

UDC: 353

DOI: <https://doi.org/10.32689/2617-2224-2019-17-2-143-150>

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PROBLEMS OF FINANCIAL DECENTRALIZATION IN UKRAINE

Abstract. The article is devoted to the consideration of the main problems that arise in the process of financial decentralization in Ukraine. Inadequate financial support of local authorities was found. The ways of solving problems and improving financial autonomy of local self-government bodies are offered.

The development of any society is largely determined by the system of multi-level governance, from the central to the municipal. A well-established mechanism of interaction and division of powers is the basis of the stability of any state.

The democratic country guarantees that the people are the bearers of sovereignty and the only source of power in the country. People exercise their power in various ways, including through local self-government bodies.

Now the theme of local self-government development is one of the most urgent in Ukraine.

Political and legal reforms in Ukraine have led to a change in the legal mechanism for regulating the organization and implementation of local self-government in the country. The interest of both science and practice is intensified to the issues of creating an optimal system of local self-government and improving the efficiency of local self-government bodies. One of the most important problems is the fi-

nancial security of local governments. Effective development of the system of local self-government is impossible without proper support from the state authorities.

If we look broadly at the marked problem of cooperation between the state and local self-government, then it is possible to treat the bodies of state administration and local self-government bodies as elements of a unified system of social management, public power, which provides the vital functions of society as a whole.

Keywords: financial decentralization, local budget, local self-government reform, financial resources, development of territory.

ПРОБЛЕМИ РЕАЛІЗАЦІЇ ФІНАНСОВОЇ ДЕЦЕНТРАЛІЗАЦІЇ В УКРАЇНІ

Анотація. Розглянуто основні проблеми, що виникають у процесі фінансової децентралізації в Україні. Виявлено неналежне фінансове забезпечення органів місцевої влади. Запропоновано шляхи вирішення проблем та вдосконалення фінансової автономії органів місцевого самоврядування. Розвиток будь-якого суспільства багато в чому визначається системою багаторівневого управління, від центрального до муніципального. Добре налагоджений механізм взаємодії й розподілу повноважень — основа стабільності будь-якої держави.

Демократична держава передбачає, що носієм суверенітету і єдиним джерелом влади в країні є народ. Свою владу народ здійснює різними способами, в тому числі за допомогою органів місцевого самоврядування.

На сьогодні тема розвитку місцевого самоврядування одна з найбільш актуальних в Україні.

Політична і правова реформи в Україні привели до зміни правового механізму регулювання організації та здійснення місцевого самоврядування в країні. Посилюється інтерес як науки, так і практики до питань створення оптимальної системи місцевого самоврядування та підвищення ефективності діяльності органів місцевого самоврядування. Однією з найбільш важливих проблем є фінансове забезпечення органів місцевого самоврядування. Ефективний розвиток системи місцевого самоврядування неможливий без належної підтримки з боку органів державної влади.

Розглядаючи проблему взаємодії держави та місцевого самоврядування, органи державного управління й органи місцевого самоврядування можна трактувати як елементи єдиної системи соціального управління, публічної влади, що забезпечує життєдіяльність суспільства як єдиного цілого.

Ключові слова: фінансова децентралізація, місцевий бюджет, реформа місцевого самоврядування, фінансові ресурси, розвиток територій.

ПРОБЛЕМЫ РЕАЛИЗАЦИИ ФИНАНСОВОЙ ДЕЦЕНТРАЛИЗАЦИИ В УКРАИНЕ

Аннотация. Рассмотрены основные проблемы, которые возникают в процессе финансовой децентрализации в Украине. Выявлено ненадлежащее финансовое обеспечение органов местной власти. Предложены пути решения

проблем и совершенствования финансовой автономии органов местного самоуправления.

Развитие любого общества во многом определяется системой многоуровневого управления, от центрального до муниципального. Хорошо отлаженный механизм взаимодействия и распределения полномочий — основа стабильности любого государства.

Демократическое государство предполагает, что носителем суверенитета и единственным источником власти в стране является народ. Свою власть народ осуществляет различными способами, в том числе с помощью органов местного самоуправления.

На сегодня тема развития местного самоуправления одна из наиболее актуальных в Украине.

Политическая и правовая реформы в Украине привели к изменению правового механизма регулирования организации и осуществления местного самоуправления в стране. Усиливается интерес как науки, так и практики к вопросам создания оптимальной системы местного самоуправления и повышения эффективности деятельности органов местного самоуправления. Одной из наиболее важных проблем является финансовое обеспечение органов местного самоуправления. Эффективное развитие системы местного самоуправления невозможно без должной поддержки со стороны органов государственной власти.

Рассматривая проблему взаимодействия государства и местного самоуправления, органы государственного управления и органы местного самоуправления можно трактовать как элементы единой системы социального управления, публичной власти, обеспечивающие жизнедеятельность общества как единого целого.

Ключевые слова: финансовая децентрализация, местный бюджет, реформа местного самоуправления, финансовые ресурсы, развитие территорий.

Formulation of the problem. Decentralization of power is one of the priority reforms in Ukraine, which envisages the establishment of an effective system of organization, as well as management of socio-economic development at the local level.

The current state of the system of local self-government in Ukraine does not meet the needs of society. Territorial communities do not have sufficient resources to create and maintain an appropriate living environment. Con-

sequently, there are no qualitative administrative, social and other necessary services for the full development of a person in the respective territories.

The main task of the Ukrainian economy is to raise the standard of living of the population. Practice shows that at the local level, it is possible to solve social problems much more effectively than at the state level. Fiscal decentralization reform should be implemented, which involves the transfer and delegation of spending po-

wers, the creation of a financial base for local government and the development of a system of solving problems at the local level. That is why in Ukraine the actual problem, which requires further research, is financial decentralization.

Analysis of research on the topic.

The problem of research on financial decentralization is reflected in the writings of domestic and foreign scientists J. K. Van Horn, A. Tkachuk, L. Novakovskii, I. S. Volokhova, D. V. Nehaychuk, A. Galchinsky and others. However, there are many unresolved issues. First and foremost, is the search for new sources of local budgets and their effective use.

The purpose of the article is to highlight the significant issues that arise during the implementation of the reform of financial decentralization in Ukraine, the provision of recommendations and ways to resolve them.

Presentation of the main research material. Decentralization is the transfer of powers, functions and responsibilities from state authorities to local ones [7]. The goal of decentralization is to identify and organize the satisfaction of the collective needs of the local population.

Local self-government is an independent territorial settlement of local questions.

In the system of public administration decentralization is one of the most important principles. As a rule, in developed countries, central government carries out national functions, such as national defense, macroeconomics, monetary sphere, judicial system, management of transport communications of national importance.

Local self-government bodies should take maximum account of the interests of citizens, in such areas as health care, education, utilities and communications, improvement and law and order.

The country's democratic development depends on the decentralization of the budget process and the implementation of clear and transparent relations between the state and local budgets. Now Ukraine is at the stage of becoming a market economy, and processes of financial decentralization play an important role; it is necessary to strengthen mechanisms of state regional policy. That is what will lead to sustainable development, economic growth and promote the expansion of democratic processes.

Financial decentralization should create a new effective system of intergovernmental fiscal relations that would allow local self-government bodies to become financially independent and, accordingly, more responsible [5].

For economic growth of a territorial community, financial decentralization should include new tools for the influence of local communities, as well as the search for new sources of revenues to local budgets.

Responsibility and efficiency of government will increase thanks to the reform of local self-government. Expected, that the formation of executive power by local self-government bodies rather than the appointment of them from the center will enable the population to influence officials.

The process of decentralization complicates the problems of legal and institutional character in Ukraine [2]. Among them, the constitutional and le-

gal uncertainty of the territorial basis of local self-government, inefficient state regional policy, excessive centralization of powers, financial, material and other resources.

It is necessary to solve the problem of distrust of the population to local self-government bodies and alienation of these bodies from the community. People need to be involved in solving community-wide issues, perhaps due to a local survey. In this way, transparency will increase in decision-making and will significantly reduce the corruption component of government work. Similarly, the situation with the observance of basic rights and freedoms of citizens will improve.

Need to reform the tax and budgetary system, as well as to expand the financial base of local self-government in accordance with the powers delegated by local authorities. This contributes to the modernization of transport infrastructure, life support systems, communication and improvement of the work of social services. The process of development of territories will be with the equalization of socio-economic development is activated.

Extending the powers of local authorities in matters of fiscal policy opens the way for the development of local business. Local authorities will have the opportunity to stimulate entrepreneurship, attract financial resources to invest in the municipal economy, and implement projects important for communities. The development of local business, at the same time, will ensure the creation of new jobs and will enable local economies to adapt to the crisis and experience the loss of external markets.

Necessary to ensure the proper formation of local budgets' own revenues in volumes that will increase the effectiveness of socio-economic development, namely: to improve the system of administration of property tax; to solve the problem of inventory of land and the formation of a complete land cadaster; complete the formation of the state register of real rights to real estate; apply differential correction coefficient to equalize the amount of tax revenues taking into account the characteristics of the real estate markets of different settlements of Ukraine, which affect the real value of real estate.

There is a problem of the limited possibilities of local self-government bodies to have their own finances through their blocking in the system of the State Treasury of Ukraine. Local government should influence the formation of tax revenues on its territory, which will improve the process of financial decentralization. It is necessary to cancel the mandatory withdrawal of funds from local budgets in case of over-fulfillment of the revenue part, as the incentive for the economic development of the territory and its financial autonomy is lost.

Local government bodies need to increase the efficiency and transparency in using budget funds, in particular by introducing at the local level a system for monitoring the implementation of budget funds and informing the public with the help of modern information technologies. Transparency in using taxpayers' money is the best effective anti-corruption tool.

Need to solve the problem of the reluctance of developed and financially

prosperous communities to unite with the poor. In this plan, other questions related to the feasibility of such an association remain unanswered. Many people see this as a simple way for the central government to somehow avoid responsibility for the chronically unsolved problems of small settlements.

Personnel updates should be made. A serious problem is a significant lack of high-quality staff, low qualifications of employees of local self-government bodies. This leads to the unpreparedness of staff to perceive innovations, to develop and adopt effective managerial decisions, as a result of inefficient use of financial resources.

Important elements in the association of communities, which should be taken into account are the ethnic composition of the population and regional features. The unification of territorial communities by the principle of size can lead to unpredictable consequences. Because the population is a variable.

Necessary to take into account the difference in the types of settlement. It is worth taking into account the specifics of small and monofunctional cities. To a large extent, the situation is difficult to disperse due to the unwillingness of the population to exacerbate the situation (in Zakarpattia oblast — tolerance, passivity, as a result of multiculturalism and experience of existence in several states during a short historical segment), the preservation of some resource of trust in the authorities, hopes for improvement as a result of European integration.

Worthwhile calculating the local budget revenues for the population,

this will allow for a sufficient amount of money per person. With this method it is possible to assess the possibilities of the territory in social development, the need for subjects, and develop measures on the effectiveness of the potential contained in the country.

Due to financial decentralization, the autonomy of local authorities in the field of socio-cultural policy will increase. An opportunity will be opened for financing from local budgets the programs for the development of regional languages and languages of national minorities, cultural, educational and social projects with regional specificity. As expected, this should remove from the agenda the issue of socio-cultural discrimination and expand the humanitarian rights of local national groups.

The reform of local self-government should transform local councils into influential political players, whose opinion will be taken into account by the central authorities in the development of national policy.

A key point in the reform of local self-government and decentralization of power is the disposal of finances. Important to give the opportunity to develop local communities and support their initiatives. The center should be able to assist one or another local project bypassing the oblast area government. This is possible with the establishment of a specialized centralized Regional Development Fund.

European experience (Poland, Czech Republic, Denmark, Norway, France) shows the success of “bottom” decentralization. The authority to manage the territory and finances in the community will give the oppor-

tunity to strengthen the state, develop both vertical (center-regions) and horizontal ties.

The effectiveness of decentralization should be measured primarily by the social effect (lowering the unemployment rate, improving the environmental environment in a certain area, increasing the life expectancy) [9]. Also need to take into account the structure of the territory's economy and potential, which determines the priorities for its further development.

Only systematic implementation of effective policies and reforms will help financial decentralization to become an effective instrument of public administration in budget relations, which will increase the efficiency of public services through delegation of authority, autonomy and financial capacity.

Conclusions. An important condition is the revival of communal economies with the assistance and direct participation of the country.

Decentralization should not mean the “escape” of the state from local problems and attempts to distance itself from solving local problems. Participation of the country in the development and implementation of programs for the development of territories, including in the form of loans and investments, will accelerate the revival of economic activity in the field, will give impetus to job creation and the growth of well-being.

One of the conditions for economic development is the inclusion of the population and private investors in investment projects of local self-government bodies. This will be facilitated by the development of the financial market of municipal securities, the for-

mation of communal banks and credit unions.

The transition to national self-government will be facilitated by the development of direct democracy institutions. Much of the local problems should be solved by conducting local polls and plebiscite. Communities should be endowed with the right of legislative initiative.

Need active policy of the center by regions, personnel upgrading, fighting corruption, reforms aimed at improving the economy and the social situation in the regions, developing horizontal links between the regions (for example, infrastructure projects – roads, transport, tourism, health improvement, etc.).

Also important to expand the capacity of communities in the area of humanitarian policy. The refusal of the state from a monopoly in the field of socio-cultural and linguistic politics will create conditions for the termination of political speculation around humanitarian and linguistic problems.

Financial decentralization opens significant opportunities and prospects for ensuring the ability of local self-government to independently solve local life issues.

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