальной общины. Проанализированы финансовые результаты деятельности объединенных территориальных общин Украины, в том числе Полтавской области в 2015-2017 гг. В разрезе объединенных территориальных общин Полтавской области проанализирована динамика доходов, расходов и профицита / дефицита общин, в том числе динамику доходов, расходов на одного человека в общинах Полтавской области.

Ключевые слова: бюджетная децентрализация, реформа административно-территориального устройства, объединенные территориальные общины, ресурсная база, межбюджетные трансферты, доходы, расходы.