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## CHALLENGES AND PROSPECTS FOR THE DEVELOPMENT OF SELF-GOVERNMENTS IN POST-SOVIET REPUBLICS

The article analyzes the situation with local self-government in the former Soviet republics, the path that they followed after gaining independence, information has been given on the socio-economic situation in local governments. The activities and plans of the central authorities of these countries for the nearest future have also been given. The implemented effective policy should guarantee the real development of local self-government of the former Soviet republics. After the collapse of the Soviet Union, one of the most acute problems in the post-socialist republics was the formation and strengthening of local self-government. Over the past two decades, several models of development have been selected and some positive steps have been taken, but the actual development of local governments has failed. Despite the numerous laws passed by the central authorities, the situation of the municipalities of the former Soviet republics has not improved over the years, and their dependence on the center has even increased. The situation in the former Soviet states, from the point of view of the development of local self-government, is almost identical (except are the Baltic republics).

**Keywords:** Local Self-Government, Budgetary Independence, Fiscal Decentralization, Sources of Budgetary Revenue, Transparency of Local Government Activities, Diversification of Local Revenue.



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**Statement of the problem and its connection with important scientific and practical tasks.** After the collapse of the Soviet Union, one of the most acute problems in the post-socialist republics was the formation and strengthening of local self-government. Over the past two decades, several models of development have been selected and some positive steps have been taken, but the actual development of local governments has failed.

The need for self-development is now particularly acute, since most post-socialist states have set a course towards European structures, therefore, it is extremely important for local authorities to develop a strategy that should ensure the municipalities of the former Soviet republics with social and economic development and increased level of competitiveness. For many years there was no legislative base that would ensure the further development of municipalities. The policy towards municipalities was not effective, and that was aggravated by high crime rates and terrible economic situation in these republics, decrease in labor and entrepreneurial activity, which, in turn, negatively affected the development of municipalities and made their activities unpredictable.

Despite the numerous laws passed by the central authorities, the situation of the municipalities of the former Soviet republics has not improved over the years, and their dependence on the center has even increased.

**The analysis of the latest publications on the problem.** Reserves of municipalities were not used efficiently for decades. Municipalities did not have modern programs for the socio-economic development of the region [9]. The priority of various settlements was not imposed and determined for the economic development of municipalities; issues were resolved spontaneously, without taking into account needs and interests of the population. Between the central and local governments there was a mixture of competencies, rights and obligations.

**Forming of the aims of the research.** In post-socialist states the situation is still difficult, local authorities do not have significant fiscal independence, the central government has passed the laws that are unable to ensure sustainable economic development of local municipalities, the restoration of local socio-economic policies and economic growth of the countries.

The situation in the former Soviet states, from the point of view of the development of local self-government, is almost identical (except the Baltic republics), and the main unresolved issues are the following [2]:

- mixture of rights, duties and competencies between the Center and the region and lack of separation thereof;
- low degree of independence of local government budgets [1];

- lack of transparency in the requirements for the election of people for leading positions in local authorities;
- high level of bureaucracy existing in the central government;
- unregulated salaries of persons employed in local government;
- lack of criteria for determining socio-economic status in local government;
- duplication of functions of executive and representative bodies of local self-government and the confusion of responsibility;
- low accountability of local government to the public;
- low degree of public participation in solving local problems;
- low-level support in address of the community problems of the local population;
- absence of a short-term and long-term development strategy of local self-government.

**Giving an account of the main results and their substantiation.** Let's consider the situation in some post-Soviet republics from the point of view of the development of local self-government [3].

*Armenia.* The formation of local self-government in Armenia was based on the constitution of Armenia, adopted by referendum in 1995. The Constitution of Armenia has a separate chapter on local self-government and its legal regulation. It also indicates that local governments play an important role in nation-building. In 2005, significant amendments were made to the constitution, defining the legal status of municipalities as separate legal entities. The Constitution and other legal acts set the task of dividing the rights between the center and municipalities and determining their competences. There are two important laws regarding the development and regulation of local self-government in Armenia: laws on local self-government (adopted in 2002) and the law

on local self-government of Yerevan (adopted in 2008). These laws clearly define the rights, duties and responsibilities of local municipalities. Legal supervision of the delegated rights of local authorities of Armenia is carried out by the relevant central bodies in accordance with the law. Existing legislation strictly prohibits the central government from interfering in the activities of local authorities

The activities of local governments in the budget, financial and economic spheres in Armenia are regulated by the 1997 Law on the Budget System. This law defines the revenue sources of local budgets.

Despite the rights and powers of municipalities provided for by the legislation of Armenia, the degree of their independence is still low, the criteria for appointment to executive bodies, as well as the legal procedures for their dismissal are ineffective. These issues are a serious obstacle and cause serious problems for the further development of local self-government in Armenia.

*Georgia.* Since Georgia gained independence, many important reforms have been carried out in the field of development of local self-government (since 1991), however, the level of budgetary independence of local self-government bodies is very low and lags far behind the average level of local self-government in developed European countries. One of the main problems of local self-government in Georgia remains the mobilization of very small amounts of money from state taxes to local budgets. As of January 1, 2019, six taxes in Georgia are fully taxed in the budgets of local authorities, and the rest is mobilized from the central budget, which is then returned to local budgets by means of various transfers. All of this, in its turn, leads to an unfair distribution of total revenues in local government budgets. Intensive work is underway to clarify the distribution of state taxes in local budgets.

Table 1

Changes in tax rates in local government budgets in % \*

Type of taxes	1994-1997	1997-2000	2001-2003	2004-2005	2006-2007	2008-2015	2015-2018
Value added tax	30 %	0	0	0	0	0	0
Income tax	50 %	60 %	85 %	100 %	100 %	0	0
Profit tax	50 %	60 %	85 %	100 %	0	0	0
Wealth tax	50 %	60 %	100 %	100 %	100 %	100 %	100 %
Import duty	0	0	0	0	0	0	0
Excise tax	0	0	0	0	0	0	0

\* calculated by the author

As it can be seen from the table (table 1), the percentage of the six taxes mobilized in the budgets of local authorities in Georgia is very low, so the degree of independence of local authorities is low. The current situation requires serious legislative reforms [12].

*Turkmenistan.* The history of the development of local self-government in the Republic of Turkmenistan covers more than 20 years. The Constitution of Turkmenistan has a separate chapter on local self-government. The development of local self-government and the substantial strengthening of its independence on the basis of the law and by-laws are of paramount

importance. The law provides that local self-government is a form of population management that addresses issues that are not within the competence of the central government. The principle of citizen participation is best ensured in solving local problems. Local governments are created on the basis of historical, national-ethnic, regional and environmental characteristics based on the principle of decentralization, and this approach is a step forward in the development of local democracy.

The legislation of Turkmenistan is of paramount importance for resolving such local issues as:

- increased local financial resources;

- providing trainings for local government officials;
- significant increase in local ownership;
- improving the quality of local medical services;
- improving the living conditions of the local population.

The reform of local self-government in Turkmenistan began with the adoption of the Law on Local Self-Government. The law states that local government is a form of decentralization and the basic rule of local democracy. Very important is the transparency of local government and the accountability of officials to the public. The law clearly defines the rights and powers of central and local authorities during the delegation of authority. Although the legislation of Turkmenistan clearly defines the competence of local authorities, the issue of administrative reform remains on the agenda. This reform should make the attitude of the central government to local authorities even more clear, which ultimately will ensure a clear separation of powers between the Center and the municipality.

*Kyrgyzstan.* Much work has to be done in the field of developing local self-government in the Kyrgyz Republic. Despite the fact that the republic gained independence more than 20 years ago, the degree of independence of local governments is low and urgently needs legislative changes and reforms. The separation of powers remains an important issue which requires a clear separation of powers between the Center and local authorities. The legal regulation of local self-government is carried out by the Law on Local Self-Government of the Kyrgyz Republic. This law does not fully guarantee the independence of local authorities, which significantly reduces the effectiveness of the activities of local authorities and increases the degree of their dependence on their Centers.

Although the Kyrgyz constitution is the guarantor of the independence of the country's economy, the stability of the country's economy as a whole is almost unimaginable without the legal reform of local authorities, and in fact, in turn, threatens the further development of the socio-economic situation in the country. Currently, the central government of Kyrgyzstan is working on the development of local authorities. Significant legislative changes are being introduced, which should serve as the basis for increasing the independence of local authorities in Kyrgyzstan.

*Tajikistan.* The development of local self-government in Tajikistan is hindered by an ineffective legislative framework, which is a serious obstacle to the development of local self-government. The activities of local governments are regulated by the Law on Local Governments in Settlements and Villages, adopted in 1994. In 2005, a new constitutional law was adopted, namely the Law on Local Government. Despite the adopted laws, the significant development of local government is still impossible. There is currently a mixed form of government in Kyrgyzstan. Despite the collapse of the Soviet Union, the form of local government has not changed, and the current rule is a continuation of the one

which existed before. Currently, the Government of Tajikistan is working on a reform of local self-government, which should lead to significant local reforms, civic initiatives and increased citizen participation in solving local problems. The Republic of Tajikistan has already lost a lot of time, so urgent and effective implementation of local reforms is on the agenda.

*Russia.* The development of local self-government in Russia has been of great importance in the course of democratic processes. According to the Russian constitution, local self-government is the main institution of constitutional construction of the country. The Law "On General Principles of Local Self-Government in the Russian Federation", adopted in 2003, clearly defines the rights and powers of local authorities, the need for citizens to participate in resolving issues of local importance and other important issues. The main responsibility of local governments is the need to implement public administration and increase its effectiveness. Although the law defines the rights of local self-government, the degree of public activity of citizens is still very low, the participation of citizens in resolving issues of local importance is still insignificant; Due to the legal, socio-economic and cultural traditions of Russia, it will be impossible to develop local authorities without the support of the central government. The level of transparency of the work of local government officials is still low, local issues are not resolved together with citizens, budgetary independence of local self-government is low, and local tax revenues are not diversified.

The issue of reforming local government, requiring the adoption of special federal laws, is currently on the agenda in Russia. In accordance with the requirements of the Council of Europe Standards, an important reform is necessary for local authorities, which should provide a significant improvement in socio-economic conditions that will become the basis for resolving issues of local importance, will increase involvement of citizens and ensure the irreversibility of the democratic process.

*Kazakhstan.* In Kazakhstan, local governments are part of the central executive bodies. According to the current legislation, the prerogative of the central government is to support local and regional authorities and generate maximum interest of local residents. The president of the republic appoints special representatives in the regions, and the population votes for self-government at the local level. The government has focused on the need to reform local governments. While the law guarantees the independence of local governments, in practice the situation is completely different: municipalities lack their own budget revenues, which makes it difficult to effectively resolve issues of local importance and negatively affects the development processes in the country as a whole.

The government of Kazakhstan has developed a strategy known as "Kazakhstan-2030," which determines the need of a clear delineation of powers between the Center and local authorities. To do this, it is necessary to

improve the methodology of central and local self-government, which should ensure the transfer of important powers from the central government to the local self-government.

*Ukraine.* Ukraine still has much to do in terms of the development of local self-government. Despite the fact that the republic gained independence more than 25 years ago, the degree of independence of local governments is low and urgently needs legislative changes and reforms. The issue of separation of powers remains a serious problem in Ukraine. It is important to improve the mechanisms of legal regulation of local authorities. The degree of fiscal independence of local governments remains a problem. There is no diversification of local budget revenues, no employment criteria, signs of nepotism are often observed at the central and local levels, which greatly complicates the process of reforming local authorities. The challenge is becoming even more urgent today, as Ukraine has set the course for Euro-structures, which requires serious legislative changes and reforms both at the central and local levels.

Now the central government of Ukraine has local authorities on the agenda in the framework of reform and positive development, we hope that laws will be adopted by the government that will make a significant contribution to the development of self-government, which ultimately will ensure a significant increase in the independent socio-economic situation.

The research showed that the problems faced by local governments in almost all post-Soviet republics (except the Baltic republics) are identical. In particular:

- the degree of independence of local governments is low [5];
- self-government bodies do not have the necessary finances and independent levers to manage them;
- it is not clear what property will be transferred to local authorities [10];
- criteria for appointment to senior management positions are almost unclear;
- there is no effective mechanism for promoting officials;
- there is no diversification of local income/revenue [8];
- local governments do not seek additional budgetary sources;
- the procedure for calculating transfers to local authorities is practically unclear;
- there are subjective approaches adopted by the central government with signs of nepotism;
- self-government bodies do not actually fulfill their legal obligations in terms of creating a healthy environment and identifying health risk factors;
- in many cases, at the local level, the homeless are not identified and do not receive housing;
- strategic plans for the development of local governments are not developed at the local level and do not monitor the progress of the implementation of these plans;
- citizens do not control the expenses incurred by

local governments [6];

- local budgets are often adopted without consulting citizens;
- features of self-government are not taken into account when preparing the budget;
- minorities use the experience of foreign developed countries to ensure the development of municipalities;
- there are significant problems with municipal procurement, mainly due to paralytic legislation [7];
- there is confusion and overlap between the rights and obligations of central and local governments;
- local authorities do not use the experience of friendly cities of developed European countries to improve the local socio-economic situation [11];
- local governments do not identify environmental risks and develop green economy.

Consequently, self-government systems in the former Soviet republics need urgent reform, otherwise the gap between the central and local authorities increases, which negatively affects the development of democratic processes as a whole.

The need for reforms is also confirmed by the European Charter of Local Self-Government, adopted in 1985, which clearly sets out the rights and obligations of those countries that recognize the Charter and have ratified it in their respective legislative bodies. In particular, the preamble to the Charter states that:

The member states of the Council of Europe which have signed this Agreement shall take into account that the aim of the Council of Europe is to achieve greater unity among its members with the aim of upholding the ideals and principles that represent their common heritage;

Take into account that one of the methods to achieve this goal is the conclusion of agreements in the field of management;

Consider that local authorities are one of the key pillars of any democratic regime;

Take into account that the right of citizens to participate in the management of public affairs is one of the democratic principles common to all Council of Europe member states;

Take into account that it is at the local level that this right can most effectively be exercised directly;

Be convinced that the existence of local authorities with real responsibility can ensure effective and close citizenship;

Recognize that the protection and strengthening of local self-government in various European countries is an important contribution to building Europe based on the principles of democracy and decentralized governance;

This implies that local authorities that are empowered with decision-making rights are democratic bodies that have a wide degree of autonomy in their competence in terms of implementation, agree to cooperate and adopt such laws that should ensure the independence of local governments, raise their requirements according to European standards.

Research and observations of the situation in the

former Soviet states allow us to indicate:

- local government is a body that gives citizens the right to participate in planning and solving local problems;
- local government is a form of government, which means that the power belongs to the people;
- local government is a form of government that exists in parallel with the central government;
- local government acts at its own expense, at its own responsibility and risk;
- local governments are obliged to carry out their activities openly/in public;
- self-government bodies should systematically report to the population on their activities;
- local governments should periodically discuss issues with citizens.

**Conclusions and prospects of the further investigations.** From the materials presented, it can be noted that in the near future, significant changes by the central authorities of the former Soviet republics should be included in their regional and municipal strategic plans. First of all, it is necessary to accelerate the process of political and financial decentralization, which in the short term will provide a significant increase in the financial and budgetary independence of local

governments, as well as the development of a result-oriented economic policy that reflects the potential and capabilities of self-government units, implementation, diversification of local budget revenues, improvement legislation to attract investment by local authorities, the creation of joint ventures with developed foreign countries. It is necessary to improve methods of distribution grants, loans and other financial sources from various international organizations in the former Soviet republics. Cooperation should be focused on the local economic development of regions, development of small and medium-sized businesses, developing and implementation of export incentives etc. A common policy should ensure the sustainable development of local governments of the former Soviet republics, which will be a reliable guarantee of political stability in the future.

Only after fulfilling the above criteria will it be possible to create truly independent and democratic self-governments, and their work will be based on the same principles. If there will be no real local authorities and mutual trust between citizens, then in the former Soviet republics self-development will be undermined, welfare and sustainable development of the region will not be provided for citizens.

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## ПРОБЛЕМЫ И ПЕРСПЕКТИВЫ РАЗВИТИЯ САМОУПРАВЛЕНИЙ В БЫВШИХ СОВЕТСКИХ РЕСПУБЛИКАХ

После распада Советского Союза в постсоциалистических республиках одним из актуальных вопросов всегда считался вопрос формирования и усиления местных самоуправлений. В течение

последних двух тысячелетий были подобраны несколько моделей развития самоуправлений, вследствие чего были и позитивные шаги, но, несмотря на это, реальное развитие самоуправлений не осуществилось.

В статье особое внимание уделено тому, что на протяжении десятилетий, в муниципалитетах не использовались существующие резервы. Также самоуправления не имеют современной программы социально-экономического развития территории. Для экономического развития не была ограничена приоритетность различных местных направлений. Вопросы решались спонтанно, без всякого обсуждения и учёта требований населения. Имело также место грубое смешение прав и обязанностей между центральной и местной властями.

В том случае, если не будет реальных местных самоуправлений и высокого уровня качества взаимодействия самоуправлений и населения, развитие таких самоуправлений в бывших советских республиках станет под вопросом, и в конечном итоге не будет обеспечено благосостояние населения и устойчивое развитие регионов.

**Ключевые слова:** местное самоуправление, бюджетная зависимость, фискальная децентрализация, источники бюджетных доходов, публичность деятельности самоуправлений, диверсификация местных доходов.

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## ПРОБЛЕМИ І ПЕРСПЕКТИВИ РОЗВИТКУ САМОВРЯДУВАНЬ В КОЛИШНІХ РАДЯНСЬКИХ РЕСПУБЛІКАХ

Після розпаду Радянського Союзу в постсоціалістичних республіках одним з актуальних питань завжди вважалося питання формування і посилення місцевих самоврядувань. Протягом останніх двох тисячоліть були підібрані кілька моделей розвитку самоврядувань, внаслідок чого були і позитивні кроки, але, незважаючи на це, реального розвитку самоврядувань здійснено не було.

У статті особливу увагу приділено тому, що протягом десятиліть, в муніципалітетах не використовувалися існуючі резерви. Також самоврядування не мають сучасної програми соціально-економічного розвитку території. Для економічного розвитку була розмежована пріоритетність різних місцевих напрямків. Питання вирішувалися спонтанно, без будь-якого обговорення та обліку вимог населення. Мало також місце грубе змішання прав та обов'язків між центральною і місцевою владою.

У тому випадку, якщо не буде реальних місцевих самоврядувань та високого рівня якості взаємодії самоврядувань та населення, розвиток таких самоврядувань в колишніх радянських республіках стане під питанням, і в кінцевому результаті не буде забезпечено добробут населення та сталий розвиток регіонів.

**Ключові слова:** місцеве самоврядування, бюджетна залежність, фискальна децентралізація, джерела бюджетних доходів, публічність діяльності самоврядувань, диверсифікація місцевих доходів.

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