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РЕГІОНІВ УКРАЇНИ / IMPACT OF FINANCIAL DECENTRALIZATION
ON THE DEVELOPMENT OF UKRAINIAN REGIONS»**

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Ковальчук Олександра Іванівна

Керівник: Буй Т.Г.
кандидат економічних наук, доцент

Рецензент _____
(прізвище та ініціали)

Кваліфікаційна робота захищена
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INTRODUCTION

The priority direction for the development of a true democratic state is to ensure that every citizen has a better standard of living. Referring to the experience of developed European countries, in order to achieve this goal, good governance is needed, which should strengthen democratic institutions, eliminate inequalities of access to public goods, improve the quality of public services and the standard of living of the population. Decentralization is a process aimed at creating an effective structure of local government with openness and flexibility that will strengthen representative decision-making systems at the community level.

The relevance of the research topic is due to the poor state of regional finance at present. Since the current system of local budgeting is characterized by low levels of financial independence, a decrease in the share of own revenues and an increase in transfer payments, as well as the lack of appropriate incentives for social-economic development, it impedes the implementation of effective state regional policy as one of the main factors for ensuring market development and further development economy of Ukraine.

One of the main problems of the modern development of the national economy is the scarcity of financial resources. Solving this problem requires a proper correlation between revenues and expenditures, since the scarcity of financial resources localizes the economic basis of the functioning of the state's budgetary system, including its component, local budgets.

The purpose of the diploma work is to identify the consequences of financial decentralization and its impact on the financial provision of territorial communities, to address the problematic aspects of forming self-sufficient, financially viable communities by analyzing the impact of fiscal decentralization on the formation of local budgets and budgets of integrated territorial communities.

In accordance with the purpose of the diploma were assigned the following **tasks**:

- to explore the concept and nature of local budgets;
- to analyze the actions of local self-government in the conditions of obtaining considerable powers and transfers from state bodies;
- to determine the problems of the establishment of financial decentralization and suggest possible solutions;
- to analyze the prospects of development of local budgets at this stage;
- to identify the impact of local finance on the regional economic development.

The object of research is a set of theoretical, methodological and applied aspects of the formation of the model of financial decentralization as a way to implement economic growth of local governments.

The subject of the research is impact of financial decentralization on the development of the regions of Ukraine.

Research methods. The methodological basis of the qualification work is the fundamental provisions and principles of the theory of public and local finance, state regulation of the economy, modern concepts of regional development. A set of general scientific and special methods of scientific cognition is used in the work, which provided an opportunity to realize the unity of scientific research. For the development of theoretical and methodological and applied principles methods are used: logical generalization, analysis, synthesis; comparative and statistical analysis, system-structural and functional analysis, as well as economic-mathematical modeling - and econometric approach (in the study of the impact of financial decentralization on the economic growth of Ukrainian regions).

The information base of the study is: legislative and regulatory acts of the Verkhovna Rada of Ukraine, the Cabinet of Ministers of Ukraine; materials and statistical data of the Ministry of Finance of Ukraine, the State Treasury Service of Ukraine, the State Statistics Service of Ukraine; scientific works of leading domestic and foreign scientists; analytical calculations of the author, performed in the research process; Internet resources.

Analysis of research and publications. The topic of decentralization and budgetary decentralization, in particular, are covered in the works of many leading Western scholars R. Barro, G. Blochliger, J. Buchanan, K. Arrow, J. M. Keynes, D. King, R. Musgrave, W. Oates, A. Pigou, D. Ricardo, C. Thibaut, J. Hicks; and Ukrainian scientists, namely the works of O. Sokolova, G. Wozniak, M. Pasichny, A. Stasyshyn, O. Grabchuk, V. Demyanyshyn, V. Zymovets, I. Lunina, V. Oparin, V. Fedosov, S. Yuri, who emphasized the importance and necessity of initiating such reforms, which would help increase the well-being of the country's population.

Structure of work. The diploma consists of an introduction, three parts, and conclusions.

In the first part is being considered with the structure, features and social-economic importance of financial decentralization of regions.

In the second part, there is devoted to the analysis of the development of decentralization in developed countries, conducted a budgetary analysis of local budgets and investigated the influence of internal factors on the development of regions.

The third part is, recommendations for the countries in the early stages of introduction of this process, and especially for our country, as well as the problem of financial decentralization in Ukraine and discussed recommendation for previous researches.

PART 1

CHARACTERISTICS OF ORGANIZATION AND MANAGEMENT OF FINANCIAL DECENTRALIZATION IN UKRAINE

1.1. Features of financial decentralization in Ukraine

Financial, or fiscal, decentralization reflects the financial powers of regional authorities and is one of the basic conditions for the independence and viability of local authorities: decentralization of decision-making processes increases the capacity of local authorities to participate in the development of their territories; fiscal decentralization contributes to the efficient provision of public services by more closely aligning government spending with the most urgent local needs. A prerequisite for the existence of an effective institution of self-government is the formation of a large part of local budget revenues through local taxes and fees, which are independently set by the self-government bodies. The realization of the legally enshrined right of every administrative-territorial formation to economic independence is impossible without the presence in each authority of its own budget and the right of its preparation, approval and execution without outside interference.

Fiscal decentralization is the most complete and perhaps the most transparent type of financial decentralization, as it is directly linked to budgetary practices. It means the transfer of resources from the center to places. The terms of such a transfer are often discussed in the course of negotiations between central and local communities (LCs) on the basis of several factors, including the interconnection of regions, availability of resources and local governance.

The main tasks underlying financial decentralization include:

- the transfer of powers from the executive authorities to the level of local communities and the consolidating sufficient financial resources for them;

- a clear division of powers between the executive authorities and between the different levels of local self-government bodies;
- strengthening the accountability of local self-government bodies and officials for their decisions to the electorate and the state.

The purpose of decentralization can be described as a departure from the centralized model of government in the state, ensuring the capacity of local self-government and building an effective system of territorial organization of power in Ukraine, and ultimately - creating and maintaining a complete living environment for citizens, providing high-quality and accessible public services, establishing direct institutions. democracy, satisfy the interests of citizens in all spheres of life activity in the respective territory, coordination of interests of the state, and local communities [1].

The organization of local self-government and its financial support in both Ukraine and foreign countries is carried out in accordance with the provisions of international legal acts, namely the European Charter on Local Self-Government.

The main normative act in Ukraine is the Constitution (Article 132), which states that the territorial structure of our country is based on the principles of unity and integrity of the state territory, the combination of centralization and decentralization in the exercise of state power, the balance of social-economic development of the regions, taking into account their historical, economic, environmental, geographical and demographic characteristics, ethnic and cultural traditions [2].

Provisions directly related to fiscal decentralization are governed by the Budget and Tax Codes of Ukraine. The key changes are to empower local governments at making decisions and giving them full budgetary autonomy to fill their budgets and exercise their spending powers [3]. The amendments made to the Tax Code of Ukraine have increased the fiscal independence of local governments in relation to local taxes and fees and given the right to independently determine tax rates and establish benefits from their payment. New subsidies from the state budget to the local budgets - education and medical - were introduced to cover expenditures on state delegated powers in the fields of education and health [4].

Therefore, decentralization, as one of the priority reforms in Ukraine, aims at moving away from the centralized model of government in the country, realizing the principles of subsidiarity, ubiquity and financial self-sufficiency of local self-government and enhancing the role of merged communities in implementing economic and structural reforms. The peculiarity of local government reform in Ukraine is the unification of territorial communities to improve their financial status, efficient provision of administrative and social services.

In today's context, financial decentralization is seen as a prerequisite for the successful decentralization of state functions in the context of democratic change. So, the main subjects of budget decentralization:

- open up additional opportunities for a local budgeting process;
- increasing the freedom to use the funds of local self-government bodies;
- local communities activity and initiative is growing;
- responsibility for resolving local problems is developing;
- control over budget implementation is being strengthened;
- the efficiency of the transfer policy increases;
- implementing effective financial equalization.

In addition, the President of Ukraine signed the Decree of December 18, 2019, on the establishment of the Council for development of communities and territories (and the Council of regional development), which will study the social-political and social-economic processes in the regions, formulate the priorities of the state regional policy, and establish interaction of state communities with local self-government bodies.

The Council for development of communities and territories will be responsible for implementing local government reform, monitoring the implementation of presidential acts on regional policy and analyzing legislation on regional development, local government and territorial organization of government, as well as for preparing proposals for its improvement [5].

Thus, budgetary decentralization reform makes it possible to make better and fair decisions on the management of territorial finances, and the administrative and

territorial structure of the country must be constructed in such a way as to simultaneously maximize the interests of residents and to ensure budgetary funds for the provision of public goods.

1.2. Functional organization of financial decentralization

Decentralization is primarily aimed at reforming local self-government and territorial organization of government in Ukraine.

Today, the vast majority of Ukrainian territorial communities, having the right to resolve issues of local importance, are unable to do so due in the absence of own resources, decline or lack of infrastructure or shortage of qualified personnel. Therefore, many issues of local importance are not resolved: municipal property, territory, landscaping, etc. are not properly maintained.

In April 2014, the Cabinet of Ministers of Ukraine has approved the concept of reforming local self-government, which has three directions: communities, districts and regions.

Decentralization of power envisages a system of local self-government, comprising 27 regions, 120-150 districts and 1,500-1,800 communities. The local communities are expected to receive the same revenue resources and authorities as in cities of regional importance [6].

The merged local communities belong to the basic level of the territorial structure of Ukraine. The newly created districts decide only what is within its competence. The remaining powers of the districts will become the responsibility of the local communities (Table 1.1).

Table 1.1

Competencies of reformed communities

Reformed communities	Content of competencies of reformed communities
Community (town, village, township)	Local economic development
	Development and maintenance of local infrastructure
	Planning of the community's development and improvement
	Social assistance
	Secondary, pre-school and out-of-school education
	First aid, primary health care
	Culture and physical culture
	Municipal law enforcement authorities
	Utility services, maintenance of the communal property
	Passenger transportation in the community
District	Retention of joint ownership objects of district territorial authorities
	Parenting and education of children in boarding schools
	Transport infrastructure of regional importance
	Provision of secondary care
Region	Retention of joint ownership objects of region territorial authorities
	Specialized secondary education
	Development of culture, sports and tourism
	Specialized healthcare
	Transport structure of regional importance
	Regional development planning

Source: author-based [7].

Allocation of powers in accordance with the principle of subsidiarity is one of the main principles of decentralization, according to which the authorities that are closest to the people, and at the level of which the tasks and the provision of services are the most efficient and the least costly, should have the most powers.

The transfer of more authority to local communities is accompanied by an increase in the responsibilities of these bodies. Consolidation of the position of local

self-government in Ukraine will increase the responsibility to citizens for ensuring their standard of living.

Figure 1.2 describes the powers of local governments in the merged communities.

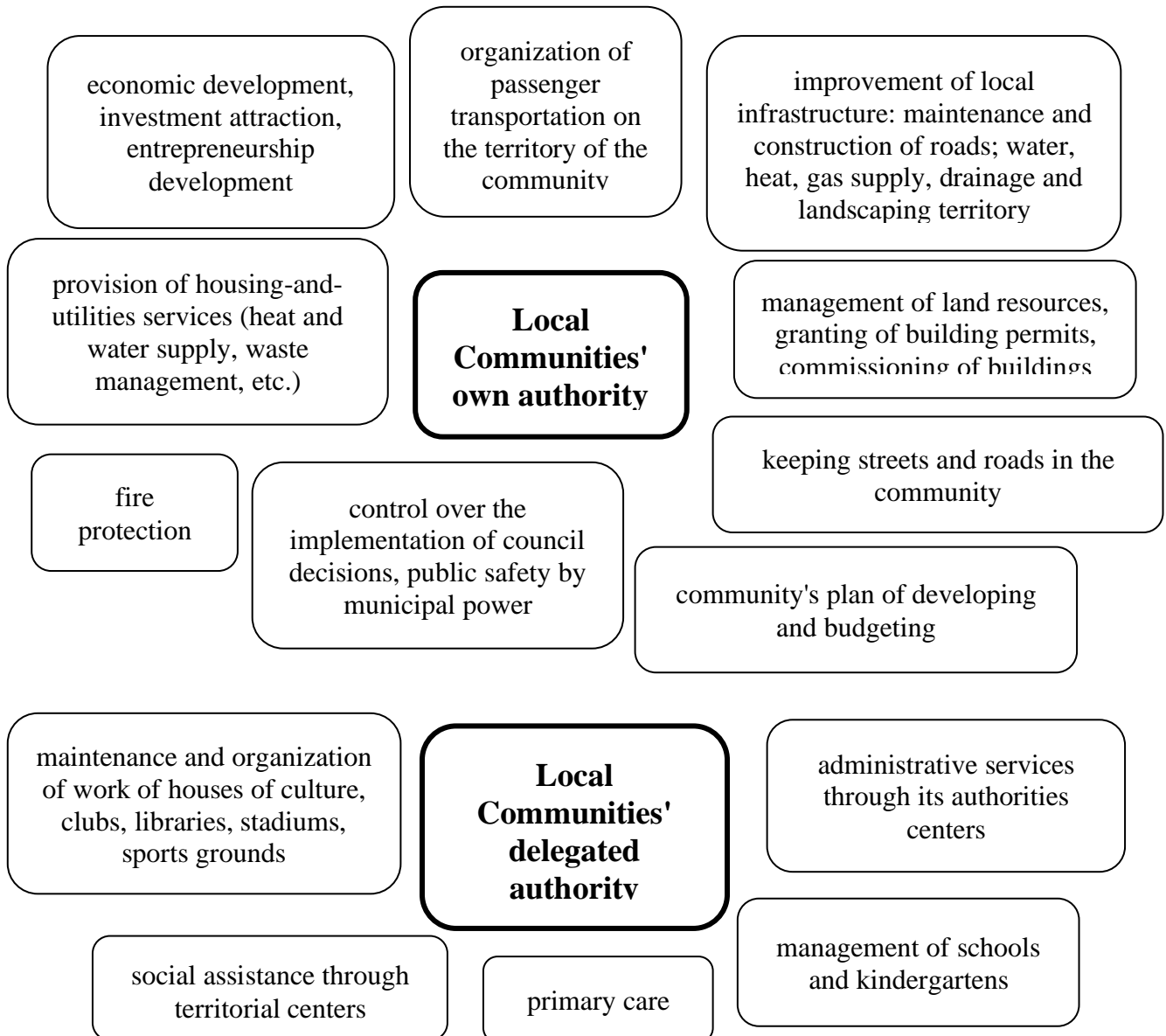


Fig. 1.2. Authority of local government in the merged communities

Source: author-based [8, p.9].

In general, the powers are delegated by the state to local communities operating at the level of administrative and territorial structure at which it is possible and expedient to exercise them in view of the personnel, financial, infrastructural potential and resources necessary for the exercise of powers at such level. Thus, decentralization is a process of redistribution of proxies and levels of competence between central and

local levels of public authority organization, with a shift in focus to the local level in terms of the implementation of functions defined in advance and guaranteed by the state's functions.

The main territorial unit within decentralization is the community. The local community has a chair and executive committee that performs all the functions of LC's management. Villages that are included in a local community must elect head, who is part of the executive committee of the local community and performs the same functions that were in the village council. Executive committees should be established at the district and regional levels. Local communities will be able to make external & internal borrowings, independently select institutions to serve local budget funds in respect of development budgets and own revenues of budgetary institutions.

The structure of the executive committee of local communities is as follows (Figure 1.3):

Responsible parties	Institutions
<input type="checkbox"/> Head of the merged community	<input type="checkbox"/> Finance administration and General Department
<input type="checkbox"/> 2-3 deputy heads of the territorial community	<input type="checkbox"/> Department of housing-and-utilities services, landscaping, environmental protection and infrastructure
<input type="checkbox"/> Secretary of the local community council	<input type="checkbox"/> Department of economic development and investment (Community Development Institute)
<input type="checkbox"/> Head of the territorial within the executive committee	<input type="checkbox"/> Department of town planning, architecture and capital construction, Service city planning cadastre
	<input type="checkbox"/> Department of communa property and land relations
	<input type="checkbox"/> Department of legal issues and Archive department
	<input type="checkbox"/> Center for administrative services and Health department
	<input type="checkbox"/> Department of keeping the State Register of Voters
	<input type="checkbox"/> Department of education, youth and sports
	<input type="checkbox"/> Department of culture, tourism and media
	<input type="checkbox"/> Administration of social protection of population and labor
	<input type="checkbox"/> Service in the right of children, center of family and youth, homeless accounting center
	<input type="checkbox"/> Sector for emergency situations and civil protection of population and territories
	<input type="checkbox"/> Sector of organizational-personnel work

Fig. 1.3. The structure of the executive committee of local communities
Source: author-based [8, p.15].

Local communities have the opportunity to create specialized units for control over the implementation of decisions executive's bodies of the community (municipal guard).

The reform project foresees the abolition of regional and district state administrations. Instead, the prefect will represent the central authority on the local. They will oversee compliance with the law by local governments, including the executive branch. At the same time, community, district and region councils will form their own executive committees. The prefect will be appointed and dismissed by the President at the request of the Cabinet of the Ministers. The prefect acts can be overturned by either the resident or the government. If a local community adopts an act that is not in conformity with the Constitution or threatens the sovereignty of the state, territorial integrity or national security, the President will have the possibility not only to suspend this act and apply to the Constitutional Court but also to appoint a temporary LC's head. It will organize local government activities.

The peculiarity of the local communities is the presence of a head, who is a local government official and is elected in accordance with the procedure established by law. The head is elected in the villages, townships determined by the decision of the local council of the merged territorial community for the term of authority of this local council. A head is not elected in the center of the community.

Head's powers:

- 1) represents the interests of the residents of the village, the township in the executive communities of the village, township, city council;
- 2) assist the residents of the village and township in the preparation of documents which are submitted to the local self-government bodies;
- 3) participates in the preparation of the draft budget of the local community in the part of financing programs implemented in the territory of the respective village, township;
- 4) submit proposals to the executive committee of the village, township, city council for activities in the territory of the respective village, township of the executive

committees of the village, township, city council, enterprises, institutions, organizations of communal ownership and its officials;

5) implement other duties as defined in the Regulations on head approved by the committee of the local community. The Regulation defines the rights and obligations of the head, the order of its reporting, other issues related to the activity of the head;

6) is a member of the executive committee of the local community by title.

Consequently, decentralization aims to make significant changes to local self-government and territorial organization of government in Ukraine. Decentralization will create communities that are able to take responsibility for its own development. They receive additional funding, additional powers. Local communities have real power in the regions. It strengthens local self-government, makes the system of power in the regions truly democratic.

1.3. Social-economic importance of financial decentralization

The basic idea of a democratic country is securing the growth level of prosperity of each individual citizen, whereas one of the main prerequisites for its development is to provide the legal, organizational and financial autonomy of local government bodies.

Nowadays, Ukraine aims implementation of the European integration course, the realization of international-legal obligations, including the development of local and regional democracy. The democratization of society and the simultaneous decentralization of power on the basis of subsidiarity remain Ukraine's priorities.

In general, the process of decentralization is the restructuring or reorganization of authority, which results in a system of shared responsibility of institutions at all levels of government (central, regional, local) in accordance with the principle of subsidiarity, which increases the quality and efficiency of the governance system and the ability of popular co-determination economic, social, political decisions and thus provides transparency and operative implementation of these options.

The target for conducting decentralization processes in Ukraine is enshrined in the Concept of reforming local authorities and territorial organization of government

from April 1, 2014 [7 & 9]. The budgetary policy should promote sustainable and effective economic development since the main instrument of social-economic policy is the budget. Therefore, at the present stage of management, the basis is budgetary decentralization.

Budget decentralization is the process of delegating powers (functions, jurisdictions, and amenities) from the central government to local bodies [10]. Financial management is the most difficult issue of fiscal decentralization. Although there is an urgent need to delegate proxies to the lower levels of government, the local authorities normally do not have sufficient means to fulfill its new budgetary powers.

Fiscal decentralization launched by amending the Budget and Tax Codes of Ukraine, according to which [3 & 4]:

- increased independence of local budgets adoption, regardless of the state budget acceptance;
- about 50 sources of income are assigned to local budgets in order to increase the financial solvency of communities;
- the system of balancing was replaced by the system of fiscal equalization;
- educational and medical subventions allocation are assigned to sectoral ministries for transfers to local government authorities;
- redistribution of powers' expenditures by state and local governments on the principle of subsidiarity;
- stimulation of territorial communities to integrate and switch to direct intergovernmental relations with the state budget.

The government plans to create a system whereby the available financial resources are to work effectively for Ukrainian citizens. Therefore, within the framework of budgetary decentralization, both the incomes and the obligations on which local communities should act for locals interest.

According to the reform, the budgets of the Local Communities are given additional powers and appropriate financial resources, as cities of regional importance, in which remains: 60% tax on personal income (PIT), 100% tax on property (real estate, land, transport), 100% uniform tax, 100% excise tax on retail trade (tobacco, alcohol,

petroleum products), 100% income tax on utility institutions, 100% administrative fees, 25% environmental tax, other fees and payments, inter-budget transfers, and proceeds from programs and benefits [11].

In addition to the expenditures on the exercise of self-governing powers, the LCs' budgets cover the expenditures delegated to the state for its implementation, namely: for the maintenance of budgetary institutions, such as education, culture, health, sports, social protection and social security. Expenditures of non-merged local authorities are limited only to the financing of expenditures on self-governmental powers since they deprive the state of the powers that can be delegated by the state to the local self-government perform [12].

Furthermore, LCs' budgets are involved in horizontal alignment. The alignment is applied only on the personal income tax, the rest of the taxes remain at the disposal of local authorities. To increase its fiscal capacity, LCs' budgets with revenues below the 0.9 average in Ukraine are provided with grant-in-aid. From the local communities' budgets that have a level of income above 1.1 Ukraine average, a reverse subsidy is transferred. Non-merged communities' budgets do not participate in horizontal tax equalization and are not provided by a base grant [13].

In accordance with article 99 of the Budget Code of Ukraine, the following budgetary transfers are envisaged by the LCs' budgets: a basic grant, educational subvention, medical subvention, other subventions and governmental grants [3].

The local communities have the right to make local internal borrowings and local external borrowings (including by obtaining loans from international financial institutions) in order to implement its powers authorization. The non-merged local village communities, township, cannot make any borrowing. At the same time, authorities of local importance may make local internal borrowings and external ones solely by obtaining loans from international financial institutions. Thus, the newly created LCs provide for a change in pre-financing approaches, which, in the first place, will allow local communities to use its funds more efficiently [14].

On January 17, 2020, the Verkhovna Rada of Ukraine adopted in first reading the draft Legislation on amendments to the Law of Ukraine "On Local Self-

Government in Ukraine" No. 2653 of December 20, 2019. As reported, this bill introduces the notions of the administrative center of the territorial community and the territory of the territorial community. In addition, leading into the final and transitional provisions, which specify the authority of the Cabinet of Ministers of Ukraine to designate administrative centers and territories of territorial communities, as well as submit to the Verkhovna Rada of Ukraine legislative acts on the formation and liquidation of communities. The implementation of the provisions laid down in the law will allow local elections to be held in 2020 on new local communities, regions and districts.

Thus, currently, budget decentralization is the most effective and efficient way of ensuring financial autonomy and sustainability of local authorities by delegating to them powerful sources of budget revenues previously assigned to the central government and expanding the financial base of administrative and territorial entities. That is, the entry of a new model of financial support for local budgets is to extend the rights of local communities, the sources of their formation, to give them full budgetary autonomy and to create a real basis for the exercise of its powers.

The new legal framework has significantly strengthened the motivation for inter-municipal consolidation in the country, created the appropriate legal conditions and mechanisms for the formation of capable territorial communities of villages, settlements, cities, which unite their efforts to solve urgent problems. The new model of financial support for local budgets, which have gained some autonomy and independence from the central budget, has also already paid off. The success of the reform at the first stage shows that Ukraine has chosen the right path and needs to move forward.

Conclusions to part 1

Interaction and division of powers is the basis for financial decentralization to achieve social-economic growth of regions. The strategic target of financial decentralization is to create an effective system of governance that will provide quality services to the public, bring power closer to the population and maximize authority to the people.

The Council for the development of communities and territories, which has been operating since the end of last year, should monitor the implementation of local government reform so that financial decentralization is more effective, making the right decisions on managing territorial finances, maximizing the interests of residents and providing budgetary funds for the provision of public goods.

Decentralization of powers on at the local level allocates to three directions: communities, districts and regions. In accordance to principle of subsidiarity, the power are closest to the public, and on that level assignments and services provision are the most efficient and the least costly, should have the most powers.

Powers of local governments divided on own authority and delegated authority of local communities. Thus, decentralization is a process of redistribution of proxies and levels of competence between central and local levels of public authority organization, with a shift in focus to the local level in terms of the implementation of functions defined in advance and guaranteed by the state's functions.

The target for conducting decentralization processes in Ukraine is enshrined in the Concept of reforming local authorities and territorial organization of government from April 1, 2014. According to the reform, the budgets of the Local Communities are given additional powers and appropriate financial resources.

The entry of a new model of financial support for local budgets is to extend the rights of local communities, the sources of their formation, to give them full budgetary autonomy and to create a real basis for the exercise of its powers.

PART 2

ANALYSIS OF GLOBAL AND UKRAINIAN EXPERIENCE IN FINANCIAL DECENTRALIZATION DEVELOPMENT

2.1. Decentralization trends in developed countries

Today, considerable attention is paid to studying the experience of legislative support for local self-government reform and territorial organization of those countries that are close to Ukrainian realities in political, economic, legal, geographical, demographic, social, cultural and other conditions. In addition, the practice of European countries with traditional decentralized systems deserves special attention. The experience of development of foreign countries shows that optimization of territorial organization of power, strengthening of local self-government, formation of self-sufficient territorial communities is impossible without decentralization of power, which is the basis for ensuring a high standard of living of the population, providing quality services at the local level.

The global trend of decentralization of the public sector in recent decades hopes to ensure greater efficiency of the government sector, higher economic growth and improved overall macroeconomic performance by transferring public revenues and expenditures from central to local governments.

Many countries contribute to the social-economic development of the regions in the context of financial decentralization, the instruments of which are one of the main economic levers of the state's influence on regional development. With economic instruments' help, the balance of budgets of different levels is controlled by changing the structure of public expenditures, tax and non-tax revenues, ensuring economic growth, employment of the population and, as a consequence, social-economic development of the regions. In the current conditions of geopolitical changes and integration of Ukraine into the European Union (EU), an analysis of the practice of stimulating the social-economic development of regions in the developed countries of

the world, whose economy is the benchmark, will allow to justify the feasibility of such stimulation on the basis of financial decentralization. In general, EU policy is known to cover two areas. On the one hand, it is a common European policy and, on the other, a set of national policies of the EU Member States whose main objectives are to ensure maximum employment, production and purchasing power of the population, rational use of natural resources and protection of the environment [15].

At the beginning of the 21st century, processes of political decentralization and regionalization in Europe revived, which significantly increased the role of the regions that today make a significant contribution to the development of European integration and pan-European cooperation. It is acknowledged that the EU supranational regional policy has formally begun a new phase in 2014, related to the adoption of the next financial plan 2014-2020.

It should be noted that within the framework of methodological foundations for regional and EU cohesion policy, the region understands the state territorial formation of a level immediately preceding the state level and possessing the relevant political powers. In Germany, for example, federal states, in Spain and Italy autonomous territories, in France - regions.

It is a recognized fact that European regions are not homogeneous, but at the same time they all have the following characteristics: recognition in the constitution or in law; own political identity; institutional organization (representative and executive authority); democratic elections (general, free, equal, secret); delimitation of powers based on the principle of subsidiarity; own financial resources; participation in international relations; the region is an active subject of EU policy.

The process of decentralization of public power in European countries, despite internal and external threats, continues to evolve today. As a result, European regions are given increasing powers, and in addition, each country has its own scenario. On the one hand, they become more independent, more effectively solve problems they face, develop the economy and reduce social tensions, and on the other, there is a risk of the state as a whole as a full-fledged subject of international relations [16].

An important part of determining the level of fiscal decentralization is the analysis of decentralization of expenditures, the essence of which is to assess the ability of local authorities to dispose of their own resources and resources obtained in the state budget, as well as the analysis of decentralization of revenues - the ability of local governments to fill their budget properly both tax and non-tax revenues, and various grants and investments.

Basics of development of budgetary federalism in European countries was the steady outpacing of expenditure decentralization over the corresponding revenue indicator. With comparable proportions of GDP redistribution through the expenditures and revenues of the local budgets, the recent intergovernmental transfers contributed to the fiscal equalization and elimination of interregional imbalances and the artificial balancing of the system. The average levels of decentralization of the budgetary systems of European countries for the years 2001-2017 are summarized in Fig. 2.1. The magnitude of variation in the expenditure indicator is 63,3 pp, for revenue - 45,8 pp.

To summarize the assessment of the level of financial decentralization, it was advisable to use the methodology of integrated analysis and to calculate the integral indicator of financial decentralization [17]. First of all, for the degree of expenditure decentralization was determined the share of Total general government expenditure of Local government in Total general government expenditure of General government for each year separately, and then found the geometric mean weighted number. For the degree of revenue decentralization, the methodology is the same, merely found Total general government revenue of Local government (sum of Other current transfers, Other capital transfers and investment grants, Capital transfers and Current transfers within general government) in Total general government revenue of General government.

Malta's and Cyprus's relatively low budgetary decentralization parameters can be rationally explained by the specifics of the administrative and territorial structure. Moderate values of fiscal autonomy were also recorded in Greece (average revenue decentralization at 7,27% and 6,86% by expenditures), which is explained mainly by

natural geographical conditions and secessionary risks. The country has even implemented a model of state-level direct financial support for local governments based on the Central Autonomous Resources mechanism to support the long-term sustainability of local finances, which is an element of the macroprudential strategic management program. Overall, in 2001–2017, most fiscal countries were characterized by high fiscal decentralization: over 20% by expenditure and 15% by revenue.

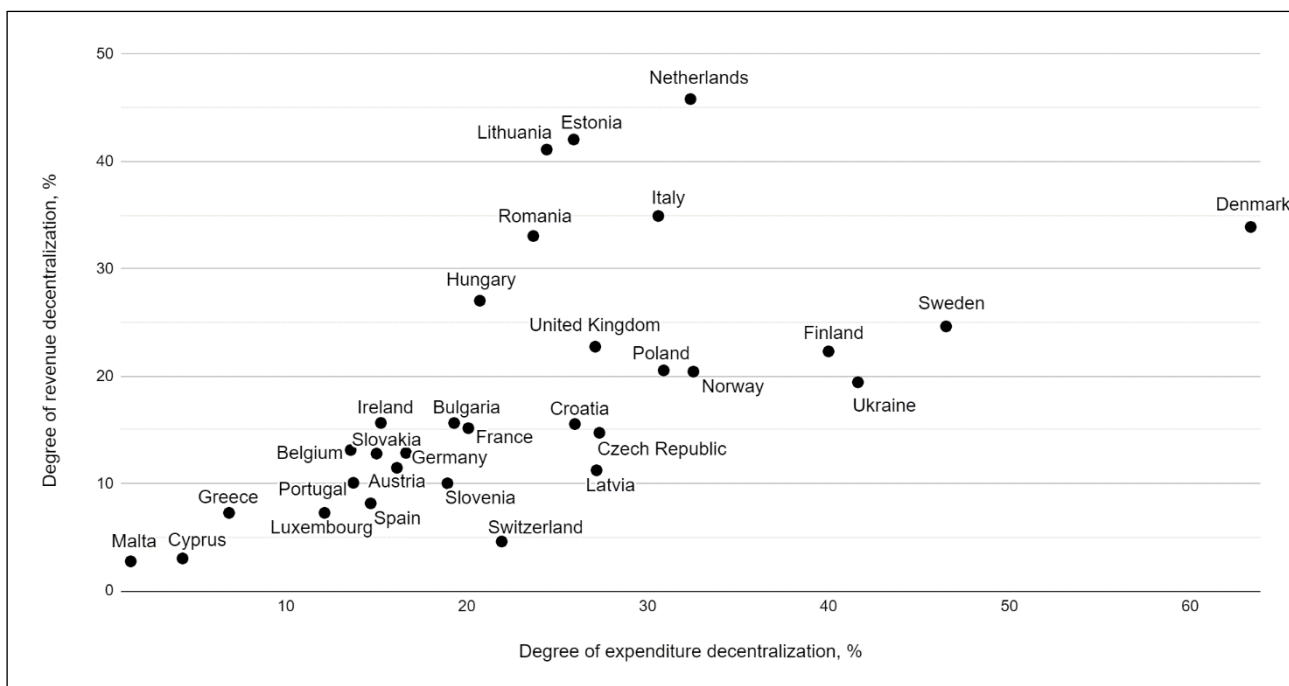


Fig. 2.1. Budget decentralization by revenue and expenditure in European countries in 2001–2017, %

Source: author's own calculation based on Eurostat (App.A) [18].

The highest levels of decentralization are inherent in Fennoscandia countries, whose fiscal space models have been linked to a social-market economy, a stable and high level of development and an adequate standard of living since the mid-twentieth century. The large scale of redistribution of GDP through the public finance system, including its powerful and situationally responsive local segment, is supported in this group of countries by a high level of appropriate institutional support that balances individual and public interests.

The average degree of expenditure decentralization over the analyzed period in the countries of Europe was 22,9%. The national indicators that are closest to it are recorded in countries with markedly different economic development parameters and indistinguishable institutional traditions of fiscal autonomy. Among the group, the highest levels of public well-being are in the UK (+ 4,2 pp), as well as Switzerland (-1,0 pp) and France (-2,9 pp). Another group is made up of some post-socialist countries, including Bulgaria (-3,7 pp), Croatia (+3,0 pp), Hungary (-2,2 pp), and Romania (+0,7 pp) and the Baltic States (+ 2.9 pp on average), which achieved notable results through strategic progress in the fiscal area. The average degree of revenue decentralization by local budgets is 18.7%. Indicators as close as possible were recorded in Norway (+1,8 pp), Ireland (-3,0 pp) and Poland (+1,9 pp).

Ukraine is like Scandinavian countries for level of decentralization. However, if Sweden and Finland can allow imbalance between revenues and expenditures in their stage of growth, then for Ukraine such a difference significantly affects the development of regions. Too many functions have been assigned to local budgets, namely education and medicine expenditures, but reform of decentralization have not solved how to cope with the increase in revenues. Therefore, at present, expenditures exceed revenues by about two times.

The defining characteristics of the system of local budgets in European countries are the level of involvement of residents of territorial communities in the processes of their discussion, formation and implementation, as well as the correspondence of the volume and range of services provided by public institutions to the dynamic structure of public requests and needs. The method of allocation of public finances determines the level of taxpayers' confidence in the fiscal policy pursued both in the country as a whole and in its specific region, generating the phenomenon of tax competition between different jurisdictions and streamlining the movement of resources.

The main principles of the new regional policy in developed countries can be distinguished as follows:

- growth opportunities exist throughout the territory, in all types of regions;

- focus on encouraging domestic assets as a source and basis of regional development rather than external investment or transfers and grants;
- the advantage of identifying and using opportunities for growth rather than neutralizing the effects of decline;
- assessing the growth opportunities that exist throughout the territory and in all types of regions, and a strong focus on enhancing regional competitiveness;
- the need to develop long-term strategies aimed at an integrated local environment;
- supporting `a bottom-up` approach and coordinated multi-level governance with a stronger role for local and regional subjects, including business and other social partnership actors;
- to pay attention to such factors of development as competencies, innovative orientation of business and public sector, inter-firm network interactions;
- new understanding and approaches to measuring economic growth with a focus on the quality of human capital and broader social and environmental impacts [16].

Based on the above principles, it is necessary to distinguish the following trends in the development of the new regional policy of the developed countries, namely the EU countries.

Firstly, it is policy coherence to uphold European values. The 'Strategic Approach to Sustainability in EU Foreign Policy' stresses that the EU will continue to support the efforts of local authorities focused on establishing sustainable democratic states, accountable and transparent institutions, reforming the security sector, strengthening rule of law, public participation, and personal access to information. Particular attention will be paid to involving local authorities, communities and civil society stakeholders [20].

Secondly, the goals of the EU's regions today are linked to stimulating economic growth and improving the quality of life through strategic investment. Funding for European Union regional policy focuses on four priority areas: 1) research and innovation; 2) information and communication technologies; 3) improving the

competitiveness of small and medium-sized enterprises; 4) the transition to a low-carbon economy. Regional policy is implemented through the European Regional Development Fund (ERDF) and the Integration Fund. National and regional authorities, in cooperation with the European Commission, are responsible for managing financial resources.

Thirdly, it is a structural change in the formation of the European budget. In July 2018, the European Parliament approved the simplification of the EU budget allocation rules for the financing of regional programs for the period 2021-2027. The aim of this approach is to make life easier for local authorities and recipients, especially small and medium-sized enterprises. In particular, these institutions are no longer required to fulfill the co-financing condition. The new rules make it possible today, without waiting for a new programming period, to link EU structural funds with the European Fund for Strategic Investments.

Fourthly, a manifestation of the innovation imperative of EU regional development. Focusing on modern usage in all spheres of political, economic and social life is a determining factor in improving the European economic and social system, industrial modernization and shaping a harmonious, inclusive model of the European Union.

Fifthly, regional strategic programs have become one of the important instruments of public policy, shifting the focus from endogenous development to supporting innovative initiatives based on a strategic approach and sustainable development principles. A multi-level approach has increased the effectiveness of programs, considering the use of allocated funds. Recognizing the interdependence of sectoral policies and actions in the regions have fostered cooperation within inter-sectoral policies [16].

All of the above makes it possible to systematically represent the horizons and depth of action of the new EU regional policy and to identify and justify the lessons for Ukraine to be taken into account when implementing local government reform and shaping a new model of public governance at regional level.

2.2. Budgets' analysis of the merged territorial communities in Ukraine

Local budgets are an important element of the state budget system and the basis of the financial base of self-government bodies. According to the Budget Code of Ukraine, local budgets are regional, district and local budgets. Local communities' budgets are budgets of territorial communities of villages, towns and cities. In accordance with the Law of Ukraine “On Local Self-Government in Ukraine” the budget of the local self-government is a plan of mobilization of financial resources necessary for providing functions and powers of local self-government [3].

Financial providing of local budgets is:

- set of financial relations within which the formation of general and special funds of monetary resources by local communities for the fulfillment of its own and entrusted powers;
- component of inter-budgetary relations, in the process of ensuring the financial equalization of local budgets at all levels;
- set of forms and methods of the formation mechanism of financial resources for realization of social-economic functions of local budgets [19].

The budget system of Ukraine is a set of budgets of Ukraine, regulated by the rules of law and based on the economic relations and state structure of the country. As Ukraine is a unitary state in which according to Art. 7 of the Constitution recognizes and guarantees local self-government, the budget system of the country is two-tier and consists of the State Budget of Ukraine and local budgets [21, p.20].

In Ukraine, large part of the budget system consists of local budgets. The number of local budgets of Ukraine as of 21.08.2019 is 9 139 (according to the Order of the Ministry of Finance of Ukraine dated August 21, 2019 No 353) [22]. Quantity of local budgets has decreased over the last 5 years as territorial communities become larger in the process of decentralization, and the amount of funds that was redistributed through local budgets has increased as a result of the extension of powers of local bodies.

Based on the official data of the State Treasury Service of Ukraine, for 2019 year:

- State Budget is implemented by 96,34% on revenues with deficit 74,61 UAH million (mln) and 95,01% on expenditures;
- local budgets is implemented by 98.35% on revenues with deficit 5,72 UAH mln and 92.66% on expenditures [23].

The dynamics of allocation of budget resources in the consolidated budget of Ukraine (Fig. 2.2) shows that today there is a neutral-positive tendency of a moderate increase in the share of revenues that flew to local budgets. Since the Government approved in April 2014 the main conceptual document - the Concept of reforming local self-government and territorial organization of government, the percentage of local budget revenues in the consolidated budget decreased from 19.11% in 2013 to the lowest value in 10 years - 16.72% in 2015. However, after the decentralization reform, the ratio of local budget revenues to the state has gradually increased: for the last reporting calendar year, the share of local community revenues was 22.35% in the consolidated budget.

Expenditures of local budgets considering transfers during the researched period fluctuate within 40-45%, that is twice more than revenues without transfers to local governments. The imbalance between revenues and expenditures indicates the insufficiency of the revenue base of local budgets to ensure the performance of functions entrusted to local self-government.

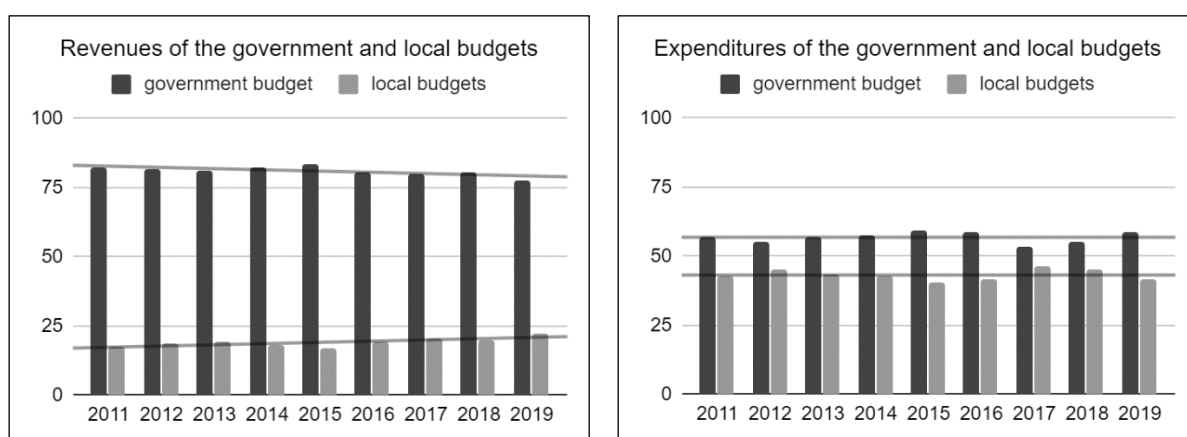


Fig. 2.2. Revenues without transfers and expenditures with transfers of the government and local budgets of Ukraine for 2011 - 2019, % of the consolidated budget

Source: author's own calculation based on Cost.ua (App.B) [25].

The transfer of tasks and competencies to local authorities without the provision of adequate sources of revenue contradicts the idea and role of territorial self-government. The transfer of financial resources and property without the right to make decisions about these resources should not be at all.

According to Article 1 of the Law “On Local Self-Government in Ukraine”:
“Local self-government budget (local budget) is a plan of formation and use of financial resources necessary for the performance of functions and powers of local self-government” [24].

The revenue base of local budgets is the basis of financial regulation. It helps to redistribute Ukraine's GDP and provide the country with the necessary resources. Various targeted programs, and above all social ones, are financed through local government funds. The local budget can also be considered as the main financial plan for the development of territorial communities.

According to Article 9 of the Budget Code of Ukraine budget revenues are classified according to the following sections:

- tax revenues (established by the laws of Ukraine national and local taxes and fees);
- non-tax revenues (administrative fees and payments, non-commercial income, etc.);
- revenue from operations with capital (proceeds from the sale of fixed capital, government stocks of goods, land and intangible assets);
- transfers (funds that are transferred free of charge and irrevocably from one budget to another) [3].

The data in Table 2.1 indicate the instability of local budget revenue generation. Almost local budgets operate through intergovernmental transfers from the State Budget of Ukraine, not their own financial base. In 2015, the share of intergovernmental transfers reached its highest level for the 2011-2019 yy period - 59,2%, but in the last calendar year, it decreased to 46,4%.

Table 2.1

Structure of local budget revenues of Ukraine, %

Types of revenue	2011	2012	2013	2014	2015	2016	2017	2018	2019
Tax revenues	40,3	38,1	41,3	37,7	33,3	38,5	40,0	40,9	48,3
Non-tax revenues	6,0	5,6	5,5	5,3	6,8	7,2	5,2	5,2	4,7
Revenue from operations with capital	1,0	0,8	0,6	0,5	0,5	1,0	0,4	0,6	0,5
Trust Funds	0,4	0,3	0,2	0,2	0,2	0,3	0,1	0,2	0,1
Transfers	52,3	55,2	52,4	56,4	59,2	53	54,3	53,1	46,4
Total	100	100	100	100	100	100	100	100	100

Source: author's own calculation based on The State Treasury Service of Ukraine [23].

At the present stage, there is a dynamic process of decentralization of local self-government, whereby local budget revenues are increasing rapidly, which has a positive impact on the state budget. Therefore, the share of intergovernmental transfers in the structure of local budget revenues decreases, which means:

- ensuring the sustainable economic growth of the regions through the optimal use of fiscal potential;
- increasing the quality of life of the population, social protection and a high level of budget support for territorial communities;
- strengthening of the administrative and territorial integrity of the country;
- increasing political accountability and transparency of decisions;
- the result of the functioning of the local government institute [26].

Local tax-revenues are an important source of local budgets revenues, affecting the economic development of a particular region. The main payments to the local budgets are personal income tax, corporate income tax, excise tax on excise goods produced in Ukraine, land value tax, local taxes and fees, other payments.

Due to the increase in the size of the community, to appear additional local resources and this can be more rationally used. All local budgets will receive direct

relations with the state budget, which gives predictability and stability of revenues. Local taxes become the basis of the local budget, which directly depends on the community and its authority. This motivates the power of the community to collect taxes, and residents - to pay them. A new circle of growth is being created - strengthening the capacity of local budgets sets the stage for the planned growth of the local economy:

- administrative barriers for the formation and development of small and medium-sized businesses in significantly large areas of the community disappear;
- new jobs appear, revenues to the local budget increase;
- budget growth leads to new opportunities for the further development of the community, district and region.

The most significant share of tax-revenues in recent years is the personal income tax (PIT) (more than 50%). Compared to 2014, before the development of decentralization in Ukraine, the relative share of PIT was 83,1% in tax-revenues of local budgets, but by 2019 this tax is already 60,2%. In absolute terms, the PIT has almost tripled from UAH 62,6 bn in 2014 to UAH 165,4 bn in 2019 (Tab. 2.2).

The personal income tax, as a basis for filling the local budgets of Ukraine, is a fairly stable source, if you look at the whole country. However, its high share in a particular community indicates a strong dependence of its budget revenues on the availability of business structures and official employment.

As can be seen from Table 2.2, local taxes and fees have grown by almost 2.5 times since 2014 year, to wit 6 years from the introduction of decentralization processes in Ukraine. Moreover, these earnings make up a quarter of all tax revenues in local budgets for 2019.

Since the introduction of local taxes and fees and the establishment of the size of their rates is solely the responsibility of local governments, they have real opportunities to influence the volume of receipts of these payments to the respective budgets.

Table 2.2

**The absolute and relative shares of tax-revenues in local budgets revenues
of Ukraine for 2014 - 2019, in bn UAH and %**

Revenues	2014		2015		2016		2017		2018		2019	
	bn UAH	%	bn UAH	%	bn UAH	%	bn UAH	%	bn UAH	%	bn UAH	%
Tax-revenues	75,3	100	98,2	100	146,9	100	201,0	100	229,8	100	265,7	100
Personal income tax	62,6	83,1	54,9	55,9	79,0	53,8	110,7	55,0	135,6	59,0	164,3	61,8
Corporate income tax	0,3	0,3	4,3	4,4	5,9	4,0	6,5	3,2	8,8	3,8	9,9	3,7
Excise tax on excise goods produced in Ukraine	0,2	0,2	7,7	7,8	11,6	7,9	13,2	6,5	13,6	5,9	14,0	5,2
Land value tax	1,4	1,9	1,0	1,0	1,1	0,7	1,1	0,5	2,9	1,3	3,5	1,3
Local taxes and fees	8,1	10,7	27,0	27,5	42,3	28,8	52,6	26,2	58,9	25,6	70,4	26,5
Other payments	2,8	3,7	3,3	3,3	7,1	4,8	17,0	8,5	10,0	4,3	3,6	1,4

Source: author's own calculation based on Cost.ua [25].

According to the State Treasury of Ukraine, local taxes and fees are the second largest source of replenishment of local budgets, the share of which increased 2,5-3 times after 2014, reaching as much as 28,8% in 2016 in the total structure of local budget revenues, and - UAH 42.3 bn. For comparison, their share in 2014 was 8,1% of total local budget revenues, amounting to UAH 10,7 bn. This increase in 2016 was attributed to the attribution of property taxes, including land payments, to local taxes and fees [27].

Consequently, personal income tax is the largest in tax-revenues, so it is time for local governments to think about diversifying tax revenues through real estate taxation, as they do in Europe. This is not about fixing real estate tax rates for individuals. To begin with, it is necessary to abolish land-based privileges for "individual" enterprises, or more precisely, their owners. And then to set at least minimum - not zero - rates of tax on real estate other than land value tax.

At present, it is important and urgent to develop an effective mechanism for local budgeting; clear delineation of functions and powers of state and regional authorities; effective redistribution of income between different units of the budget system.

According to the Budget Code of Ukraine, the local budget is a system of measures for the social-economic development of a region organized by local governments and consists of two parts - revenues and expenditures. The main source of revenue for local communities are taxes and fees. Local budget revenues also include transfers from other budgets (grants and subventions) and borrowing [3].

Expenditures greatly affect the economic and social processes in the country. A special role in establishing independent local budgets is played by expenditures and its composition. The important part of the general fund expenditures of the local authorities is social expenditures - for the fulfillment of state-delegated powers.

Local expenditures in the consolidated budget are about 40-45%. The largest share in expenditures is occupied by education, medicine and social protection (which is always 60-70% of all expenditures of local budgets). As can be seen from Table 2.3 local expenditures for education, social protection, medicine, transport, culture and sports, utilities and other sectors of the economy take up large share in the consolidated budget (more than 50% in 2019). That is, can be concluded about the so-called vertical fiscal imbalance, there is a problem of inadequacy. Such an imbalance usually arises from the distribution of tax revenues between central and local governments.

The theory of fiscal decentralization states that the gap between the level of income and the level and structure of expenditures has negative consequences. Excessive transfer of financial transfers to local budgets and insufficient use of direct taxation at the local level lead to the rupture of the relationship between the assigned functions and the ability to perform them. Subsidies and subsidies from state to local budgets may not be fully integrated into voter income, and the income distribution process provides an opportunity to expand public services that would not be possible under other conditions.

Table 2.3

**Structure of local budget expenditures of Ukraine,
% of consolidated budget**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Education	63.9%	68.4%	70.2%	70.7%	71.4%	73.6%	73.1%	76.9%	78.9%	77.4%
Pensions	4.6%	5.4%	5.5%	4.6%	5.0%	4.8%	3.4%	4.8%	5.0%	4.8%
Police	0.9%	0.7%	0.6%	0.6%	0.5%	0.6%	0.5%	0.7%	1.0%	0.9%
Interest on borrowings	5.2%	3.4%	3.9%	4.5%	2.9%	1.9%	0.3%	0.1%	0.6%	0.9%
The social protection	86.0%	88.1%	81.1%	90.8%	91.8%	88.4%	91.5%	92.4%	90.9%	72.7%
Medicine	80.4%	79.1%	80.6%	79.1%	81.5%	83.9%	83.5%	83.7%	80.5%	69.7%
Armed forces	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Transport	17.5%	20.3%	23.1%	20.6%	23.2%	25.7%	47.6%	58.3%	60.2%	52.3%
The bureaucracy	32.9%	35.0%	32.6%	35.4%	34.9%	40.9%	41.8%	42.5%	37.0%	40.2%
Other sectors of the economy	54.3%	41.8%	42.6%	57.4%	49.4%	56.9%	67.1%	66.6%	65.1%	68.0%
Culture and sports	55.2%	64.4%	59.8%	62.6%	64.8%	59.2%	70.6%	67.6%	65.1%	67.9%
Utilities	84.5%	96.3%	98.1%	98.7%	99.4%	99.9%	99.9%	99.9%	99.0%	99.6%
Agriculture	1.6%	2.0%	1.6%	1.9%	1.9%	21.9%	24.4%	14.5%	2.5%	4.1%
Environment protection	20.2%	22.7%	22.0%	17.9%	25.4%	26.7%	23.7%	35.5%	36.4%	38.6%
Fuel and energy complex	0.3%	0.7%	1.0%	0.2%	0.0%	0.4%	2.2%	1.8%	1.7%	0.3%
Total	40.2%	42.8%	44.9%	43.1%	42.7%	40.7%	41.4%	46.4%	45.1%	41.4%

Source: author's own calculation based on Cost.ua [25].

From 2019, the absolute replenishment to local budget and payments to GDP grew from 7,4% in 2018 to 8,2% in 2019, but the expenditures, on the contrary, have decreased: 15,8% and 15,2% respectively (Fig. 2.3).

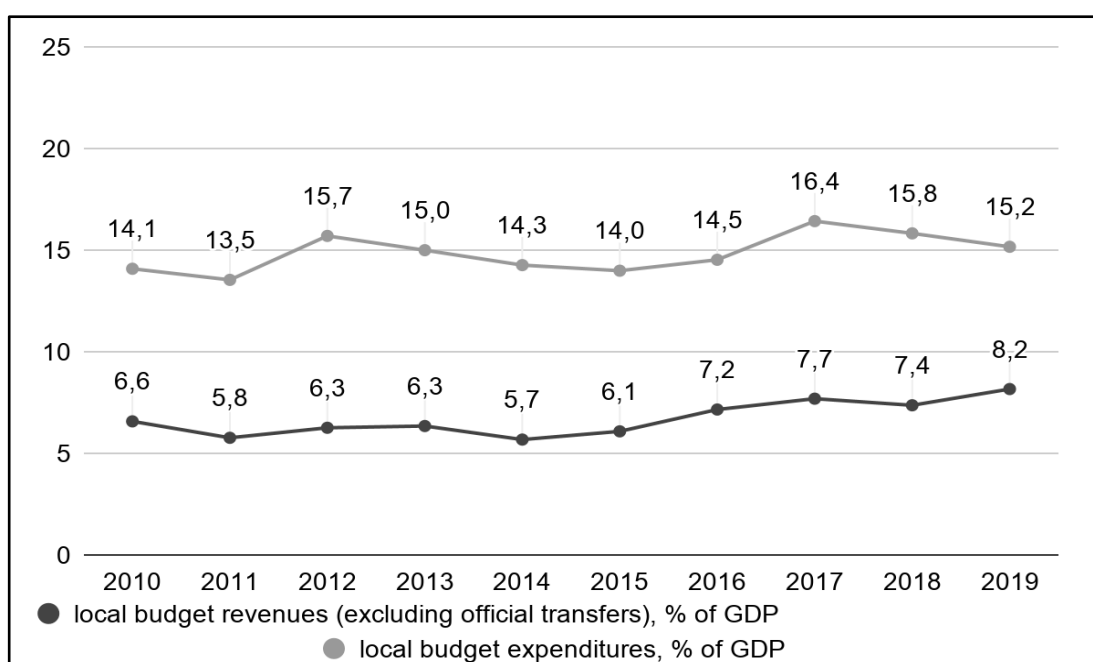


Fig. 2.3. Revenues and expenditures of local budgets (excluding official transfers), % of GDP in 2010-2019

Source: author's own calculation based on Minfin and Cost.ua (App. D) [22 & 25].

Analyzing Figure 2.3, we can draw the following conclusions:

1) given that official transfers from the state budget are decreasing every year and local taxes and fees are increasing, the positive dynamics in the growth of local budget revenues to GDP are still being traced;

2) the gap between expenditures and revenues has been constantly fluctuating for 10 years, but only within $\pm 1\%$, which again confirms that the regions do not have enough own resources;

3) expenditures of local budgets to GDP have been steadily increasing since 2014, which to some extent demonstrates the efficiency of optimizing the expenditure part.

However, nowadays, local budget revenues and real needs for current expenditure financing do not match. The reasons for this situation are caused by many legal acts, which are mandatory for the local self-government bodies. Due to insufficient resource base, local budgets cannot finance the needs of territorial development, which should be carried out according to physiological and social standards [28].

For the efficiency of exercising all the powers of local authorities, namely providing public services to the population, it is necessary that the majority of revenues to local budgets come from the tax and non-tax revenues of local communities, and not, as now, through the State budget of Ukraine. It is more important for local authorities to provide social and economic benefits to citizens through their own finances, rather than simply to provide them through transfers received.

2.3. The impact of decentralization on the economic growth of local communities

At the present stage, in accordance with the main provisions of the European Charter of Local Self-Government, Ukraine continues to focus its efforts on the implementation of a European integration course on the development of local and regional democracy. However, decentralization is fairly one of the most successful reforms being effectively implemented in the country.

Financial decentralization in Ukraine has both positive and negative impacts on the well-being and development of regions. The advantages of decentralization is an increase in the efficiency of use of budgetary funds, improvement of the quality of public services, approximation of public goods with the needs of society, taking into account the specifics of regions when implementing the functions of the state, promotion of investment attractiveness of local communities etc.

On the disadvantages side, there is a deepening of regional differentiation, promoting the dominance of local interests over national interests, increasing income inequality due to changes in the structure of government spending, weakening the country's unity due to the excessive importance of local elites, and others that require consideration in the process of forming the budget policy for regional development.

The work analyzed the impact of decentralization processes on the development of the regions of Ukraine. In order to indicate the welfare of the region, a variable of gross regional product (GRP) was taken. As knows, GDP measures economic indicators; accordingly, this applies to other regions through GRP. This variable has occupied an important place in measuring social progress. It should be noted that the indicators of the level and quality of life reflect the main aspects of household activities.

In economic literature, the most common indicators of financial decentralization refer to the allocation of revenues and expenditures among the different levels of government. In a bid to track how decentralization affects the well-being of the Ukrainian regions, four main indicators are used to illustrate the effectiveness of the implementation of decentralization processes.

Local governments are in better position provide basic goods and services because they are closer to people. This main reason why expenditures and accordingly expenditure ratio was chosen.

The expenditure ratio measures the share of spending taking place at the sub-national level relative to total expenditure of the general government:

Expenditure Ratio = (Subnational own revenues + Grants) / (Total General Government revenue)

Next one it is the revenue autonomy indicator which measures how much of the total resources available to the sub-national authorities is raised locally. The degree of revenue autonomy of local budgets characterizes the independence, the potential for economic development, the level of people rights and freedom.

$$\text{Revenue Autonomy} = (\text{Subnational own revenues}) / (\text{Subnational own revenues} + \text{grants})$$

The composite indicator captures the degree of autonomy at the sub-national level both on the revenue and on the expenditure:

$$\text{Composite ratio} = (\text{Own revenue decentralization}) / (1 - \text{Expenditure ratio})$$

Finally, for complement revenue autonomy ratio uses the own revenues decentralization indicator, defined as the percentage of local revenues raised at that level relative to total general government revenue.

$$\text{Own revenue decentralization} = (\text{Subnational own revenues}) / (\text{Total general government revenue})$$

The hypothesis of this research states that the main factor influencing the growth welfare: gross regional product (GRP) of regions in Ukraine is the basic factors of decentralization processes, such as expenditure ratio (EXP_R), revenue autonomy (REV_AUTO), composite ratio (COMP_R) and own revenue decentralization (OWN_REV_D).

Outcome variable is GRP, which describes welfare in a period, as y_i . The outcome is dependable on some set of decentralization characteristics x_i . The general relationship between them can be written as:

$$y_i = \beta_0 + \beta_1 x_{i1} + \beta_2 x_{i2} + \dots + \beta_p x_{ip} + \epsilon, \text{ where, for } i = n \text{ observations:}$$

y_i = dependent variable

x_i = explanatory variables

β_0 = y-intercept (constant term)

β_p = slope coefficients for each explanatory variable

ϵ = the model's error term (also known as the residuals)

For estimation was collected dataset by each Ukrainian region for 2008-2018 years, which is 287 cases observed. The data includes gross regional product, local revenues and local expenditures with or without officials transfers (grants), also revenue and expenditure consolidated budget of Ukraine in mln UAH. The following sources were used to collect the data:

- www.index.minfin.com.ua - Ministry of Finance of Ukraine;
- www.ukrstat.gov.ua - State Statistics Service of Ukraine;
- www.treasury.gov.ua - State Treasury Service of Ukraine.

The regression equation underlying the empirical analysis was as follows:

$$GRP = \beta_0 + \beta_1 EXP_R + \beta_2 REV_AUTO + \beta_3 COMP_R + \beta_4 OWN_REV_D + \epsilon$$

Multiple linear regression done via statistical add-in for Excel "XRealStats". To view the model results, the following figure (Fig 2.4) is presented:

OVERALL FIT						
Multiple R	0.871649	AIC	-464.786			
R Square	0.759773	AICc	-464.486			
Adjusted R Square	0.756365	SBC	-446.489			
Standard Error	0.441152					
Observations	287					

ANOVA			Alpha 0.05			
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>p-value</i>	<i>sig</i>
Regression	4	173.575	43.39374	222.9721	5.03E-86	yes
Residual	282	54.88145	0.194615			
Total	286	228.4564				

	<i>coeff</i>	<i>std err</i>	<i>t stat</i>	<i>p-value</i>	<i>lower</i>	<i>upper</i>
Intercept	9.321152	0.193467	48.17946	4E-138	8.940329	9.701976
EXP_R	67.61959	12.48771	5.414891	1.31E-07	43.03863	92.20054
REV_AUTO	-1.06434	0.467872	-2.27486	0.023665	-1.98531	-0.14338
COMP_R	-2331.57	237.0632	-9.83521	8.11E-20	-2798.21	-1864.93
OWN_REV_D	2472.239	256.4685	9.639543	3.42E-19	1967.403	2977.074

Fig. 2.4. Output from Regression data analysis tool

Note. Author calculations using XRealStats statistical add-in for Excel.

Thus, seen that the regression line is:

$$GRP = 9.321 + 67.619 \cdot \text{Expenditure ratio} + (-1.064) \cdot \text{Revenue autonomy} + (-2331.57) \cdot \text{Composite ratio} + 2472.239 \cdot \text{Own revenue decentralization}$$

Here GRP represents the predicted value. R-Square equals to 0.759 (i.e. 75.98% of the variance in the GRP rate is explained by the model), the standard error of the estimate is 0.44. In general, this value indicates a sufficient degree of explanation of the phenomenon by regression, that is, the model is adequate. Such a high value of R-Square indicates that a good deal of the variability of GRP is captured by the model.

Since the $p\text{-value} = 5.03122\text{E-}86 < 0.05 = \alpha$, concluded that the regression model is a significantly good fit; i.e. the probability of obtaining such a high correlation (0.87) assuming that the null hypothesis is true (lack of correlation). It seems that there are no direct and inverse strong links between independent variables, that is, there is no problem of multicollinearity.

Note that the p-values for all the coefficients are bigger than 0.05. This means that can be rejected the hypothesis that they are zero (and so cannot be eliminated from the model).

Thereby, the variables affect the welfare of the regions as follows:

- when the expenditure ratio changes by 1bp, GRP increases by 67.61bp;
- if revenue autonomy changes by 1bp, GRP decreases by 1.06bp;
- a change in the composite ratio by 1bp, GRP falls by -2331.57 bp;
- and, whether own revenue decentralization changes by 1bp, GRP increases by 2472.24 bp.

In order to test the model for the absence of first-order autocorrelation, one must apply the Durbin-Watson test, the optimal value of which should range from 1.726 to 2.274. The value obtained from the constructed model (1.807) is in the area of no autocorrelation, therefore the model does not have this problem. After checking for a higher order autocorrelation (2nd log), a positive autocorrelation was appeared ($p\text{-value} < 0.05$, $LM = 115.89$). Therefore, the hypothesis is not rejected (there was not enough data). But if the Durbin-Watson Test rejected H_0 , although there is no Breusch-Godfrey Test, the hypothesis is rejected in anyway. Since there is reasonable data for the first-order auto-correlation test to not accept this hypothesis.

Testing of this regression model for heteroskedasticity demonstrated the absence of this problem, since the probability level of the test is sufficient to reject the hypothesis of no heteroskedasticity. The corresponding results in Table 2.4 were obtained:

Table 2.4

Breusch Pagan Test for Heteroskedasticity

DF	218.054785
Chi2	4
Prob >	
Chi2	4.9148E-46
	yes

Note. Author calculations using XRealStats statistical add-in for Excel.

Because p-value is less than 0.05, can succeed to reject the null hypothesis. There is sufficient evidence that heteroskedasticity is absent in the original regression model.

Finally, the remnants of model are usually distributed, which can be seen in the Figure 2.5:

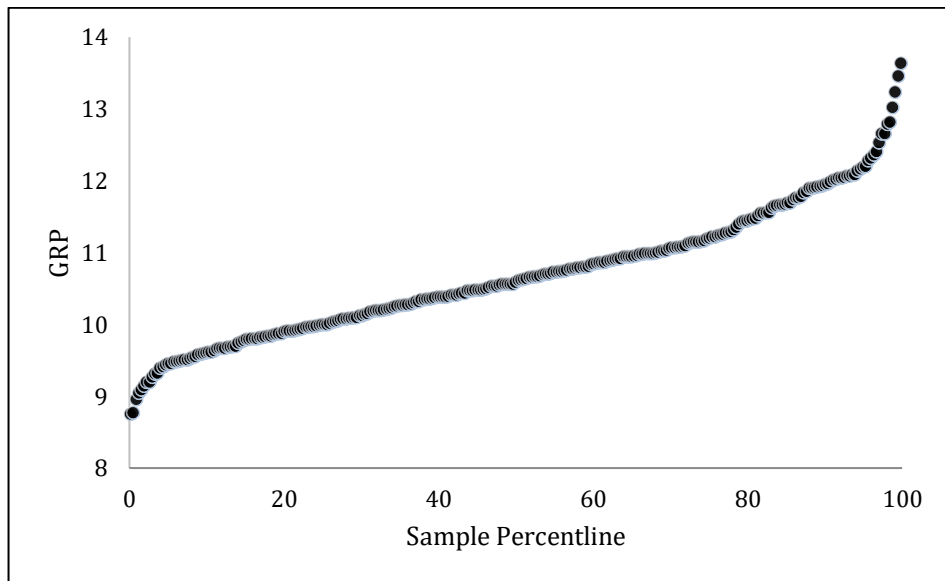


Fig. 2.5 Normal distribution of residuals

Note. Author calculations using XRealStats statistical add-in for Excel.

According to the studies and tests, the model is adequate, there are no problems of heteroscedasticity and multicollinearity, the problem of autocorrelation has been

eliminated, and the regression equation has a high explanatory capacity. All factors are influential, none of the parameters is zero.

In summary, it can be said that decentralization processes have a big influence on the gross regional product of most Ukrainian local budgets. This means that the welfare of the regions really changes from the introduction of decentralization throughout Ukraine. Revenue autonomy and composite ratio influence on decreasing GRP, and in contrast expenditure ratio and own revenue decentralization have a positive impact on well-being.

Analyzing this model, we can say that it is quite critical to change the GRP. Since all independent variables are ratios of indicators, we can start from the indicators that create these variables of decentralization processes, namely revenues and expenditures with and without transfers, revenues and expenditures of the consolidated budget (App.E).

Conclusions to part 2

Experience of foreign development shows that optimization of territorial organization of power, strengthening of local self-government, formation of self-sufficient territorial communities is impossible without decentralization of power, which is the basis for ensuring a high standard of living, providing quality services at the local level.

The process of decentralization of state power in European countries continues to develop today. European regions are being given more and more power, they are becoming more independent, they are more effective in solving the problems they face, they are developing the economy and reducing social tensions, but there is a risk of continuing to be a full-fledged subject of international relations.

The constant advance of decentralization of expenditures over the corresponding indicator of income, which is also observed in Ukraine, has become the basis for the development of budget federalism in European countries. Intergovernmental transfers contributed to fiscal equalization and elimination of interregional imbalances and artificial balancing of the system. However, if European countries can cope with the disparity between the powers granted and their own revenues, then for Ukraine such a difference significantly affects the development of the regions.

Main trends of development of the developed countries are following: policy coherence to uphold European values, the goals of the EU's regions today are linked to stimulating economic growth and improving the quality of life through strategic investment, a structural change in the formation of the European budget, a manifestation of the innovation imperative of EU regional development, and regional strategic programs which become one of the important instruments of public policy, shifting the focus from endogenous development to supporting innovative initiatives based on a strategic approach and sustainable development principles.

The analysis of local budgets of the regions of Ukraine shows that local governments are becoming more independent, working on their autonomy and independence.

The analysis of the formation of local government budget revenues showed that one of the most important achievements of the process of financial decentralization in Ukraine is the increase in the share of local budgets in the Consolidated Budget of Ukraine. A positive phenomenon in the development of local governments was a significant increase in local budget revenues, which became possible due to the process of financial decentralization in Ukraine.

Monitoring of local budget expenditures has shown that local governments have twice as many functions as they are able to provide with their own resources without inter-budget transfers. The main expenditures are aimed at education, which is an additional subsidy for the implementation of expenditures transferred from the state budget for the maintenance of educational institutions, as well as medicine.

Due to the funds accumulated in the revenue side of local budgets (own revenues and funds transferred from the state budget), local self-governments could spend on social and economic development of the respective territorial communities. State regional and budgetary policy through the system of transfers is currently reduced to the equalization of socio-economic development of the regions.

The most common indicators of financial decentralization, as used to track the impact on the welfare of the regions of Ukraine: expenditure ratio, revenue autonomy, composite ratio and own revenue decentralization. Examining the impact of financial decentralization on the social-economic development of the regions of Ukraine, can be pointed out that the connection of decentralization processes on the gross regional product exists, respectively for the welfare of the population.

PART 3

PROSPECTS OF THE FINANCIAL INDEPENDENCE OF LOCAL BUDGETS

3.1. Guidelines for countries at the early stage of decentralization process

The events and trends caused by globalization have a great influence on the definition of local economic development initiatives. Since the introduction of decentralization processes for each country is unique, having its own specificity of development, it is not advisable to calculate foreign experience without taking into account national peculiarities. There is no one-size-fits-all approach in the world that can be applied in full and without editing in Ukraine. Decentralization is also not explicitly spelled out in the Association Agreement with the European Union, but Ukrainian legislation on local self-government is more and more adapted to European norms, since the ratified European Charter of local self-government, the Constitution of Ukraine establishes the principles of local governance, a number of basic legal acts have been adopted to merged territorial communities [29].

Given the extensive experience abroad, it can be argued that successful decentralization transformations must create favorable conditions and increase the interest of local governments in enhancing their own financial capacity.

At the stage of becoming of financial independence of the community are very vulnerable, then the state support plays an important role in this. It is the central government that stimulates the social-economic development, the provision of financial resources to achieve the goals and programs that have been set, and the competitiveness of the regions.

For successful implementation of financial decentralization, developing countries must first consider the following prerequisites, namely:

1. Establishment of institutional mechanisms. Institutionalized channels of citizens' involvement in decentralization and the ability of citizens to use them are the two most important factors to consider as design options for decentralization programs in any country. There are three main types of institutions that apply to developing countries: quasi-governmental institutions that involve the authority and other resources of the state, directly or by delegation; membership or self-help institutions where people come together to promote their interests through collective action; as well as private or quasi-private institutions where business owners can make their decisions, or philanthropists and charity contributors.

2. Creating a space for citizen participation. Participation of local citizens in the development process is associated with increasing the ability to meet their local needs, formulate their demands, organize the promotion of their legitimate interests, provide the conditions for improving their livelihoods and play an important role in managing their affairs. Essentially, participation means three things: people's participation in decision-making in program implementation; sharing people in the benefits of development programs; and engaging people to evaluate such programs.

3. Political and civil will. National governments formulate the rules under which local governments operate. The power of subnational interests in national governments is crucial in how interstate rules are built and enforced. Ideally, decentralization will transfer the functions of the authorities and powers to the local level, allowing citizens to elect their representatives to manage local affairs.

4. Capacity development at the local level. The local administrative capacity must be such that the bureaucratic requirements established by the center are in line with the local decision-makers. In the context of decentralization, the new administrative cadre body will be involved in building a new institutional system that attracts a new democratic political culture.

5. Careful implementation. This item requires appropriate energy and resource allocation mechanisms. Successful implementation of participation programs depends on the extent to which all citizens are empowered and encouraged to participate, and it is possible to indicate how many people participate and how representative they are of

the population of the area; the extent to which their involvement actually influences policy decisions, and can be indicated by the range of decisions that citizens make a contribution to and the extent to which that contribution matters - that is, whether they inform, consult, exercise, control or determine policy; and the regularity and duration of citizen participation programs.

6. Democratic governance. Local government decisions should focus on solving local problems rather than satisfying the interests of others. Local communities should strive to gain authority to assert their claim not only to decentralization but also to power over external actors [30].

Institutionally, since decentralization involves the transfer of political power from the center to the locality, there is a need to develop decision-makers that are elected and appointed through which citizens and non-state actors can participate in government. Although widespread participation can be devastating, it is decisive in decentralization, as it is a means by which citizens formulate their demands, improve resource allocation, and play a central role in decision-making and development. However, without a political commitment, there can be no clear strategy for decentralization. In addition, to promote active citizenship, local citizens should also be willing to participate fully in decentralized institutions. In terms of capacity, the right type of capability, such as the nature of the administrative system, types of administrators, and related tools and equipment, must be in place for the successful implementation of decentralization. Thus, the center must put forward bureaucratic requirements that are responsive to local decision-makers. With regard to careful implementation, proper planning and accountability mechanisms need to be put in place for the successful implementation of decentralization. It should be noted that the careful implementation of decentralization relies on the breadth, depth, continuity, nature of the specific implementation mechanisms and the degree of acceptability or counteraction that it will generate at the central and local levels. Finally, decentralization is about deepening local democracy by integrating citizens into the democratic system. Establishing democracy and good governance should be pursued in a clear national policy on service delivery, not just to foreign entities.

The deepening of decentralization reform with the redistribution of functions from central governments to local governments is of great demand. Moreover, such a distribution would strengthen the central government by giving it the opportunity to concentrate on national issues. There is a need to empower communities to address their development issues, to create the right conditions to mobilize the necessary financial resources to fulfill their functions. Establishing an effective system of local self-government, as international experience shows, is possible if decentralization methods are taken into account, which will ensure better performance of the functions of the state with more efficient provision of public goods and services. It is clear that the main directions of local self-government reform are formulated on the best traditions of foreign experience, such as empowering local authorities and granting budgetary autonomy; expansion of sources of filling of local budgets; establishment of uniform rates of deductions of national taxes; introduction of a mechanism of budgetary regulation and alignment; implementation of sectoral transfer policy.

Each country must in one way or another use its own method of introducing decentralization processes. It is necessary to rely on the experience of developed countries, but it is necessary to take into account the peculiarities of the state system own country. Ukraine is currently undergoing a second phase of financial decentralization, namely the completion of communities' mobilization which can be able to take over most of the authority, use resources properly, and be accountable for its actions or inactions to the people and the state.

The main tasks facing the regions of Ukraine at this stage are the following:

- 1) approval of a new territorial basis for the activities of authorities at the level of communities and districts;
- 2) transfer of powers of the executive power to local self-government bodies and their delimitation between levels and bodies on the principle of subsidiarity;
- 3) creation of an adequate resource base for the exercise of local self-government powers;
- 4) formation of an effective service system in local self-government bodies and executive bodies;

5) streamlining the system of state control and supervision over the legality of local self-government activities;

6) development of forms of direct democracy: elections and referendums;

7) improving the mechanism for coordinating the activities of central and local executive bodies.

That is, the government should focus its efforts to improve financial decentralization on consolidating the financial self-sufficiency of local self-government, forming an effective system of governance, streamlining the system of state control, and avoiding duplication of functions.

3.2. Problems and prospects of financial decentralization in Ukraine

Decentralization of power, which provides the establishment of an effective system of organization, as well as management of social-economic development at the local level, is one of the priority reforms in Ukraine. The current state of the local government system in Ukraine does not meet the needs of society. Territorial communities do not have sufficient resources to create and sustain an adequate living environment. Therefore, there are no high-quality administrative, social and other necessary services for the full development of the person in the respective territories.

The country's democratic development relies on the decentralization of the budget process and the implementation of clear and transparent relations between the state and local budgets. Currently, Ukraine is at the formation stage of a market economy, and financial decentralization processes are an important role. Strengthen mechanisms of state regional policy 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 communities to become financially independent and, respectively, more responsible [31].

Financial decentralization should influence on local communities through new instruments in order for the economic growth of a territorial community, likewise, the search for new sources of revenues to local budgets.

Efficiency and responsibility of the state will increase due to the reform of local self-government. Expected, that the formation of executive power by local communities rather than the appointment of them from the center will give the population authority to influence officials.

The process of decentralization compounds the problems of legal and institutional nature in Ukraine. Among them, most attention is paid to constitutional and legal inviolability of territorial foundations of local self-government, inefficient state regional policy, over-centralization of powers, financial, political and other resources [32].

First of all, it is necessary to restore public confidence in local governments. People need to be involved in addressing national issues, possibly through local referendums. In this way, transparency and partial democracy will increase the decision-making process and significantly reduce the corruption component of government work. Similarly, the situation with respect for fundamental rights and freedoms of citizens will also improve.

Need for reforming the fiscal system, also expansion of the financial base of local self-government, respectively to the authorities delegated by local communities. This facilitates the updating of transport infrastructure, life-support systems, intercourse and betterment of the work of social services. The process of improvement of territories will be with the alignment of social-economic development is activated.

Enlarging the powers vested in local governments on fiscal policy paves the way for local business development. Local authorities will be able to stimulate entrepreneurship, raise funds to invest in the municipal economy and implement important community projects. The advancement of local businesses will at the same time create new jobs and allow the local economies to adapt to the crisis and suffer the loss of external markets.

Required to provide the proper formation of own revenues of local budgets in volumes, which will increase the efficiency of social-economic development, especially: to look up the system of administration of the property tax; to resolve the issue of land inventory and derivation of a complete land cadaster; to accomplish the formation of the state register of real rights for real estate; to assume a differential correction coefficient to adjustment the amount of tax revenues, taking into account the characteristics of real estate markets of different settlements of Ukraine, which affect the real value of real estate.

There is a problem of limited abilities of local communities to have their own finances through their blocking in the system of the State Treasury of Ukraine. Local self-government should have an impact on the formation of tax revenues on its territory, which will develop the process of financial decentralization. Necessary withdrawal of funds from local budgets should be canceled if the revenue part is exceeded, as the stimulus for the economic improvement of the territory and its financial independence is lost.

Local governments need to grow the potency and transparency of their use of budgetary resources, notably by presenting at the local level a system for monitoring budgetary realization and notifying the population with the help of modern information technologies. Transparency in the use of taxpayers' money is the best effective anti-corruption tool.

There is a need to address the disaffection of developed and financially efficient communities to connect with the poor ones. In this case, most of the issues regarding such mergers remain unresolved. Many people are skeptical about the central government and see this as an easy way to avoid responsibility for the inveterate unresolved problems of small settlements.

Staff updates are required. A practical problem is the lack of qualified cadres, the low level of qualification of local government employees. This leads to the incompetents of personnel to take novations, to improve and make effective management decisions due to inefficient use of financial resources.

Essential elements of communities' mergers that should be considered are the ethnic composition of public and regional characteristics. Bringing together territorial units on a size basis can have unexpected fallouts, insomuch as the population is a variable.

The differences in the types of settlement should be taken into account. Necessary to regard is to be had to features of small and mono-functional cities. To a wide extent, it is difficult to dispel the situation because of the reluctance of the nation to exacerbate the conditions, to preserve a certain resource of the public confidence in the government, to rely on enhancement due to European integration.

Local budget revenues for the population should be calculated, this will allow you to get enough money per person. With this method, it is evaluating the territory's potential for social development, the needs of the entities, and evolve methods for the strengthens of the capacity included in the country.

By the aid of financial decentralization, the self-government of local authorities in the area of social-cultural policy will rise. It will open the possibility of financing from the local budgets the programs for the improvement of regional and minority languages, cultural, educational and social projects with regional context. This is expected to depose social-cultural discrimination and bolster the humanitarian rights of local national groups.

Local government reform should turn local boards into powerful political figures, whose views will be appreciated by central governments in the formulation of national policy.

The key to reforming local self-government and decentralizing authority is managing finances. It is important to empower local communities and support their initiatives. The center power should be able to assist any local purposes bypassing the oblast authorities. This is possible through the upgrowth of a specialized centralized Communities and Territories Development Fund.

European experience testifies to the success of decentralization at a low level. Management powers of territories and finances in the community will reinforce the state and improve both vertical and horizontal ties.

The social effect is the main factor by which the effectiveness of decentralization should be measured, namely the reduction of the unemployment rate, the improvement of the ecological environment in a set area, and the increase in lifespan. It is also necessary to take into account the structure of the economy and the potential of the territory, which defines the priorities of its further progress [33].

Only the systematic application of good policies and reforms will help financial decentralization to appear an effective tool of local authority in budgetary relations, which will develop the potency of public services through delegation of power, autonomy and financial attribution.

3.3. Recommendation for the development of Ukrainian regions within the condition of financial decentralization

Budget decentralization is a mechanism for redistributing the functions and powers of a unified state power between the relevant state authorities on the one hand, and regional (local) self-government bodies on the other. It is by far the most effective and efficient way of ensuring the financial autonomy and sustainability of local governments. The beginning of fiscal decentralization and the continuation of the processes of local self-government reform in Ukraine marked the approval by the Parliament at the end of 2014 of amendments to the budget and tax legislation. This laid the groundwork for the introduction of a new model of financial support for local budgets, the essence of which is to empower local governments, to give them full budgetary autonomy to exercise their powers, while increasing the motivation to increase their profitability. The economic development of the united territorial communities depends on the efficiency and correctness of the social-economic policy of the state. In Ukraine united territorial communities are, to some extent, dependent on politics regulation of intergovernmental relations, which is gradually should shift from the provision of budgetary resources to budgetary regulation. The independence of local self-government bodies in the formulation of financial policy, in the autonomy of solving their tasks and securing their powers influences the development of the

territory and the community. It is the financial decentralization of communities that should promote the policy of reforming the governance system in Ukraine, ensure the sustainability of local budgets, transparency and efficiency of their use of funds and, accordingly, improve the conditions and raise the standard of living of the community and the country as a whole. In the process of decentralization of local budgets, it is important for central governments to ensure the autonomy of local authorities to fulfill their powers, functions and tasks, taking into account the needs and interests of the united territorial communities (UTC), using budget resources effectively.

In the process of financial decentralization it is necessary to eliminate the main shortcomings of local budgets of Ukraine in order not only to increase the independence of local authorities, but also to create conditions for responsible implementation of local government functions of public authorities, taking into account the preferences and interests of citizens local public goods and services, efficient use of budgetary resources and thus create conditions for improving public welfare.

Effective implementation of decentralization reform should ensure a high level of socio-economic development of the regions. The regions that are successfully implementing this reform have become more economically free and competitive. From the conducted researches in work it is possible to trace that just all-important decentralization processes have influence on well-being of the population. One of the most important indicators that significantly contributes to the development of the regions is the increase of own revenues (own revenues decentralization). The share of local budget expenditures is better provided by own revenues every year, due to the improved distribution of national taxes and fees between the budgets of different levels. However, efficiency is imperfect, so a quality transfer policy is needed, which should be based on transparent legal norms and formulas for the allocation of financial resources, which provides incentives to find additional own sources of budget revenues and reduce their expenditures.

In addition, an important indicator of decentralization is revenue autonomy, it is about budget autonomy, which involves open budget decisions, approval of

independent local budgets that do not depend on the "center", and management of own financial resources is based on the principles of economy and efficiency.

The Ministry continues to pursue decentralization approaches aimed at building financially viable communities. Own revenues of all local budgets plan to continue to grow. These are primarily income from personal income tax, real estate and land tax, as well as the single tax. Revenues from corporate income tax, which go to local budgets, will also increase. Therefore, local budgets will receive more funds to finance their powers. They also have room to increase the efficiency of land tax and real estate tax administration, which will help increase revenue from them. If this trend continues, the regions will be able to easily cover both their own and delegated powers, which will stimulate the growth of potential and development of the region.

Financial decentralization is the key to decentralization of power, the formation of an effective system of local finance, a tool for regulating regional development, as it provides incentives for regions to financial autonomy, finding additional own resources, activating internal development potential; allows to balance the needs and capabilities of the regions.

Moreover, autonomy of local budgets can be achieved in the following ways: to introduce independent formation of local budgets, which will be independent of the timing of the adoption of the state budget of the formation and approval of local budgets; simplify borrowing from international financial institutions and providing local guarantees; to give the right to independently choose the institution for servicing local budget development funds and own revenues of budgetary institutions; as well as the right to carry out external local borrowing to all cities of regional significance.

According to the studies in this work, the expenditure ratio also has a positive impact on the development of the regions of Ukraine, like its own revenues decentralization. Expenditures can stimulate aggregate demand and, consequently, increase GDP. Operating with expenses, the state influences the development processes: it supports priority areas, contributes to the improvement of social standards of the population, and the like. Budget expenditures is a tool for the distribution, redistribution and use of funds of financial resources of local governments for their

intended purpose. In this sense, the budgetary policy of the state as a whole, as well as local governments, should take into account the projected dynamics of the gross domestic product, rely on a viable tax system, and perform not only a fiscal, but also a stimulating function. Furthermore, the effectiveness of fiscal policy will be determined by its ability to solve social problems and at the same time create conditions for economic growth.

The main problem with expenditures is that a significant part of the powers of local governments are delegated powers (education, health, public administration, social protection and social security), while their own powers (local issues) are meager. The solution may be as follows - public goods and services that benefit the entire population should be provided and paid for centrally, while those that apply only to a specific region should be provided locally.

Decentralization of expenditures should be based on the effect of information asymmetry - as central authorities are unable to have reliable and complete information about the preferences of residents of certain areas and the specifics of local public goods production, the functions of such budget services should be transferred to the field. And the financing of subnational budgets, as far as possible, should be carried out at the expense of taxes levied on residents of a particular region, that is, it is important that expenditures are regional in nature and their side effects for other regions are minimal.

Analyzing the finished work, can be offered concrete solutions to improve the system of financial decentralization in Ukraine in the early stages of its introduction. Therefore, due to the deepening of the decentralization reform based on foreign experience, taking into account national peculiarities, additional mechanisms can be proposed to solve the following problems (Fig.3.1):

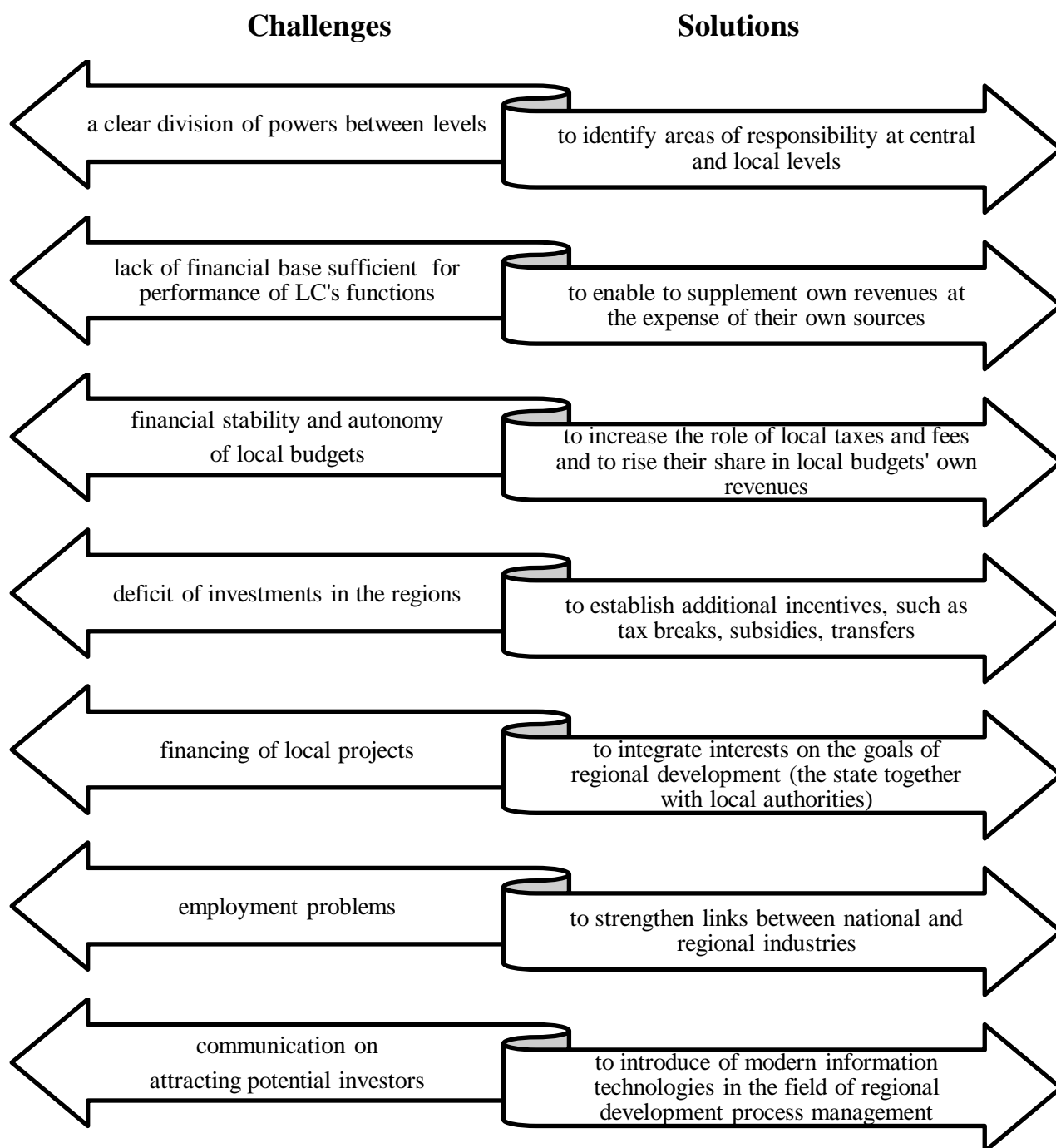


Fig.3.1. Problems of financial decentralization and proposals for their solution

Financial decentralization in Ukraine is necessary in order to create conditions favorable for the comprehensive development of human environment, problem solving and the provision of quality public services in a city, town, village. In the process of financial decentralization, it is important to ensure a clear demarcation powers, responsibilities of authorities of different levels and increase the amount of own revenues of territorial communities, and the main strategic task of decentralization is to ensure the economic development of administrative-territorial units.

Consequently, in order to improve the development of regions in Ukraine through decentralization processes, the following recommendations are proposed:

1. *In the field of revenue.* Strengthening the independence of local budgets and expanding their financial capacity. It is necessary to reconsider the composition of local budget revenues for the sake of reduce transfer dependence from the state budget. In order to increase the revenue base of local budgets, it is advisable to rise the rate of deductions from PIT paid by registered payers in the region to the regional budget to 20-25%, instead of 10% corporate income tax - credited to the state budget, as before. It is also possible to propose to improve the system of property tax administration. Payment for land is one of the most significant sources of revenue for local budgets. Decentralization has increased the possible marginal rates of this tax from 1% to 3% of the monetary assessment. That is, if local authorities did not conduct a revaluation, the effect of financial decentralization, considering the land tax, is not so noticeable. It is also advisable to consider reducing the rate of real estate tax for basic housing, in return to increase for each subsequent one.
2. *In the field of expenditures.* It is important to keep track of existing state targeted programs that are implemented at the expenditures of local budgets and bring them into line with the available volumes of financial resources, which in turn can enhance the efficiency of expenditures. For this, it is possible to introduce continuous monitoring of both the effectiveness of the use of budget funds and the activities of the main managers and managers of the lower level.
3. *In the field of local borrowing.* For the development of the infrastructure of the regions, the increase of investment potential encourages the regional authorities to find additional sources of financing their own development, namely local borrowing. This encourages the search for ways to improve the institution of local borrowing, along with a set of measures designed to develop the financial market and increase financial literacy of the population, which will ensure greater efficiency of local budgets and economic development.

Conclusions to part 3

Globalization processes have a great influence on the definition of local economic development initiatives. Since the implementation of decentralization processes for each country is unique, has its own specifics of development, it is not advisable to take into account foreign experience without taking into account national characteristics.

To successfully implement financial decentralization, developing countries must first consider the following prerequisites, namely: establishment of institutional mechanisms, creating a space for citizen participation, political and civil will, capacity development at the local level, careful implementation and democratic governance.

Establishing an effective system of local self-government, as international experience shows, is possible if decentralization methods are taken into account, which will ensure better performance of the functions of the state with more efficient provision of public goods and services. It is clear that the main directions of local self-government reform are formulated on the best traditions of foreign experience, such as empowering local authorities and granting budgetary autonomy; expansion of sources of filling of local budgets; establishment of uniform rates of deductions of national taxes; introduction of a mechanism of budgetary regulation and alignment; implementation of sectoral transfer policy.

Ukraine is currently undergoing a second phase of financial decentralization, thus is, the government should focus its efforts to improve financial decentralization on consolidating the financial self-sufficiency of local self-government, forming an effective system of governance, streamlining the system of state control, and avoiding duplication of functions.

The current state of the local government system in Ukraine does not meet the needs of society. Territorial communities do not have sufficient resources to create and sustain an adequate living environment. Therefore, there are no high-quality administrative, social and other necessary services for the full development of the person in the respective territories.

The decentralization process combines legal and institutional issues in Ukraine. Among them, the greatest attention is paid to inefficient state regional policy, constitutional and legal inviolability of the territorial foundations of local self-government, over-centralization of power, financial, political and other resources.

In the process of decentralization of local budgets, it is important for central governments to ensure the autonomy of local authorities to fulfill their powers, functions and tasks, taking into account the needs and interests of the united territorial communities (UTC), using budget resources effectively.

To improve financial decentralization in the regions of Ukraine, several ways to solve urgent problems were proposed: to identify areas of responsibility at central and local levels, to enable to supplement own revenues at the expense of their own sources, to increase the role of local taxes and fees and to rise their share in local budgets' own revenues, to establish additional incentives, such as tax breaks, subsidies, transfers, to integrate interests on the goals of regional development, to strengthen links between national and regional industries and to introduce of modern information technologies in the field of regional development process management.

In addition, for the income sector, it is proposed to increase the rate of deductions from personal income tax, as well as to improve the system of property tax administration; for the expenditures sector, to introduce constant monitoring of both the efficiency of the use of budget funds and the activities of key managers and lower-level managers; and for the field of local borrowings, to improve the institution of local borrowing, as well as a set of measures aimed at developing the financial market and improving the financial literacy of the population

CONCLUSIONS

Financial decentralization is an important structural reform designed to promote regional development, accompanied by economic growth, as it allows local governments to strengthen capacity, manage their own resources autonomously and meet local needs and requirements. On the other hand, financial decentralization is not the ultimate goal, but rather a tool of fiscal policy, and in our case - a condition for its implementation, the proper application of which can improve local governance, support regional and local development and most importantly - improve public services and meeting the needs of the population on the principle of subsidiarity. At the same time, financial decentralization may be accompanied by a number of negative manifestations, which in the end will not allow to achieve development goals.

Financial decentralization is a mechanism for the redistribution of functions and powers of a single state power between the relevant state authorities on the one hand, and local authorities on the other. It is by far the most effective and efficient way of ensuring the financial autonomy and sustainability of local governments.

The beginning of financial decentralization and the continuation of the processes of reforming local self-government in Ukraine marked the approval by the parliament at the end of 2014 of amendments to the budget and tax legislation. This laid the foundation for the introduction of a new model of financial support for local budgets, the essence of which is to extend the rights of local authorities, to give them full budgetary autonomy to exercise their powers, while increasing the motivation to increase their profitability.

The economic development of the united territorial communities depends on the efficiency and correctness of the social-economic policy of the state. In Ukraine, united territorial communities depend, to a certain extent, on the policy of regulation of intergovernmental relations, which should gradually move from the provision of budgetary resources to budgetary resources. The independence of local self-government bodies in the formulation of financial policy, in the autonomy of solving

their tasks and securing their powers influences the development of the territory and the community.

It is the financial decentralization of communities that should promote a policy of reforming the governance system in Ukraine, ensuring the sustainability of local budgets, transparency and efficiency in the use of their funds and, accordingly, improving the conditions and raising the standard of living of the community and the country as a whole.

In the process of decentralization of local budgets, it is important for central governments to ensure the autonomy of local authorities to fulfill their powers, functions and tasks, taking into account the needs and interests of the UTC, using budgetary resources effectively.

Relevant proposals are presented to address the problems identified during the study of fiscal decentralization in Ukraine, in particular: the need to form local budgets at the expense of their own sources of revenue, increase their level of autonomy and profitability, optimize the mechanism of state support for regions, stimulate territories for the purpose of dynamic economic development.

Decentralization of government and financial powers of the state in favor of local self-government is one of the most decisive reforms since Ukrainian independence.

The main strategic task of modernizing the system of public administration and territorial organization of power, which is carried out today, is the formation of effective local self-government, creating comfortable living conditions for citizens, providing them with high quality and affordable public services. Achieving these goals is impossible without the appropriate level of economic development of the respective territories, their financial support and enough sources to fill local budgets.

The financial aspect is one of the most important, on which, to a large extent, depends the success of the functioning of the united territorial communities. The presence of economically active business entities, a sufficient number of skilled labor resources, a developed industrial and social infrastructure - all this and much more is the basis for successful community development.

The result of the reform was an increase in the interest of local governments in increasing revenues to local budgets, finding reserves to fill them, and improving the efficiency of tax and fee administration. Combined communities show high and dynamic growth rates of their own income. In terms of the use of funds, attention is focused on the need to form the most optimal structure of budget expenditures, creating an effective not too large management staff, conducting a constant analysis of budget expenditures and preventing cases of irrational spending.

Indicators of local budget execution reflect the general socio-economic condition of the respective territory and its potential for sustainable development. The availability of sufficient resources in local budgets is a guarantee that the local community has the opportunity to provide better and more diverse services to its residents, implement social and infrastructure projects, create conditions for business development, attract investment capital, develop local development programs and finance other activities. comprehensive improvement of living conditions of community residents.

Every inhabitant of a village or city has the right to modern medicine and education, accessible and high-quality administrative, communal, social services, good roads, clean and lighted streets. But people can only influence the quality of these services when those responsible for providing them are close. The closest authorities to the people are local governments: village, settlement city councils and their executive committees. Therefore, they must have broad powers and sufficient resources to be able to address all local issues and be responsible for them.

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APPENDICES

Appendix A

Table A.1

Budget decentralization by revenue and expenditure in European countries in 2001–2017, %

	Degree of revenue decentralization, %	Degree of expenditure decentralization, %
Belgium	13,12	13,58
Bulgaria	15,64	19,30
Czech Republic	14,73	27,33
Denmark	33,90	63,35
Germany	12,85	16,64
Estonia	42,04	25,91
Ireland	-15,65	15,25
Greece	7,27	6,86
Spain	8,16	14,69
France	15,16	20,08
Croatia	15,54	25,97
Italy	34,92	30,59
Cyprus	3,03	4,28
Latvia	11,24	27,17
Lithuania	41,11	24,42
Luxembourg	7,27	12,14
Hungary	27,03	20,72
Malta	2,76	1,42
Netherlands	45,81	32,37
Austria	11,47	16,14
Poland	20,54	30,89
Portugal	10,07	13,73
Romania	33,05	23,68
Slovenia	10,02	18,93
Slovakia	12,79	15,01
Finland	22,31	40,00
Sweden	24,64	46,50
United Kingdom	22,75	27,10
Norway	20,43	32,53
Switzerland	4,60	21,93
Ukraine	19,44	41,63

Source: author's own calculation based on Eurostat and Cost.ua [18 & 22].

Appendix B

Table B.1

**Revenues without transfers and expenditures with transfers of the
government and local budgets of Ukraine for 2011 - 2019, %
of the consolidated budget**

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues:									
government budget	82,36	81,58	80,89	81,99	83,28	80,55	79,81	80,18	77,65
local budgets	17,64	18,42	19,11	18,01	16,72	19,45	20,19	19,82	22,35
Expenditures:									
government budget	57,23	55,08	56,86	57,27	59,27	58,56	53,62	54,94	58,62
local budgets	42,77	44,92	43,14	42,73	40,73	41,44	46,38	45,06	41,38

Source: author's own calculation based on Minfin [22].

Appendix C

Table C.1

The relative share of tax-revenues in local budgets revenues of Ukraine for 2014 - 2019, %

Revenues	2014	2015	2016	2017	2018	2019
Tax-revenues	100	100	100	100	100	100
Personal income tax	83,1	55,9	53,8	55,0	59,0	61,8
Corporate income tax	0,3	4,4	4,0	3,2	3,8	3,7
Excise tax on excise goods produced in Ukraine	0,2	7,8	7,9	6,5	5,9	5,2
Land value tax	1,9	1,0	0,7	0,5	1,3	1,3
Local taxes and fees	10,7	27,5	28,8	26,2	25,6	26,5
Other payments	3,7	3,3	4,8	8,5	4,3	1,4

Source: author's own calculation based on Cost.ua [25].

Appendix D

Table D.1

Revenues and expenditures of local budgets (excluding official transfers), % of GDP in 2010-2019

Year	Local budget revenues (excluding transfers), % of GDP	Local budget expenditures, % of GDP
2010	6,6	14,1
2011	5,8	13,5
2012	6,3	15,7
2013	6,3	15,0
2014	5,7	14,3
2015	6,1	14,0
2016	7,2	14,5
2017	7,7	16,4
2018	7,4	15,8
2019	8,2	15,2

Source: author's own calculation based on Minfin [22].

Appendix E

Table E.1

Gross regional product per region of Ukraine for 2008 - 2018, mln UAH

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Autonomous Republic of Crimea		948056	913345	1082569	1302079	1459096	1522657	1586915	1988544	2385367	2983882	3560596
Vinnitsa	20874	27365	27396	32426	38220	44536	46393					
Volyn	15381	20094	20104	23589	29099	33024	36191	43990	59871	74411	92427	111498
Dnipropetrovsk	10072	12784	12225	14429	17637	20005	20622	24195	31688	35744	51972	60448
Donetsk	71173	104687	93331	116136	140020	147970	152905	176540	215206	244478	313830	369468
Zhytomyr	92093	117646	103739	128986	161021	170775	164926	119983	115012	137500	166404	192256
Zakarpattia	11127	15008	14731	18743	21928	24849	25676	29815	38425	47919	61470	77110
Zaporizhzhya	10508	13208	12542	15299	18054	21404	21400	24120	28952	32390	43043	52445
Ivano-Frankivsk	33158	42445	37446	42736	49525	54828	54352	65968	89061	104323	130377	147076
Kyiv	13916	17883	17241	20446	26752	32286	33196	37643	45854	51404	63850	78443
Kirovograd	26221	35687	37548	44953	59154	69663	68931	79561	104030	128638	157043	198160
Lugansk	9989	13961	13389	15749	20041	22056	25313	28758	38447	46021	53031	64436
Lviv	32280	42985	38451	45541	57202	58767	55108	31393	23849	31356	30285	35206
Mykolaiv	27987	35534	35955	41655	52103	61962	63329	72923	94690	114842	147404	177243
Odesa	14767	19410	20336	24055	27633	29205	32030	35408	48195	57815	69371	79916
Poltava	33116	46994	48647	53878	61499	64743	69760	74934	99761	119800	149530	173241
Rivne	28355	34118	33629	44291	52252	56580	58464	69831	95867	116272	150904	174147
Sumy	11180	14074	13469	15882	19302	21795	22004	28724	35252	39469	48836	56842
Ternopil	12341	16210	16060	18333	22907	24933	26765	30397	41567	46287	56530	68489
Kharkiv	8276	10618	11173	12726	16294	17957	18085	21676	26656	31072	40747	49133
Kherson	43868	59389	58923	65293	76866	82223	85315	96596	124843	154871	187454	233321
Khmelnitsky	9034	13174	13436	15649	18448	19357	20767	23250	32215	38743	47868	55161
Cherkasy	12339	16061	15758	18096	22843	26237	26426	32162	41088	48859	63882	75646
Chernivtsi	13656	19101	18707	22354	27012	31265	33087	38466	50843	59412	73176	93315
Chernihiv	6672	8833	8484	9892	11969	13166	13757	15049	18506	21239	28591	33903
city Kyiv	11532	14918	14636	17008	21165	23934	24237	28156	36966	43362	56672	70624
city Sevastopol	135900	169564	169537	196639	223774	275685	312552	357377	451700	559140	699185	833069

Table E.2

Local budget revenues (excluding intergovernmental transfers) for 2008 - 2018, mln UAH

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Autonomous Republic of Crimea	3079.412	3257.75	4167.811	4584.523	5600.994	5893.723	959.0438	0	0	0	0
Vinnitsa	1616.584	1657.509	1930.373	2180.922	2616.936	2824.976	3111.272	3790.497	5651.232	8225.07	9324.473
Volyn	971.3296	911.3218	1057.414	1181.121	1400.921	1452.191	1590.283	2208.991	3092.249	4726.039	5008.762
Dnipropetrovsk	6251.633	6211.79	7048.946	8447.844	9775.791	10137.38	11030.33	13203.37	17944.65	23266.38	27745.71
Donetsk	7477.776	7402.269	8611.545	10084.01	11586.99	12455.11	9651.856	7093.164	8749.276	11944.87	12959.26
Zhytomyr	1396.11	1333.424	1530.239	1733.072	2055.4	2171.617	2358.501	2765.17	4021.738	5695.825	6610.261
Zakarpattia	1130.512	1041.781	1140.816	1206.073	1369.783	1460.982	1580.068	2071.088	3106.889	4608.891	5120.825
Zaporizhzhya	2885.114	2766.282	3261.779	3843.537	4277.17	4452.063	4652.441	5602.231	8677.934	10878.99	12507.2
Ivano-Frankivsk	1341.335	1329.158	1466.367	1723.854	1926.98	1929.471	2028.811	2571.231	3662.592	5070.908	5894.118
Kyiv	3104.268	2846.931	3257.402	3840.69	4311.584	4715.968	4833.566	6141.895	9223.881	13762.47	14645.33
Kirovograd	1026.627	1075.721	1250.079	1439.398	1769.633	1886.042	2042.168	2419.046	3564.067	4902.608	5634.358
Lugansk	2971.165	3001.766	3352.435	3956.493	4602.045	4456.694	3306.13	2163.555	2479.147	3163.394	3437.54
Lviv	3049.296	3025.86	3378.091	3709.377	4287.189	4455.38	4840.166	6415.479	9956.389	13309.96	15101.58
Mykolaiv	1476.749	1505.375	1686.502	1859.717	2276.331	2289.013	2415.359	2942.972	4338.753	5812.113	6433.106
Odesa	3620.144	3543.1	4123.817	4412.497	4959.826	5209.556	5607.458	6940.472	10763.16	15998.65	17279.7
Poltava	2234.339	2210.311	2591.372	3291.094	3994.562	3867.876	3911.443	4822.854	6931.43	9359.398	11496.02
Rivne	1167.173	1180.59	1320.227	1538.394	1740.436	1789.235	1876.387	2208.44	3122.491	4621.004	5423.374
Sumy	1335.156	1321.053	1527.715	1828.315	2175.072	2223.287	2290.059	2718.483	3998.945	5663.98	6357.67
Ternopil	816.256	830.435	978.0682	1074.387	1265.001	1360.498	1403.392	1860.904	2571.593	3622.9	4316.367
Kharkiv	4112.477	3982.682	4426.375	5230.376	6175.598	6439.08	6567.953	7872.417	11304.63	15069.98	18134.85
Kherson	1115.083	1082.409	1249.003	1407.384	1646.674	1700.556	1827.352	2273.094	3300.014	4502.061	5184.383
Khmelnytsky	1324.698	1323.149	1524.764	1727.276	2023.614	2232.052	2334.869	2933.668	4169.827	5822.295	6700.133
Cherkasy	1493.628	1501.388	1749	1990.523	2468.044	2497.996	2582.215	3193.384	4650.649	6329.467	7150.954
Chernivtsi	873.5469	866.838	944.7676	1052.68	1164.384	1284.901	1244.828	1655.993	2529.93	3116.479	3498.732
Chernihiv	1119.118	1123.139	1285.964	1478.132	1765.508	1823.557	1992.039	2433.623	3650.773	5016.637	5776.916
city Kyiv	16105.96	13950.84	14818.59	10879.34	12389.86	12891.34	14821.27	22178.2	29183.12	35000.6	41734.39
city Sevastopol	776.6049	752.8128	836.3056	954.3069	1187.502	1270.529	241.8151	0	0	0	0

Table E.3

Local budget revenues (including intergovernmental transfers) for 2008 - 2018, mln UAH

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Autonomous Republic of Crimea	5734.266	6107.46	7649.55	8809.18	10178.35	10247.17	1926.53	0.00	0.00	0.00	0.00
Vinnitsa	4163.583	4363.21	5307.05	6055.12	7560.14	7678.09	8551.83	11268.76	14304.25	20615.17	22833.64
Volyn	2766.083	2926.58	3728.50	4335.04	5366.20	5562.02	6290.01	7945.34	9523.08	13628.00	15000.70
Dnipropetrovsk	9236.813	9331.21	11075.99	13422.85	16909.90	15981.68	17876.45	26372.77	32471.13	43419.23	49651.99
Donetsk	11811.08	12094.09	14176.92	17366.06	22415.61	20512.46	18092.06	16589.90	17975.37	25823.69	26505.60
Zhytomyr	3565.781	3627.44	4350.67	5021.74	6168.88	6546.11	7122.59	8928.46	11219.50	15634.16	17630.15
Zakarpattia	3277.483	3498.42	4226.72	4722.12	5640.92	6252.70	6668.88	8433.09	10122.15	14011.40	16034.80
Zaporizhyya	5237.056	4969.66	6150.08	7135.72	8293.33	8452.73	9049.29	12702.57	16715.29	22271.28	24741.24
Ivano-Frankivsk	4496.002	3889.91	4843.78	5477.54	6745.62	6869.46	7558.55	9785.28	12314.60	16992.68	18829.69
Kyiv	5231.053	4969.85	6030.37	7473.08	8760.77	8831.75	9703.18	13610.25	17447.91	26078.59	28235.13
Kirovograd	2610.339	2773.06	3338.22	3956.19	4872.17	4959.10	5393.13	7039.87	8810.66	12125.79	13700.54
Lugansk	5534.439	5913.46	6834.15	8020.06	9921.21	9083.98	7639.49	5427.65	6353.75	8033.44	9222.54
Lviv	6981.207	7194.17	8333.49	9272.34	11137.83	11789.16	13150.58	18450.57	23347.63	32088.42	34840.28
Mykolaiv	3102.553	3254.45	3902.79	4419.63	5489.70	5636.62	6120.58	8082.67	9932.21	13348.16	14720.74
Odesa	6310.686	6394.20	8199.44	9152.43	10967.85	10997.68	12452.09	16506.93	20779.86	29215.55	32280.11
Poltava	4122.494	4279.73	4992.01	5947.70	7297.82	7115.65	7685.28	11072.23	14699.63	20214.43	23213.23
Rivne	3162.002	3397.32	4258.23	4922.72	5876.71	6264.31	6877.59	8577.95	10439.51	14868.31	16620.93
Sumy	2914.461	3003.77	3626.29	4254.74	5197.05	5357.94	5800.64	7863.61	10372.44	13956.63	15600.97
Ternopil	2724.189	2886.18	3508.30	3995.49	4796.55	5108.19	5562.20	7227.26	9347.21	12631.85	13992.14
Kharkiv	7488.65	7299.99	8359.53	9830.11	12151.23	12074.60	14123.78	18452.29	22912.86	31162.06	36274.60
Kherson	2767.514	2921.64	3502.34	4027.03	4843.64	5101.03	5602.71	7018.66	8564.18	11672.05	13449.35
Khmelnytsky	3542.945	3752.00	4509.29	5216.08	6274.55	6564.94	7122.87	9248.12	11527.96	16168.43	17792.83
Cherkasy	3452.245	3537.04	4306.19	5002.36	6067.99	6071.93	6762.53	8899.05	11497.90	16044.53	17561.21
Chernivtsi	2959.786	2574.78	3077.91	3478.90	4189.44	4548.85	4767.15	6098.97	7625.65	10228.25	11637.98
Chernihiv	2847.445	2915.53	3502.13	4070.73	5046.96	4966.12	5637.46	7194.49	9133.87	13100.18	14914.51
city Kyiv	20114.03	15516.56	16268.86	14546.22	21128.06	16510.64	23794.97	31644.90	38602.05	48761.66	57130.81
city Sevastopol	1301.07	1167.74	1338.35	1599.19	1974.98	1934.51	369.58	0.00	0.00	0.00	0.00

Table E.4

Local budget expenditures (excluding intergovernmental transfers) for 2008 - 2018, mln UAH

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Autonomous Republic of Crimea	5608.867	5932.33	7563.77	4584.52	9762.01	10068.95	1858.47	0.00	0.00	0.00	0.00
Vinnitsa	4060.728	4215.44	5218.03	2180.92	7353.19	7544.04	8511.75	3790.50	13713.15	19917.65	22687.57
Volyn	2781.869	2939.73	3715.50	1181.12	5233.81	5574.78	6163.21	2208.99	9408.00	13096.38	14992.02
Dnipropetrovsk	8802.164	8916.40	10785.68	8447.84	16215.55	16064.52	17507.91	13203.37	30962.90	41374.32	49828.66
Donetsk	10953.85	11243.11	13520.40	10084.01	21595.16	20050.78	16098.55	7093.16	15757.56	24668.19	27507.34
Zhytomyr	3388.357	3563.29	4329.72	1733.07	6033.95	6430.93	7084.44	2765.17	11040.11	15188.16	17581.00
Zakarpattia	3184.361	3388.22	4237.25	1206.07	5487.17	6004.48	6475.20	2071.09	9982.25	13445.49	15747.94
Zaporizhyya	4943.314	4727.92	5963.11	3843.54	7973.56	8139.95	8837.31	5602.23	15517.07	21718.16	25187.74
Ivano-Frankivsk	4407.871	3820.62	4808.41	1723.85	6634.06	6836.90	7496.68	2571.23	12106.83	16550.35	18772.17
Kyiv	5042.688	4938.02	6037.23	3840.69	8341.11	8387.79	9163.04	6141.90	16004.05	23926.01	28845.70
Kirovograd	2551.857	2710.02	3256.01	1439.40	4691.56	4900.60	5282.50	2419.05	8467.90	11832.56	13569.39
Lugansk	5414.987	5806.14	6621.67	3956.49	9793.66	9318.25	6431.71	2163.56	6077.64	8716.62	9113.89
Lviv	6671.014	6964.26	8212.35	3709.38	10845.22	11606.19	12938.36	6415.48	22573.97	30887.84	35250.31
Mykolaiv	2987.531	3149.78	3851.43	1859.72	5321.24	5524.92	5916.22	2942.97	9494.14	13005.46	14585.15
Odesa	6236.145	6271.21	7734.48	4412.50	10412.99	10545.77	12042.57	6940.47	19692.12	29258.25	32270.46
Poltava	3934.709	4127.75	4944.37	3291.09	6948.95	6914.75	7521.51	4822.85	13939.91	19938.93	22603.18
Rivne	3045.282	3319.95	4103.33	1538.39	5678.02	6152.68	6785.39	2208.44	10112.89	14291.38	16690.04
Sumy	2811.253	2905.09	3623.70	1828.32	5035.81	5234.67	5773.81	2718.48	9940.72	13637.90	15637.39
Ternopil	2658.223	2844.09	3464.33	1074.39	4705.21	5071.57	5530.45	1860.90	9224.30	12285.72	13902.60
Kharkiv	7084.962	7182.36	8394.43	5230.38	11861.71	11685.45	14238.98	7872.42	22062.48	31065.56	35629.46
Kherson	2719.265	2856.08	3507.17	1407.38	4771.85	4995.09	5565.20	2273.09	8302.45	11346.34	13355.59
Khmelnytsky	3457.05	3674.89	4460.90	1727.28	6068.29	6433.87	6965.61	2933.67	11236.87	15815.69	17882.90
Cherkasy	3295.987	3460.98	4296.11	1990.52	5942.85	6034.96	6669.52	3193.38	11187.05	15778.76	17314.52
Chernivtsi	2900.24	2434.10	3096.07	1052.68	4100.40	4431.33	4708.30	1655.99	7346.98	10190.45	11437.63
Chernihiv	2824.413	2885.07	3504.09	1478.13	4902.50	4903.98	5565.70	2433.62	8724.22	12928.75	14914.41
city Kyiv	13825.58	11703.26	11441.03	10879.34	23668.30	17581.04	22087.38	22178.20	33366.05	49254.23	57964.28
city Sevastopol	1234.705	1162.15	1329.74	954.31	1854.62	1797.83	289.08	0.00	0.00	0.00	0.00

Table E.5

Local budget expenditures (including intergovernmental transfers) for 2008 - 2018, mln UAH

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Autonomous Republic of Crimea	5742.04	6018.076	7596.318	8641.354	9777.814	10089.62	1858.475	0	0	0	0
Vinnitsa	4188.227	4269.481	5270.875	5988.787	7365.643	7558.604	8526.774	11082.11	13830.07	20084.2	22920.11
Volyn	2836.202	2958.958	3738.438	4295.071	5234.712	5577.389	6166.576	7673.483	9438.399	13139.95	15079.24
Dnipropetrovsk	9515.217	9269.056	10994.78	13259.85	16326.19	16244.22	17592.39	25081.81	32124	43050.83	51412.82
Donetsk	11801.57	12057.88	13912.69	17025.77	21926.48	20371.39	16297.03	13901.51	16127.16	25136.16	28127.44
Zhytomyr	3526.087	3595.734	4353.196	4986.277	6037.295	6432.957	7092.839	8784.446	11126.17	15283.24	17717.66
Zakarpattia	3275.162	3436.057	4277.463	4657.204	5499.528	6009.975	6482.017	8487.713	10044.44	13530.64	15876.23
Zaporizhyya	5318.772	4899.218	6136.313	6922.902	8204.06	8411.929	8966.451	12119.05	15869.54	22198.91	25942.61
Ivano-Frankivsk	4493.795	3870.787	4851.757	5398.511	6641.692	6845.289	7505.354	9721.645	12161.98	16620.79	18871.93
Kyiv	5267.362	5121.686	6182.344	7072.518	8495.763	8525.34	9290.027	13008.13	16327.61	24345.42	29495.15
Kirovograd	2622.676	2729.134	3284.5	3961.217	4713.548	4919.034	5313.331	6970.062	8531.784	11919.45	13684.77
Lugansk	5610.372	5907.091	6689.509	7826.636	9810.05	9384.132	6444.386	4484.857	6142.333	8923.732	9258.61
Lviv	6968.978	7180.832	8266.71	9349.851	10896.27	11690.33	12945.29	18049.79	22821.55	31212.63	35729.68
Mykolaiv	3080.684	3193.922	3903.299	4409.878	5374.717	5565.843	5976.919	7769.586	9575.539	13133.09	14778
Odesa	6506.294	6446.04	8038.573	9036.699	10544.27	10663.35	12145.84	15952.19	19912.37	29629.42	32744.45
Poltava	4151.681	4219.973	4974.266	5759.262	7014.131	7063.48	7577.575	10646.4	14173.61	20259.22	23051.49
Rivne	3143.132	3370.677	4189.929	4929.744	5724.609	6188.415	6838.095	8452.583	10186.59	14381.06	16819.12
Sumy	2906.363	2950.401	3647.429	4240.892	5042.318	5259.978	5779.591	7764.399	10025.53	13750.88	15802.94
Ternopil	2724.317	2863.169	3477.791	4006.479	4708.866	5074.037	5533.532	7039.193	9258.161	12335.79	13989.25
Kharkiv	7467.999	7257.312	8438.228	9956.304	11869.28	11752.06	14251.85	17448.98	22290.55	31331.38	35923.21
Kherson	2777.522	2871.013	3517.933	3993.431	4772.539	4996.069	5568.388	6848.729	8318.194	11371.08	13420.22
Khmelnytsky	3556.73	3724.218	4493.485	5217.086	6095.813	6456.948	6995.461	9089.541	11294.56	15884.49	17981.77
Cherkasy	3430.605	3489.822	4355.225	4935.079	5945.855	6039.845	6680.38	8723.321	11251.93	15860.32	17421.78
Chernivtsi	2973.906	2460.73	3131.022	3463.681	4101.585	4432.12	4711.998	5883.968	7355.604	10206.31	11454.08
Chernihiv	2887.341	2898.36	3514.294	4051.571	4902.788	4904.12	5566.203	7095.439	8743.267	12987.99	14965.48
city Kyiv	20953.99	18031.22	17189.98	16100.99	23692.29	17589.39	23230.99	28005.1	33482.26	49509.87	58110.57
city Sevastopol	1271.767	1164.043	1333.845	1500.739	1857.164	1799.482	289.0762	0	0	0	0

*Table E.6***Consolidated budget for 2008 - 2018, mln UAH**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues	325572	314754	345523	398553.6	445525.3	442788.7	456067.3	652031	782748.5	1016788.3	1184278.1
Expenditures	309216	307312	377873	416854	492455	505844	523125.7	679871.4	835589.8	1056759.9	1250173.6