

## **PARTICIPATORY BUDGET AS A FINANCIAL MECHANISM OF THE PARTICIPATION ENSURING OF TERRITORIAL COMMUNITIES IN MUNICIPAL GOVERNMENT**

Shmygol N.M., Doctor of Economic Sciences, Professor

*Zaporizhzhia National University  
Ukraine, 69600, Zaporizhzhia, Zhukovsky str., 66*

nadezdash@ua.fm

The article presents the financial mechanisms that should be used to ensure the participation of local communities in municipal planning. Author offer, in order to attract public representatives to the issues of municipal finance management, that it's necessary to conduct the work of ensuring financial literacy of the population, developing a system of openness and transparency of public finances, and expanding the practice of public participation. The main objective is to ensure the maximum degree of all processes' openness occurring in the management of municipal finances and, as a result, in the general access of citizens, and the opportunities for them to find all the necessary information on budget issues. It is noticed, that the budgetary system is based on economic and legal norms and organizationally depends on the form of a state structure. The main approaches, principles and mechanisms for applying the public budget, adapted to local peculiarities, are different among themselves, as well as the shares of municipal budgets given to residents. This can be as a percentage of the revenue side of the budget. Typically, this is 1 - 1.5%, or a fixed amount. Since 2011, the public budget instrument has been used in Poland, which has made some progress in this direction. In Ukraine, the idea of public budgeting was brought by representatives of the Ukrainian-Polish Cooperation Foundation PAUCI in early 2015. We consider the concept of public (participative) budget and the budget of the municipality, the main approaches, principles and mechanisms for the application of the public budget in Ukraine. Noted, that budgeting and distribution are necessary for the effective work of community organizations. The elements of the methodology for developing of local communities' budget proposals for local self-government, government and international funders are presented.

*Key words: municipal budget, community organizations, public budget, budgeting, financial mechanism.*

## **ПАРТИЦИПАТОРНИЙ БЮДЖЕТ ЯК ФІНАНСОВИЙ МЕХАНІЗМ ЗАБЕЗПЕЧЕННЯ УЧАСТІ ТЕРИТОРІАЛЬНИХ ГРОМАД У МУНІЦИПАЛЬНОМУ УПРАВЛІННІ**

Шмиголь Н.М., д.е.н., професор

*Запорізький національний університет  
Україна, 69600, м. Запоріжжя, вул. Жуковського, 66*

У статті наведено фінансові механізми, які слід використовувати для забезпечення участі місцевих громад у муніципальному плануванні. Автор пропонує для залучення представників громадськості до питань управління муніципальними фінансами проводити роботу з підвищення фінансової грамотності населення, розвитку системи відкритості та прозорості державних фінансів і розширення практики громадської участі. Основна мета – забезпечити максимальний ступінь відкритості всіх процесів, що відбуваються в сфері управління муніципальними фінансами, і як результат, у загальному доступі, громадян, і можливості для них знайти всю необхідну інформацію за бюджетною тематикою. Визначено, що бюджетна система ґрунтується на економічних і юридичних нормах і організаційно залежить від форми державного устрою. Основні підходи, принципи і механізми застосування громадського бюджету, пристосовані до місцевих особливостей, відрізняються один в одного відрізняються також частки муніципальних бюджетів, відданих у розпорядження жителів. Це може бути як відсоток від дохідної частини бюджету. Як правило, це 1-1,5%, або фіксована сума. У 2011 року інструмент громадського бюджету використовується в Польщі, яка досягла в цьому напрямі певних успіхів. В Україні ідею громадського бюджету запропонували представники фонду українсько-польської співпраці на початку 2015р. Розглянуто поняття громадського (партиципаторного) бюджету і бюджету муніципалітету, основні підходи, принципи й механізми застосування громадського бюджету в Україні. Відзначено, що для ефективної роботи органів самоорганізації населення необхідно складання бюджету, його раціональне використання і розподіл. Представлені елементи методики для складання бюджетної частини проектних пропозицій місцевих громад до органів місцевого самоврядування, державної влади і міжнародних грантодавців.

*Ключові слова: муніципальний бюджет, органи самоорганізації населення, громадський бюджет, складання бюджету, фінансовий механізм.*

## **ПАРТИЦИПАТОРНЫЙ БЮДЖЕТ КАК ФИНАНСОВЫЙ МЕХАНИЗМ ОБЕСПЕЧЕНИЯ УЧАСТИЯ ТЕРРИТОРИАЛЬНЫХ ОБЩИН В МУНИЦИПАЛЬНОМ УПРАВЛЕНИИ**

Шмыголь Н.Н., д.э.н., профессор

*Запорожский национальный университет  
Украина, 69600, Запорожье, ул. Жуковского, 66*

В статье представлены финансовые механизмы, которые следует использовать для обеспечения участия местных общин в муниципальном планировании. Автор предлагает для привлечения представителей общественности к вопросам управления муниципальными финансами проводить работу по повышению финансовой грамотности населения, развития системы открытости и прозрачности государственных финансов, и расширению практики общественного участия. Основная цель – обеспечить максимальную степень открытости всех процессов, происходящих в сфере управления муниципальными финансами и как результат, в общем доступе, граждан, и возможности для них найти всю необходимую информацию по бюджетной тематике. Определено, что бюджетная система основывается на экономических и юридических нормах и организационно зависит от формы государственного устройства. Основные подходы, принципы и механизмы применения общественного бюджета, приспособленные к местным особенностям, отличаются друг от друга отличаются также доли муниципальных бюджетов, отданных в распоряжение жителей. Это может быть процентом от доходной части бюджета. Как правило, это 1 - 1,5%, или фиксированная сумма. С 2011 года инструмент общественного бюджета используется в Польше, которая достигла в этом направлении определенных успехов. В Украине идею общественного бюджетирования предложили представители фонда украинско-польского сотрудничества ПАУСИ в начале 2015г. Рассмотрены понятия общественного (партиципаторного) бюджета и бюджета муниципалитета, основные подходы, принципы и механизмы применения общественного бюджета на Украине. Отмечено, что для эффективной работы органов самоорганизации населения необходимо составление бюджета, его рациональное использование и распределение. Представлены элементы методики для составления бюджетной части проектных предложений местных общин в органы местного самоуправления, государственной власти и международных грантодателей.  
*Ключевые слова: муниципальный бюджет, органы самоорганизации населения, общественный бюджет, составление бюджета, финансовый механизм.*

### **INTRODUCTION**

The management of a city or a municipality has much in common with the management of a company. As in business, achieving results in local government requires a clear planning and implementation of all phases. Based on international experience, we can identify factors that will help improve the results of management at the local level: preliminary planning and setting clear benchmarks; A clear connection between the setting of plans, and their implementation in practice; involvement of the public in the planning and control process; applying of international experience, participation in international programs, allowing to study the successful experience of local government in the EU and North America [1].

### **FORMULATION OF THE PROBLEM**

In order to attract public representatives to the issues of municipal finance management, it's necessary to conduct the work of ensuring financial literacy of the population, developing a system of openness and transparency of public finances, and expanding the practice of public participation. The main objective is to ensure the maximum degree of all processes' openness occurring in the management of municipal finances and, as a result, in the general access of citizens, and the opportunities for them to find all the necessary information on budget issues.

Under the condition of financially literate population, the next element of the mechanism is ensuring of the budgetary process' openness with creating a "transparent budget" that will enable citizens to know the priorities of the budget policy, the conditions of formation and parameters of the budget system's budgets of all levels, the planned and achieved results of using budgetary funds [2].

### **THE AIM OF THE ARTICLE**

The main objective of the study is to present the financial mechanisms that should be used to ensure the participation of local communities in municipal planning and the elements of the methodology for developing of local communities' budget proposals for local self-government, government and international funders.

## MAIN PART

The budgetary system is based on economic and legal norms and organizationally depends on the form of a state structure. Thus, the federal countries (for example, the USA, Germany, Canada, Switzerland), have a three-level budget system: (federal (central) budget, budgets of the federation subjects (state budgets, regional budgets, etc.), local budgets). And the budgetary system in unitary countries (for example, Italy, France, Ukraine, Japan) is represented by two levels of budgets (state and local budgets). In federal states, the types of local budgets are determined, as a rule, in federal legislation and the legislation of the federation individual subjects, while in unitary ones they are clearly defined at the national level. There are countries whose local budgets have their own characteristics. So, in Spain, budgets of joint ventures (so-called trade societies) created with the participation of the state are also included in local budgets.

In many countries, the practice of dividing local budgets into two parts (components) is common: the current budget and the development budget. This division of the budget is somewhat arbitrary, but it also helps to determine which expenditures are primary, which are secondary; which should be reduction and which shouldn't; it is based on the division of spending on current and capital. Incomes and expenses are reflected in the current budget that provide necessary (mandatory) activities, such as: the costs of maintaining the normal functioning of all the permanent power structures, medical and social services for citizens, transfer payments, payments in the form of wages etc. Incomes of the local current budget are formed mainly through local taxes and fees, other mandatory payments, general subsidies from public authorities etc. The budget for development (or investment budget) includes incomes and expenses that are used to improve the regional (local) economy (including construction costs, implementation of investment long-term projects). Expenses of the development budget, as a rule, have a capital nature. Incomes of the local development budget are formed mainly through bank loans, investment subsidies, municipal (municipal) loans and other income.

The public (participatory) budget is a process of discussion and decision-making, in which every inhabitant and resident of a settlement decide how to spend part of the local budget. For the first time, the process of introducing the public budget was held in Porto Alegre (Brazil) in 1989. Now this is an annual process of discussion and decision-making, in which thousands of city residents decide how and for what a part of the city budget should be spend. Since the budgetary budget has appeared in South America, it has spread to hundreds of cities around the world - the number of local communities that use it has been growing every year and has already exceeded 1,500 cities. In Europe, the project was picked up by several municipalities in France, Italy, Germany, Spain and the United Kingdom. The public budget is a very popular way of transferring power to residents in the cities of Canada.

The main approaches, principles and mechanisms for applying the public budget, adapted to local peculiarities, are different among themselves, as well as the shares of municipal budgets given to residents. This can be as a percentage of the revenue side of the budget. Typically, this is 1 – 1.5%, or a fixed amount. Since 2011, the public budget instrument has been used in Poland, which has made some progress in this direction. In 2011 it was only the city - Sopot, 2013 already 200 cities. In Ukraine, the idea of public budgeting was brought by representatives of the Ukrainian-Polish Cooperation Foundation PAUCI in early 2015. The first who implements the practice of the public budget in Ukraine are three cities: Chernigov, Cherkasy and Poltava. The Regulation "On the Public Budget in the City of Zaporizhzhya defines the main requirements and principles in the organization, execution and implementation of public budgeting in Zaporizhzhia City Council adopted on May 25, 2016 № 23.

This Regulation was developed taking into account the norms of the Budget Code of Ukraine, the Law of Ukraine "On Local Self-Government in Ukraine", which grants territorial communities the right to participate in the process of developing and adopting decisions on local issues. According to this provision, the public budget in the city of Zaporizhzhia is a part of the budget of Zaporizhzhia,

a form of direct expression of the will of the city's residents, introducing innovative mechanisms for involving the public to allocating the city's budget and aimed at a democratic process for the society to discuss certain areas of budgetary funds for certain projects. The project is a program, an action plan, a set of works or services, a concept, an idea embodied in the form of description, justification, calculations, drawings that reveal the essence of the idea and the possibility of its practical implementation. The project aims to improve after its implementation the external accounting of the city of Zaporizhzhia, the conditions of residence in it and the satisfaction of other needs of the territorial community of the city [5].

The self-organization bodies of the population (SOP) are representative bodies created by residents who live legally in the territory of a village, township, city or their parts, to solve certain issues of local significance. These are house, street, quarterly committees, committees of neighborhoods, districts in cities, village and settlement committees [6].

The main tasks of the SOP are: to represent and protect the interests of citizens residing on the territory of the SOP to local governments, public authorities, legal entities; To improve the organization of residence of citizens and improve management in the SOP; To provide satisfaction of household, cultural, social and other needs of inhabitants by assisting in providing them with relevant services [7].

The financial basis for the activity of the self-organization body of the population is: the means of the corresponding local budget, provided to it by the village, township, city, district in the city (if it is established) by the council to carry out the powers given to the self-organization body of the population; voluntary contributions of individuals and legal entities; other incomes are not prohibited by the law. The self-organizing body of the population independently uses financial resources received from the local budget for the purposes and within the limits determined by the relevant council.

The council of village, township, city, district in the city (if it is established) may additionally grant part of its powers to the self-organization body of the population with simultaneous transfer of additional funds, as well as material and technical and other resources necessary to exercise this authority, exercises control over their implementation. The self-organization body of the population, like all participants in the public budget process, should be familiar with the methods of budgeting.

In fact, the budget is constituted already in the process of filling the project's logical and structural scheme, at the stage of breaking down the activities into tasks (activities) and instructions (opposite each of them) with a list of necessary resources, including their cost. However, as a rule, for the project's decision, a separate document is required – the project budget, where all planned actions are estimated in monetary terms [8]. As a result, the budget can be presented in the form of the following table 1.

Table 1 – Project budget

	Item of expenses	Financial investments			Non-financial investments		Total
		Required means	Donor X	Own facilities	DonorY	Own facilities	
1	2	3	4	5	6	7	8
Resource 1							Cost of resource 1
Resource 2							Cost of resource 2
Resource 3							Cost of resource 3
Resource 4							Cost of resource 4
Resource 5							Cost of resource 5
Total cost		Total required amount	General contribution	General contribution	General contribution	General contribution	

Should note that the budget is, first of all, your financial plan, which will have to work exactly to the one who makes it. The role of the budget as a "document for the donor", unfortunately, is often exaggerated. The donor only evaluates and compares its capabilities with your requests, and the budget will have to be executed by its originator.

### CONCLUSION

Involving the public in the planning and control process will raise the level of confidence in the actions of the authorities. Participation of citizens and public organizations makes them partners of the authorities, not opponents, increases the level of public control, ensures openness and transparency of the planning process and results of activities. The article analyzes the main approaches, principles and mechanisms for applying the public budget, adapted to local peculiarities, and it is indicated that they differ among themselves, as well as the shares of municipal budgets given to residents. For the effective work of self-organizing bodies of the population, budgeting is necessary, therefore, the article presents elements of the methodology for drawing up the budget part of the project proposals of local communities to local governments, state authorities and international grantors.

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