

JEL Classification: R11, R13, R15

DOI: [https://doi.org/10.31521/modecon.V27\(2021\)-02](https://doi.org/10.31521/modecon.V27(2021)-02)

Budko Oksana, Doctor of Economics, Associate Professor, Head of the Department of Finance and Accounting, Dniprovsk State Technical University, Kamianske, Ukraine

ORCID ID: 0000-0002-3354-6515

e-mail: bisnescon@ukr.net

Brezhnieva-Yermolenko Olha, PhD in Economics, Associate Professor, Associate Professor of the Department of Finances and Accounting, Dniprovsk State Technical University, Kamianske, Ukraine

ORCID ID: 0000-0003-4518-6235

e-mail: ovbreol@ukr.net

Rohovskyi Dmytro, postgraduate student of the 2nd year of study, Dniprovsk State Technical University, Kamianske

ORCID ID: 0000-0002-0215-9512

e-mail: rogovskyi_dima@ukr.net

Budget Monitoring of Capacity Indicators of United Territorial Communities of Dnipropetrovsk Region

Introduction. An implementation of the decentralization reform in Ukraine provided fundamental changes to the local government system. Especially in formation of local budgets, and creation of a new powerful local government entity United Territorial Communities (UTCs). Despite the positive effect from delegating to local authorities solving of regional development issues, improving governance and increasing in local government spending these are not supported by a corresponding increase in the financial resources sufficient to cover it.

Purpose. The purpose of the research is to analyze theoretical and practical aspects of effectiveness of the costs managing of budgets of the UTCs in Dnipropetrovsk region by calculating the communities' own incomes per capita.

Results. The authors explained origin of financial resources of the UTCs under the condition of a new redistribution of public finances between the levels of the Government. Significant effects from the adoption of the main regulations of the mechanism of formation of strong territorial communities have been identified. These are expansion of power in the newly formed UTCs by transferring part of the powers to the local level, obtaining the right of the UTCs to conduct direct intergovernmental budgetary relations, differentiation of taxes and fees between various levels of budgets, increasing the share of official transfers in local budgets through the introduction of an infrastructure subvention directly aimed at the development of UTC, as well as, through funding from the State Regional Development Fund, an interest of international donors in financing newly created communities, an introduction of medical and educational reforms. Indicators and formulas that allow assessing the financial capacity of local UTCs' budgets are considered in the study. The calculation of UTCs' own income per one registered resident in Dnipropetrovsk region was fulfilled. Small territories and low populated sizes of UTC generally lack high financial capacity as the calculations and surveys corroborate. This is due to the lack of sufficient human resources. The level of subsidization of budgets of Dnipropetrovsk region is determined. The efficiency of expenses for management of budgets of UTCs of the Dnepropetrovsk region is investigated. The volume of expenses of capital character and degree of their influence on filling of budgets of UTCs of the Dnepropetrovsk region is considered.

Conclusions. The analysis of the activity of UTCs of Dnipropetrovsk region was fulfilled according to such indicators as own income per one inhabitant of UTC, subsidy of UTCs' budgets; specific weight for the maintenance of the management staff in the financial resources of UTCs; efficiency of capital expenditures, and their impact on the filling of the budget of UTCs. The above mentioned indicators reflect the level of effective or inefficient development of UTCs, and make it possible to determine a need to attract financial, investment, labor resources, and make management decisions on health, education, spatial planning, and improve the provision of administrative services and more. Thus the issue of full monitoring of financial capacity of UTCs in Ukraine remains unresolved and needs improvement and further study.

Keywords: decentralization, united territorial communities, financial capacity, own revenues, subsidies.

УДК 336.22:352

Будько О. В., доктор економічних наук, доцент, завідувач кафедри фінансів та обліку, Дніпровський державний технічний університет, м. Кам'янське, Україна

Брежнева-Єрмоленко О. В., кандидат економічних наук, доцент, доцент кафедри фінансів та обліку, Дніпровський державний технічний університет, м. Кам'янське, Україна

Роговський Д. С., аспірант другого року навчання, Дніпровський державний технічний університет, м. Кам'янське, Україна

¹Стаття надійшла до редакції: 15.05.2021

Received: 15 May 2021

Бюджетний моніторинг показників спроможності об'єднаних територіальних громад Дніпропетровської області

Децентралізаційний процес у частині об'єднання територіальних громад досяг незворотності, тому процес формування та достатності фінансових ресурсів ОТГ в Україні потребує детального дослідження. Попри позитивний ефект передачі повноважень на місцях для розв'язання проблем регіонального розвитку та підвищення ефективності управління, збільшення витрат органів місцевого самоврядування не підкріплені відповідним зростанням фінансових ресурсів, достатніх для їх покриття. Авторами охарактеризовані джерела фінансових ресурсів об'єднаних територіальних громад за умови нового перерозподілу публічних фінансів між рівнями влади. Визначені вагомі ефекти від прийняття основних нормативно-правових актів механізму формування спроможних територіальних громад: розширення владних повноважень новостворених ОТГ за рахунок передачі частини повноважень на локальний рівень; отримання об'єднаними громадами права на ведення прямих міжбюджетних відносин; розмежування податків та зборів між різними рівнями бюджетів; зростання частки офіційних трансфертів у місцевих бюджетах завдяки запровадженню інфраструктурної субвенції, безпосередньо спрямованої на розвиток ОТГ, а також за рахунок фінансування з Державного фонду регіонального розвитку; зацікавленість міжнародних донорів щодо фінансування новостворених громад; запровадження медичної та освітньої реформи. У дослідженні розглянуті показники, що дають змогу оцінити фінансову спроможність місцевих бюджетів ОТГ. Здійснений розрахунок власних доходів громади на одного зареєстрованого у ній мешканця у Дніпропетровській області. Як свідчать проведені розрахунки та обстеження, невеликі за територією та чисельністю населення ОТГ здебільшого не мають високої фінансової спроможності. Визначений рівень достатності бюджетів Дніпропетровської області. Досліджено ефективність витрат на управління бюджетів ОТГ Дніпропетровської області. Розглянутий обсяг проведених витратів капітального характеру та ступінь їх впливу на наповнення бюджетів ОТГ Дніпропетровської області. Вищезазначені показники відображають рівень ефективного або неефективного розвитку ОТГ та дають можливість визначати потреби у залученні фінансових, інвестиційних, трудових ресурсів, приймати управлінські рішення щодо охорони здоров'я, освіти, планування території, покращення надання адміністративних послуг тощо. Невизначеність окремих теоретичних аспектів механізму функціонування децентралізації в Україні знижують ефективність соціально-економічного розвитку держави, регіонів, окремих територій, тому питання повноцінного моніторингу фінансової спроможності ОТГ в Україні залишається невирішеним повністю та потребує вдосконалення і подальшого дослідження.

Ключові слова: децентралізація, об'єднані територіальні громади, фінансова спроможність, власні доходи, дотаційність.

Formulation of the problem. Implementation of the decentralization reform in Ukraine made fundamental changes to the local government system, especially in formation of local budgets, and creation of a new forceful local government entity United Territorial Communities (UTCs). State supports in all available ways including financially newly created community associations. Communities became more self-reliant while receiving not only extended rights but also duties from the state. However, despite the positive effect of delegating to local authority for solving regional development issues and improving governance, increasing in local government spending are not supported by a corresponding increase in the financial resources sufficient to cover it.

Analysis of recent research and publications. The main problems of the theory and practice of formation of financial resources of local budgets in Ukraine, features a delegation of powers from public authorities to authorities of local self-government and prospects of further development of decentralization reform scientists such as I. Vakhovich, G. Voznyak, B. Danylyshyn, V. Demyanyshyn, Y. Dropa, Y. Zhalilo, O. Kirilenko, M. Krupka, K. Pavlyuk, Y. Pasichnyk, I. Chugunov, S. Yuri and others explore. At the same time, lack of clear prospects for what will happen after full community integration and how this will change the governance structure and allocation of administrative levers, and financial resources, and the lack of conception of how UTCs should define themselves in the territory of the district and region. How they will interact with these territorial entities, if they need to address a number of problematic issues, accumulated by the practice of decentralization,

which testify to its lack of regulatory and institutional regulation and affect the prospects of creating new UTC. However, it is always relevant to study current trends and prospective directions of financial capacity of individual UTC, which determines the relevance of this research and has relevant theoretical and practical significance.

Formulation of research goals. The purpose of the research is to analyze theoretical and practical aspects of effectiveness of the costs managing of budget of UTCs in Dnipropetrovsk region by calculating the communities' own incomes per capita.

Outline of the main research material. Within the scope of budgetary decentralization, which has gained momentum in Europe, effective dividing between central and local authorities. Firstly, it is the distribution of expenditures and revenue sources by the levels of the budget system which are state, regional and local. Secondly, it is the definition of the extent to which authorities can determine their expenditures and revenues.

At present, the financial capacity of a UTC in Ukraine is based on resources of domestic origin. Resources such as investments and charitable assistance can be simultaneously internal and external. A UTC also gained access to other external financial resources. The UTCs' Council has a right to make local borrowings to the budget, both internal and external, including obtaining loans from international financial institutions. Examples of budgetary resources of domestic origin are taxes and fees, sales and leases of communal property. The most important external source of budget funds is the State Budget. Particularly, budget subsidies of an external

nature may include targeted subventions from the State budget, including in scopes of the implementation of state or regional targeted programs, investment projects or programs or financing of a UTCs' projects from the State Regional Development Fund [1, p. 45-50]. Budget decentralization is the most effective and efficient way of ensuring all aspects of communities' capacity with a purpose to form their financial autonomy in the future. Under the conditions of a new redistribution of public finances between levels of government as a result of fiscal decentralization reform the financial resources of various economic agents, in particular local and central government, private entities, financial institutions and non-governmental organizations, can be used to meet the needs of local communities and organizations, as well as foreign countries and international financial organizations (see Table 1). However, first of all, it is important to consider significant effects of the adoption of the basic

legal acts of the mechanism of formation of capable territorial communities, which are presented in Table 2.

The whole complex set of adopted legislative acts has become the basis for the implementation of the first stage of decentralization which is the formation of cost-effective and capable territorial communities in the form of a UTC [2, p.115-116].

One of the first legislative acts aimed on implementing decentralization was the Law of Ukraine "On Cooperation of Territorial Communities" No. 1508-VII dated 17th of June, 2014, which entered into force on 25th of July, 2014 [3].

After that, a number of other legislative acts aimed at other fields were developed and adopted, among which, one of the most essential for our research, that is the Law of Ukraine "On Amendments to the Tax Code of Ukraine and Some Legislative Acts on Tax Reform" N 71-VIII dated 28th of December, 2014, which came into force on 1st of January, 2015.

Table 1. United Territorial Communities' (UTCs') financial resources subject to a new redistribution of public finances between levels of government

Taxes:	Fees and Payments:	Other Incomes:
1) 60% TII (the main tax due to which own income in UTC increased 2-2,5 times); 2) 25% environmental tax; 3) 5% excise tax on sales of excisable goods; 4) 100% single tax; 5) 100% tax on the profit of communal property enterprises (new tax for UTC, which is practically not working yet); 6) 100% property tax (real estate, land, transport)	1) state duty, provision fee administrative services, parking fee; 2) tourist tax, rent for use of property in municipal ownership; 3) 50% of penalties for environmental damage; 4) 75% of funds from compensation for losses in agricultural and forestry production; 5) others	1) various transfers (basic grant, educational and medical subsidies, capital transfers) are the largest interest for UTC; 2) targeted and voluntary contributions of institutions to local environmental funds; 3) earnings from international programs technical assistance; 4) funds for equity participation in infrastructure development, funds of alienation of communal property; 5) funds from the sales of landless property, local borrowings; 6) others.

Source: generated and supplemented by authors based on materials [1]

Table 2. The main legal acts of the mechanism of formation of capable territorial communities and their effects

Legislative Act	Regulatory Positions	Effects
The Law of Ukraine "Optional Association of Territorial Communities", adopted in February 2015 p.	Defines principles, basic conditions, procedure, forms of state support of voluntary association of territorial communities of forces, settlements, cities.	The adoption of these documents has been permitted since 2015. Practical stage of formation of auxiliary territorial communities. As of December 2019, 1,029 (+223) UTCs have been formed, which include local self-government bodies.
Resolution of the Cabinet of Ministers of Ukraine dated April 8, 2015	Determines conditions of formation a UTC, criteria definition administrative centers of the UTC, the order of development and approval of long-term plans for the formation of community territories.	The most united territorial communities were formed in the following regions: Zhytomyr, Volyn, Dnipropetrovsk, Ternopil, Chernihiv, Chernivtsi

Source: generated and supplemented by authors based on materials [1]

The main advantages received, based on the analysis of a number of legislative acts, are: (1) expansion of power in the newly formed UTCs by transferring part of the powers to the local level; (2) obtaining the right of the united communities to conduct direct intergovernmental budgetary relations; (3) differentiation of taxes and fees between different levels of budgets, which was reflected in the amendments to the Tax Code of Ukraine. In particular, the transfer of part of the revenues to the local level, the introduction of an updated excise tax on the sale of excisable goods (petroleum, tobacco and alcohol products) by economic entities, expansion of the tax base; (4) increasing the share of official transfers in local budgets through the introduction of an infrastructure subvention directly aimed at the development of UTC, as well as, through funding from the State Regional Development Fund; (5) process of decentralization led to a significant increase in the interest of international donors in financing newly created communities by providing them with grant support for the implementation of projects aimed at improving the socio-economic standard of living of the population; (6) introduction of medical and educational reform aimed on improving the effectiveness of local management decision-making in order to reduce the expenditures of local budgets and improve the quality of social services received by the population [4].

Budget decentralization creates additional opportunities for a significant increase in own revenues in UTC. Assessment of the implementation of local UTCs' budget indicators, which have direct intergovernmental relations with the state budget, is carried out according to four indicators: (1) own incomes per capita (ratio of own incomes to the number of inhabitants of the corresponding UTC); (2) level of budget subsidization (ratio of the base/reverse subsidy to the total amount of revenue from UTC excluding subsidies from the state budget); (3) share of expenditures for the maintenance of the management staff in the revenues of UTC (the ratio of expenditures for the maintenance of staff of management of local governments to the amount of revenues without taking into account transfers from the state budget); (4)

capital expenditures per capita (ratio of spent capital expenditures without taking into account own revenues of budgetary institutions to the number of inhabitants of a certain UTC) [6].

Dnipropetrovsk region is a leader in terms of quantitative and qualitative indicators of the formation of UTC, as of 2020 more than 50% of the territory of the region is covered by united territorial communities. Such results were not achieved because the region is industrial. Financial capacity of communities and its economic development is more powerful than other regions, because of the high staff potential of UTC mayors, who formulate priorities for development aimed at increasing budget revenues. We will evaluate the formation and use of budgets of the gas industry of Dnepropetrovsk region on the basis of official data [6] that characterize the process of filling the budgets, its timeliness in the context of individual budgetary factors, such as:

Factor 1. Own community income per registered resident. It provides an opportunity to determine the per capita income that affects the gross domestic product of this community, and is therefore a crucial factor in the effectiveness of local budget estimates. To calculate it, we use the following formula:

$$Vm = \frac{Vdz}{Km} \quad Vm = \frac{Vdz}{Km} \quad Vm = \frac{Vdz}{Km}$$

$$Vm = \frac{Vdz}{Km} \quad Vm = \frac{Vdz}{Km} \quad Vm = \frac{Vdz}{Km}$$

(1)

Vm – own revenues for one registered in UTC (UAH);
 Vdz – UTCs' own income in the reporting period (UAH);
 Km – number of registered residents in UTC in the reporting period (persons).

Calculation of own income per 1 inhabitant of UTC of Dnipropetrovsk region in 2017-2019 and determination of the lowest and highest sections of the indicator showed the following results - fig. 1.

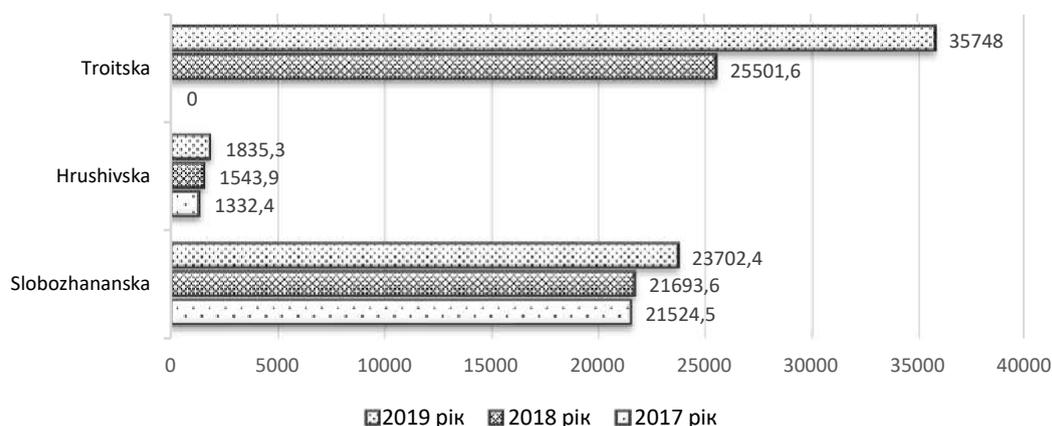


Figure 1 – Income per 1 inhabitant of an UTC of Dnipropetrovsk region (lowest and highest sections), UAH

Source: calculated and built by the authors according to the Official site of the Ministry of Regional Development of Ukraine "Decentralization provides opportunities" [5]

According to the results of 2017, the average rate of own income per capita for 34 UTCs of Dnipropetrovsk region increased by 1681.0 UAH and amounted to 4829.7 UAH (including 19 UTCs, formed in 2016 this figure increased by 2.4 times to UAH 3,125.1, and 15 UTC formed in 2015 by 31,4% to UAH 6,501.4). According to the results of 2018, the average personal income per capita in 56 UTCs of the region grew by 1 444.5 UAH (+ 41.5%) and amounted to 4 923.3 UAH (including 34%). UTC formed in 2015-2016, this indicator increased by 15.0% and amounted to 5,285.7 UAH, and 22 formed in 2017 by 2.8 times and amounted to 4,297.0 UAH).

According to the results of 2019, the average income of the general fund without transfers per 1 inhabitant in 62 UTCs of the region was 6370,2 UAH. The highest

income per capita 35748,0 UAH was received in Troitska UTC, the least 1835,3 UAH in Hrushivska UTC.

Factor 2. Budget subsidy level (share of base / reverse subsidy in own revenues) is the ratio of the amount of base or reverse subsidy to the total amount of revenue from UTC (without subsidies). To calculate it, we use the following formula:

$$Rd = \frac{Db \setminus r}{Vdz} \times 100\% \quad (2)$$

Rd - level of subsidy of the budget of UTC (%);
 Db \setminus r - the amount of the base \ reverse subsidy for UTC (UAH).

Level of subsidization of the budgets of UTC of Dnepropetrovsk region in 2017-2019 and the determination of the lowest and highest sections of the indicator showed the following results – Fig. 2.

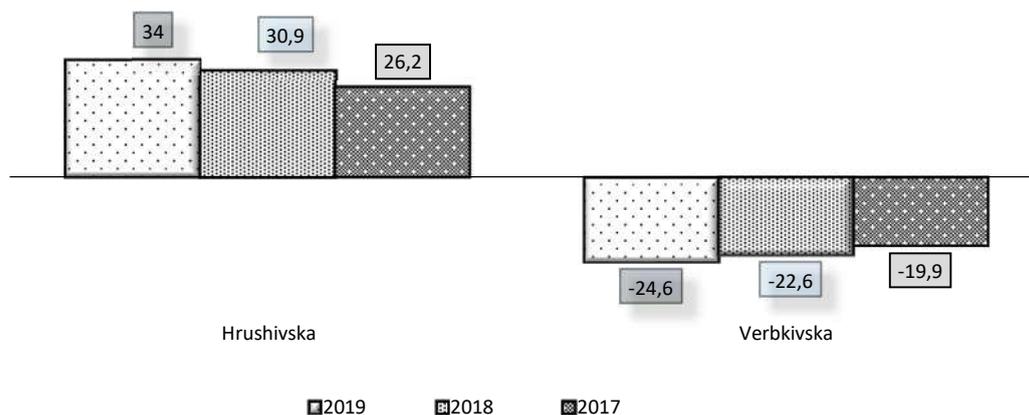


Figure 2 – Level of subsidies of UTCs' budgets of Dnipropetrovsk region, %

Source: calculated and built by the authors according to the Official site of the Ministry of Regional Development of Ukraine "Decentralization provides opportunities" [5]

Analysis of the indicators of 2018 showed that among UTCs of Dnipropetrovsk region 38 communities were receiving a basic grant from the state budget, 6 are counting a reverse grant. Subsidy level of existing communities is not too high, the highest figure in the Hrushivska community, where the basic grant in the total amount of income in 2018 was 30.9%. According to the results of 2019, 41 communities among UTC received from the state budget a basic grant, 10 counted a reverse grant. The highest level of subsidy in the Hrushivska community, with the basic grant amounted to 34.0% of the total income.

Factor 3. Cost effectiveness of operating UTC is defined as the share of the costs of maintaining the management staff in the total expenditure of UTC. To calculate them, we use the following formula:

$$Eu = \frac{Wu}{Wz} \quad (3)$$

Eu – efficiency of the costs of managing UTC;

Wu – expenses for the maintenance management staff of UTC (UAH.);

Wz – total expenditures of UTC (UAH).

Determination of the efficiency of expenditures on the management of budgets of UTC of Dnepropetrovsk region in 2017-2019, and determination of the lowest and highest section of the indicator showed the following results – Fig. 3.

Apart from the capital expenditures associated with the maintenance of management staff, such expenditures are permanent. Therefore, in budgets with higher revenues, expenditures on management staff are lower in percentage. As a result, such communities have the opportunity to spend more money on the development of their territories.

According to the results of 2018, the largest share of expenditures for the maintenance of the management staff in own UTC resources excluding transfers accounts is 42.8% of the Vakulovska UTC budget, the lowest for the

Slobozhanska UTC budget, which is 8.6%. According to the results of 2019, the largest share of expenditures for maintenance of the management apparatus in the revenues of the general fund (excluding transfers) falls on the budget of Likhivska UTC, it is 54.0%, the lowest on the budget of Slobozhanska UTC, it is 9.8%.

As the calculations and surveys corroborate, small territories and population sizes of UTC generally lack high financial capacity. This is due to the lack of sufficient human resources. Additionally, the problem is that investment passports of the territories have not been suited for their development and quality management. Main directions of efficient work of UTC are to reduce

management staff expenses, to optimize the system of educational and medical institutions located in UTC territory, by increasing the territory and the number of manpower, improving the attractiveness of UTC, and increasing the efficiency of capital investments. Similarly to the calculation, it is also possible to determine the share of costs spent from local UTC budgets for environmental needs, public expenditures, health care, medicine, education and others. Such analysis has a positive social impact, as it enables to track dynamics of factors to be monitored and form conclusions drawn by the governing bodies in order to enhance the financial capacity of UTC budgets.

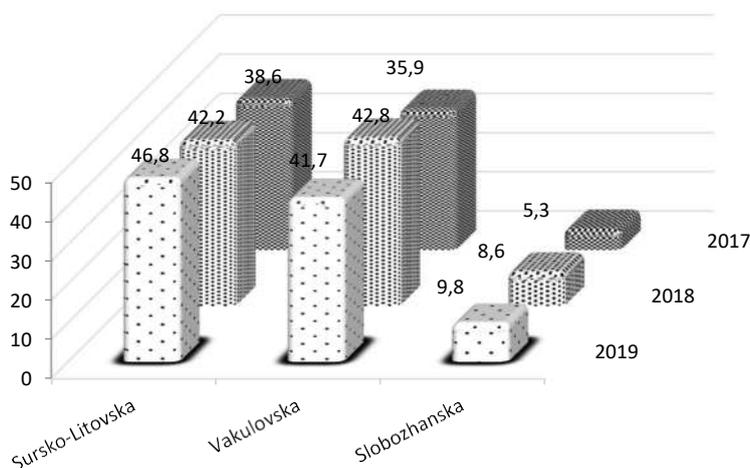


Figure 3 – Share of management costs in the own resources of UTCs” Dnipropetrovsk region, %

Source: calculated and built by the authors according to the Official site of the Ministry of Regional Development of Ukraine "Decentralization provides opportunities" [5]

Factor 4. Effectiveness of capital expenditures and their impact on budget filling. To calculate it, we use the following formula:

$$P_n = W_p \times k^n$$

(4)

P_n - cost effectiveness;

W_p - expenditures of capital type of economic entities registered in UTC at the expense of community funds (UAH);

k^n - factor that takes into account the payment of taxes on capital expenditures by business entities registered in UTC at the expense of the community.

Calculation of the capital expenditures per 1 inhabitant of UTC of Dnepropetrovsk region in 2017-2019 and determination of the lowest and highest sections of the indicator showed the following results – Fig. 4.

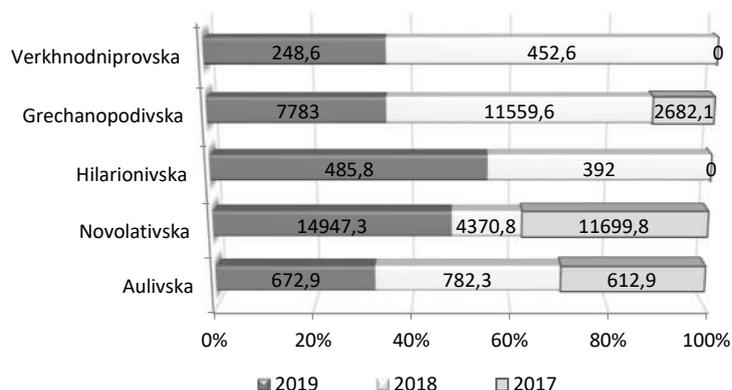


Figure 4 – Capital expenditures per 1 resident of UTCs’ of Dnipropetrovsk region, UAH

Source: calculated and built by the authors according to the Official site of the Ministry of Regional Development of Ukraine "Decentralization provides opportunities" [5]

Based on the financial resources of UTC in 2017 they were able to direct funds for capital expenditures in the amount of UAH 553478.4 thousand, which is per capita UAH 2102.1. According to the results of 2018 the average amount of capital expenditures per 1 inhabitant without taking into account own revenues of budgetary institutions in 56 UTCs of the region amounted to 1912,4 UAH. The most capital expenditures per 1 inhabitant were spent in Grechanopodivska UTC UAH 11,559.6, the least from the budget of Hilarionovska UTC 392.0 UAH.

In 2019, the average amount of capital expenditures per 1 inhabitant for 62 UTCs of Dnipropetrovsk region amounted to UAH 2,185.3. The largest capital expenditures per capita were made in Novolativska UTC - 14,947.3, the least from the budget of Verkhnodniprovsk - 248.6.

Considerable amount of money spent on the part of the expenditures of a capital nature at the expense of the funds of the UTC (repairs of roads, premises, etc.) should increase the revenues to their budgets. According to the

project budget estimates in terms of remuneration, out of these amounts of expenses received by contractors for carrying out various works, a personal income tax must be credited to local budgets. Absence of such dynamics may indicate violation of budget law in the procurement of works, goods and services at the expense of the UTC.

Despite the growing number of registered UTCs, their number remains insignificant compared to other administrative-territorial units (Table 3). One of the main conditions of a voluntary association is to prevent the deterioration of the quality of public services provided by the united territorial community. The chairman of the UTC and the deputies of the council form the directions of local budget policy, directions of community development, and budget expenditures in accordance with the expectations of the residents. The current directions relate to the daily life of the community, for example, improving the conditions of schooling, establishing a local system of solid waste management, and so on.

Table 3. Territorial communities of Ukraine (excluding the temporarily occupied territory)

UTCs'	Year				
	2015	2016	2017	2018	2019
which have been united and joined	814	1782	3176	3738	4698
which haven't been united and joined	10147	9179	7785	7223	6263

Source: built by the authors according to the Official site of the Ministry of Regional Development of Ukraine "Decentralization provides opportunities" [5]

Thus, if the number of the united territorial community exceeds 5-7 thousand people, the share of the basic subsidy of its budget does not exceed 30% of the amount of own revenues, and the expenses of the united territorial community for the maintenance of its administrative staff do not exceed 20% of the amount own income of the united territorial community, such a community is considered financially viable because it effectively mobilizes its own resources, rationally uses budget funds and makes quality management decisions. It follows that small united territorial communities are mostly financially insolvent, except for some communities, whose budget revenues are formed by powerful industrial enterprises and other budget-generating economic entities. The connection between the financial capacity of the united territorial community and the local population of the community is that due to sufficient labor resources, the capacity of the local market, the beneficial development of small and medium enterprises are primarily in large united territorial communities, which in turn creates relatively better prospects for its sustainable development. In addition,

large integrated territorial communities (both in terms of area and population) are better able to ensure the proper maintenance of local infrastructure, the activities of utilities and institutions, as well as ensuring the provision of quality public and communal services by local governments services [6].

To increase the degree of financial independence, UTCs' local governments must find ways to strengthen the financial potential of their territories. Their task is also to prepare attractive investment proposals and create jobs. Such steps will increase local budget revenues and reduce their dependence on the state budget. Another rather serious and difficult problem related to the financial resources of UTC is the lack of a mechanism for differentiating budgets in connection with the formation of UTC. According to the current legislation, today there is no mechanism for settling the issues of redistribution of the district budget in connection with the formation of UTC on its territory [7, p.48].

On January 23, 2019, the Cabinet of Ministers approved an action plan for the implementation of the Concept of Reforming Local Self-Government and

Territorial Organization of Power in Ukraine for 2019-2021, which included 7 main tasks, including approval of a new territorial basis for community action in all areas); maximum promotion of voluntary association and accession, especially to cities of regional significance; approval of a new territorial basis for the activities of authorities at the district level (modeling the administrative-territorial structure of the district level. According to the document, the first main task of the second stage of the reform is to approve a new territorial basis for government at the community and district levels, the formation of UTC, which fully (100%) cover the territory of each of the regions and follow the official guidelines of the Government [8].

At first glance, decentralization creates all the necessary conditions for the formation of capable administrative-territorial units. On the other hand, a detailed study allows us to note the following trends. Although financial decentralization has significantly expanded the powers of local governments by differentiating taxes, it has created another problem. For example, most entrepreneurs see the benefit of registering the legal addresses of their companies in large cities, which automatically deprives small settlements of a significant part of their income, because, according to current legislation, taxes are collected at the place of their legal registration. Medical reform, which is part of the decentralization complex, is aimed at optimizing medical facilities. Although government officials claim that optimization will improve the industry, it should be understood that the criteria established for most hospitals are difficult to meet, and therefore most of them will be eliminated or transferred to primary care facilities. Educational reform involves the elimination of insolvent schools and the formation of support schools. If this situation is not problematic for cities, it creates new challenges for villages and settlements. Medical and educational reform entails significant changes in the transfer policy of the state - tighter regulation and control over them [7, p.49].

Among the main risks to the successful implementation of decentralization reforms are the following: (1) the presence of a weak tax base, in particular in terms of dependence on intergovernmental transfers; (2) the lack of a single optimal model of decentralization, which is a model for Ukraine, taking into account foreign experience, adapted to economic policy and regulatory framework of the state; (3) the lack of an effective system for monitoring the targeted use of UTCs' financial resources, which may lead to inefficient use of UTCs' own funds; (4) the presence of a corruption component at all levels of government.

To overcome these risks, in particular to increase the interest of local authorities in building tax capacity and revenue base of UTC, it is advisable to review the current tax system and give local authorities the right to form UTC budgets from their own sources to increase their independence in ensuring appropriate budget revenues

and coverage of necessary current and development expenses; to change the mechanism of providing centralized state aid to the regions in order to create conditions for intensifying their socio-economic development; deprive local budgets of the functions of redistribution of funds from the State budget to finance excluded delegated powers; to give the right to local budgets of UTC to change the rate of at least one high-income tax, the base of which does not differ in mobility, within certain limits - the minimum and maximum limits of the tax rate. The maximum restriction will avoid increasing the tax burden on residents of one region compared to others, the minimum - the effects of tax competition, for example, to attract investment, enterprises or labor to the region. Another form of such financial autonomy may be the right of local authorities to set additional rates to national taxes [6].

In the context of financial decentralization, the role of UTC in the development of local self-government is significantly enhanced, because as a result of redistribution of resources and powers in favor of local self-government the financial capacity of administrative-territorial units depends on organizational, economic-social and political actions. The implementation of decentralization reform in Ukraine since 2014 has shown real changes in the system of territorial management, fundamental changes in the system of local self-government, especially in the formation of local budgets and the formation of a new powerful local government entity - united territorial communities. It was found that financial resources should be considered as one of the most important types of community resources.

Conclusions. UTCs' financial resources consist of its own revenues and funds transferred from the State budget. Majority of financial resources are of internal origin revenues from taxes and fees, sale and lease of a communal property. Some resources (investments, charitable assistance) can be both internal and external. The analysis of the activity of UTCs of Dnipropetrovsk region was fulfilled according to such indicators as own income per one inhabitant of UTC; subsidy of UTCs' budgets; specific weight for the maintenance of the management staff in the financial resources of UTCs, efficiency of capital expenditures and their impact on the filling of the budget of UTCs. The above mentioned indicators reflect the level of effective or inefficient development of a UTC, and make it possible to determine a need to attract financial, investment, labor resources, and make management decisions on health, education, spatial planning, and improve the provision of administrative services and more. Uncertainty of some theoretical aspects of the mechanism of decentralization in Ukraine reduces the effectiveness of socio-economic development of the State, regions and individual territories. Thus the issue of full monitoring of financial capacity of UTCs in Ukraine remains unresolved and needs improvement and further study.

References:

1. Borsch, H. A., Vakulenko, V. M., Hrynchuk, N. M., Dekhtiarenko, Yu. F., Ihnatenko, O. S., Kujbida, V. S., Tkachuk, A. F. & Yuzefovych, V.V. (2017). *Resursne zabezpechennia ob'ednanoi terytorial'noi hromady ta ii marketynh* [in Ukrainian].
2. Ser'ohin, S. M., & Honcharuk, N. T. (2015). Theoretical bases and bases of work on reforming of local autocracy and decentralization of the power in Ukraine. *Teoriia ta praktyka derzhavnoho upravlinnia i mistsevoho samovriaduvannia*, 110-120 [in Ukrainian].
3. Kutsenko T. F. (2016). Budget decentralization reform in Ukraine: social function. *Ekonomika ta derzhava*, 7, 29-34 [in Ukrainian].
4. Ofitsijnyj sajt Natsional'noho instytutu stratehichnykh doslidzhen' (2015). Analiz ta otsinka realizatsii biudzhetnoi detsentralizatsii v Ukraini. Retrieved from <http://old2.niss.gov.ua/articles/2242/>
5. Ofitsijnyj sajt Ministerstva rehional'noho rozvytku Ukrainy «Detsentralizatsiia daie mozhlyvosti» (2020). Monitorynh protsesu detsentralizatsii vlady ta reformuvannia mistsevoho samovriaduvannia. Retrieved from <https://decentralization.gov.ua/uploads/library/file/526/10.01.2020.pdf>
6. Ofitsijnyj sajt Ministerstva rehional'noho rozvytku Ukrainy «Detsentralizatsiia daie mozhlyvosti» (2019). Analiz biudzhativ 665 OTH za 2018 rik u rozrizi oblastej. Retrieved from <https://decentralization.gov.ua/news/10674>
7. Vesperis, S. Z. & Reshetniak, Ya. V. (2018). Decentralization: problems of newly formed united territorial communities. *Naukovyj visnyk Uzhhorods'koho natsional'noho universytetu: seriia: Mizhnarodni ekonomichni vidnosyny ta svitove hospodarstvo*, 19, 46-50 [in Ukrainian].
8. Cabinet Ministers of Ukraine (2019). On approval of the action plan for the implementation of a new stage of reforming local self-government and territorial organization of power in Ukraine for 2019-2021 (Order No. 77-2019-p January 23). Retrieved from <https://zakon.rada.gov.ua/laws/show/77-2019-%D1%80> [in Ukrainian].



Ця робота ліцензована Creative Commons Attribution 4.0 International License