DECENTRALIZATION AND TERRITORIAL CONSOLIDATION
IN UKRAINE AS THE LATEST TREND OF THE GLOBAL PARTNERSHIP

Abstract. The article is devoted to research of preconditions and urgency of the reform of decentralization and change of state administrative-territorial system. The main reasons for the necessity of realization of the reform in Ukraine are determined: excessive fragmentation of territorial communities, subsidization of local budgets, allocation of a significant part of financial resources to the maintenance of the control apparatus, degradation of rural territories, lack of initiatives from local self-government bodies. The article reflects the results of sociological research on Ukrainians' awareness of the decentralization reform, their expectations and the evaluation of the effectiveness of its implementation on the territory of Ukraine. It is determined that among the main problems / obstacles in the implementation of the decentralization reform, the respondents distinguish: financial imbalances; inadequate legal framework; lack of clear division of powers between district administration, district councils and UTC; the need to comply with the declared data; lack of awareness of decentralization; the lack of agreement within communities; political processes. The stages of administrative reform implementation in Ukraine are investigated, in accordance with the legislation of Ukraine. The first stage involves the transfer of the state powers to the lowest administrative-territorial level to the newly created united territorial communities (UTC). The second stage of the reform involves the creation of administrative-territorial units of the regional level that is prefectures (counties or districts), empowered with management authorities. The third stage of the reform involves the formation of a third regional level of the ATU of the country. The advantages, intermediate results of the reform in the context of the problem-oriented orientation are shown; the first consequences of the reform were identified, first of all, in the growth of the financial potential of the territory and the strengthening of the resource base of local budgets. Areas of use of financial resources by the united territorial communities are investigated. The emphasis is on changing the course from the consumer position (the expectation of subsidies from district and provincial budgets), to attempts to create an effective administrative apparatus and to direct resources to the communities development, to carry out analysis of budget spending and to prevent cases of inefficient or irrational use.

Keywords: decentralization, consolidation, reform, local government, global partnership.

JEL Classification R11, R58

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ДЕЦЕНТРАЛІЗАЦІЯ І ТЕРИТОРІАЛЬНА КОНСОЛІДАЦІЯ В УКРАЇНІ ЯК НОВІТНІ ТРЕНДИ ГЛОБАЛЬНОГО ПАРТНЕРСТВА

Анотація. Присвячено дослідженню передумов та актуальності реформи децентралізації і зміни адміністративно-територіального устрою країни. Визначено головні причини, що обумовили необхідність реалізації реформи в Україні: надмірна подрібненість територіальних громад, дотаційність місцевих бюджетів, спрямування значної частки фінансових ресурсів на утримання апарату управління, деградація сільських територій, відсутність ініціатив з боку місцевих органів самоврядування. Відображено результати соціологічних досліджень щодо обізнаності українців про реформу децентралізації, їхніх очікувань та оцінки результативності її реалізації на території України. Визначено, що серед головних проблем/перешкод у реалізації реформи децентралізації респонденти виділяють: фінансові перекоси; недосконалість законодавчої бази; відсутність чіткого розмежування повноважень між райдержадміністрацією, районними радами та ОТГ; необхідність дотримання задекларованих даних; недостатня обізнаність у питаннях децентралізації; відсутність домовлень усередині громад; політичні процеси. Досліджені етапи реалізації адміністративної реформи в Україні згідно із законодавством України. Визначено перший етап, що передбачає передання частини повноважень держави на найнижчий адміністративно-територіальний рівень — новоствореним об'єднаним територіальним громадам (ОТГ). На другому етапі реформування передбачається створення адміністративно-територіальних одиниць регіонального рівня — префектур (помітів чи округів), які надаються управлінські повноваження. Третій етап реформи передбачає формування третього регіонального рівня АТУ країни. Показано переваги, проміжні результати реформи в контексті проблемно орієнтованої спрямованості, визначено перші наслідки реформи, що відображалися, перш за все, у зростанні фінансового потенціалу території та зміцненні ресурсної бази місцевих бюджетів. Досліджено напрями використання фінансових ресурсів для об'єднаними територіальними громадами. Акцентовано увагу на зміні курсу від споживчої позиції (очікування дотацій з районного чи обласного бюджетів) до намагань створити ефективний управлінський апарат і спрямувати кошти на розвиток громад, здійснювати аналіз витрачання бюджетних коштів та упереджувати випадки неефективного чи нераціонального їх використання.

Ключові слова: децентралізація, консолідація, реформа, місцеве самоврядування, глобальне партнерство.

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Ткаченко Ю. В.
кандидат економічних наук, доцент, доцент кафедру фінансів,
Черкаський державний технологічний університет, Україна;
e-mail: tkyuliiia@gmail.com; ORCID ID: 0000-0002-3627-093X

Кулик Ю. С.
преподаватель кафедры економической кибернетики та маркетинга,
Черкаський державний технологічний університет, Україна;
e-mail: kulyk.juli@gmail.com; ORCID ID: 0000-0001-7467-5252

ДЕЦЕНТРАЛІЗАЦІЯ І ТЕРИТОРІАЛЬНА КОНСОЛІДАЦІЯ В УКРАЇНІ ЯК НОВІТНІ ТРЕНДИ ГЛОБАЛЬНОГО ПАРТНЕРСТВА

Анотація. Посвячено дослідженю передумов та актуальності реформи децентралізації і зміни адміністративно-територіального устрою країни. Опреділено, какие главные причины оговорили необходимость реализации реформы в Украине: чрезмерная раздробленность территориальных общин, дотационность местных бюджетов, направление значительной части финансовых ресурсов на содержание аппарата управления, деградация сельских территорий, отсутствие инициатив со стороны местных органов самоуправления. Отражены результаты социологических исследований по
осведомленности украинцев о реформе децентрализации, их ожиданий и оценки результативности реализации на территории Украины. Показаны преимущества, промежуточные результаты реформы в контексте проблемно ориентированной направленности, определены первые последствия реформы, отразились, в первую очередь, в росте финансового потенциала территорий и укреплении ресурсной базы местных бюджетов. Исследованы направления использования финансовых ресурсов объединенными территориальными общинами.

Ключевые слова: децентрализация, консолидация, реформа, местное самоуправление, глобальное партнерство.
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Introduction. A fundamental change in the global consciousness of Ukrainian citizens, clearly demonstrated by the Revolution of Dignity in 2014, a radical reorientation to the European democratic values, geopolitical changes in the country have emphasized the need to change approaches to spatial development on the basis of increasing the powers of territorial communities and with a focus on strengthening of their autonomy and responsibility for sustainable development of the area.

The development of local self-government and decentralization of power in Ukraine are the main priorities of socio-economic development. In April 1, 2014 the Government of Ukraine adopted the “Concept of local self-government reform and territorial power organization”, the decree of the Cabinet of Ministers № 333-R. According to this Concept, Ukraine had to transfer both the authority and resources from local government bodies to rural and urban councils and create wealthy territorial communities, able to exercise their powers. In fact, the Concept deals with the need of real reforms of local self-government in Ukraine [1].

With the background formed, the decentralization has become urgent, therefore there are sufficient opportunities to implement European experience and reforms in Ukraine, but there are doubts about the institutional capacity of public and local authorities to implement this experience. The interim results of the reform and its prerequisites need an appropriate scientific and analytical justification, which will give the opportunity to evaluate the chosen course, the deviations, their causes and consequences.

Literature review and the problem statement. The study of the decentralization reform implementation in Ukraine, specific features of spatial management development have become topical due to the decentralization reform implementation. However, spatial development, administrative-territorial reforms, public administration system in Ukraine, which has been in a state of “the permanent reform” for more than 15 years, was investigated by many foreign and domestic scientists such as V. Heyets, V. Bakumenko, Z. Varnali, Y. Volkova, R. Melnikov, P. Nadolishni, O. Popov, M. Porter, I. Fashchevski, T. Hershberg, L. Chernyk, et al. In the context of administrative reform as a complex socio-administrative problem the research done by I. Adamets is worth considering. The issue of social responsibility as the basis for the success of decentralization reform is investigated by O. Berezina, global principles of territorial consolidation in the context of the global partnership are studied in the works of L. Petkova. The management of strategic development of the consolidated territorial communities is discussed in the studies of S. Seregina, Y. Sharova, E. Borodina, N. Goncharuk. In particular, the conceptual foundations of local self-government reform and power decentralization in Ukraine are studied, the current status and problems are analyzed, the European experience is summarized. Evaluation of decentralization reform in Ukraine is emphasized by A. Melnychuk, P. Ostapenko.

Scientists devoted much of their research to the theoretical bases of decentralization reform implementation, in particular, the justification of conceptual provisions. Scholars and analysts conducted statistical observations on the quantitative results of the reform, namely the dynamics of the number of amalgamated communities, data about the size of the budget and finance statistics. There are also surveys on the understanding of the reform by the population and its consequences. However, there are no comprehensive studies on the evaluation of the decentralization reform
efficiency not only by the means of quantitative parameters, but also by means of qualitative ones, in particular the objective assessment of the situation in the territorial communities of the local population, efficiency of the measures taken in the context of solving local problems etc.

The aim of the study is a comprehensive assessment of the interim results of decentralization reform in the context of problem-oriented focus. The objective of the study is to investigate the basic preconditions and the necessity of the decentralization reform implementation, the study of previous expectations, analytical conclusions and their evaluation in the aspect of problem orientation.

**Research results.** The reform of the administrative-territorial structure of our country, launched together with the local government reform (decentralization reform). Ukraine is actively reforming the system of administrative-territorial structure by creating united local communities [2].

The aim of the reform of the local government is primarily to ensure its ability by its own resources, to solve local issues. It means empowering of territorial communities with greater resources and the mobilization of their internal reserves [3].

Administrative reform in Ukraine, according to three stages implementation. Reformers note that the reform is based on the Scandinavian model of the ATG system. The first stage involves the transfer of the state powers to the lowest administrative-territorial level to the newly created united territorial communities (UTC), organized through the consolidation of rural councils. Most of the powers that previously belonged to district state administrations (DSA) will be transferred to the newly created UTC, thus proving the inefficiency of the DSA. In fact, united local communities are created through the reorganization of village councils and regions elimination according to the results of the first stage [4].

The second stage of the reform involves the creation of administrative-territorial units of the regional level that is prefectures (counties or districts), empowered with management authorities.

The third stage of the reform involves the formation of a third regional level of the ATU of the country. After the formation of the two lower levels of the ATU — local and sub-regional reform, it would be logical to complete the reform of the ATU higher system-level that is regional.

In fact, it would mean a reduction in the number of regions of the country. However, the reform of this ATU system-level at the expert one is little said, as long as there is no single option for the reform. The knowledge and methods of communal geography can be of great importance in this situation, as the domestic social geography has long had its own division variant of the country and socio-geographical areas, which should form the basis of a new regional division [2].

The necessity and urgency of the decentralization reform in Ukraine is due to several reasons, among which the most important are:

1) the excessive fragmentation of territorial communities (there used to be rural communities with the population range from 1000 to 300 persons (45.4% of the total) in Ukraine before the reform), also there is a significant proportion of communities with the population of 500 to 1,000 residents (35.8 %). Territorial communities, the population of which not exceeding 500 people constitute almost 11 % of the total number. Overall, 92% of rural territorial communities had a population of less than 3,000 inhabitants before the reform started [5].

2) subsidies from local budgets (more than 5000 territorial communities have a share of subsidization of the budget from 70 to 90 %, about 500 communities are maintained at the expense of the state budget).

3) significant financial resources are allocated to the maintenance of the administrative apparatus, limiting the ability of projects to solve problems of local importance.

4) degradation of rural territories (the population decline, the mass move of young people in the city, lack of infrastructure and facilities to ensure improvement and appropriate quality of life. As of January 1, 2017, the proportion of rural residents accounted for 28.7% of the total resident population (for comparison: in 1990 it constituted 32.7 %) [5].

5) lack of initiatives on the part of local authorities and prolongate dependency on the Soviet management ideology.

From June 9th to 13th, 2017 the Fund "Democratic initiatives" named after Ilko Kucheriv jointly with the sociological service of Razumkov Centre conducted a nationwide exit pole (2018
respondents, aged 18 years, theoretical sampling error does not exceed 2.3%)in all regions of Ukraine except Crimea and occupied territories of Donetsk and Lugansk regions. In August 2016 Fund "Democratic initiatives" and the Kiev international Institute of sociology had a similar study. As evidenced by the results of a survey for 2017, the level of awareness of citizens with the reform of decentralization improved somewhat: 20% of Ukrainians are well aware of the reform (in August 2016, the figure was 12%), 62% of respondents know something (54% is the figure of 2016). The percentage of those who does not know anything about the reform, decreased from 30% to 18% [6].

Ukrainians residing in the central regions of Ukraine (the level of awareness is more than 87%) have the best awareness and the least is in the south of Ukraine (69%). The majority of Ukrainians approve the actions of the authorities in the framework of decentralization reform, 42% of respondents have positive attitude. Most supporters of decentralization reform are in the West (48%) and the least is in the East (31%). On the other hand, only 12% of Ukrainians are fully satisfied with the pace of reform, 37% consider it to be implemented too slowly, and 22% suppose it not to be implemented at all [7].

The majority of Ukrainians sees both positive and negative consequences of decentralization reform, in particular 24% of respondents noted a new influence on the government, 18% believe in the improvement of the quality of services. 28% of respondents believe the reform negative effects to deepen the "society stratification", 16% - to devastate villages and towns [8].

The financial and analysis materials prepared by the Ministry of Regional Development, construction and housing and communal services of Ukraine with the assistance of the Swiss-Ukrainian project "Decentralization Support in Ukraine" DESPRO, U-LEAD Europe: Programme for Ukraine with empowerment at the local level, accountability and development and the Swedish-Ukrainian project "Decentralization Support in Ukraine", show the General Fund of Local budgets of territorial communities United for 2016 increased almost 7 times, compared to the income of 2015 in their local councils, which became a part of the GSS, and amounted to 7.1 billion UAH, including for the account [9]:

– taxes and fees – 3.3 bln UAH, of which 60% of the tax to incomes of physical persons amounted to 1.7 bln UAH;
– intergovernmental transfers in the form of basic subsidies, educational and medical subventions - 2.8 bln UAH;
– subventions to the communities infrastructure formation –1 bln. UAH

In addition, the communities received a subvention from the state budget for socio-economic development of territories in the amount of 50 mln UAH and funds in the sum of 134 mln. from the State Regional Development Fund for implementation of investment programs.

Based on 1 inhabitant of the united communities, the average ratio of own revenues grew by 1645 UAH (from UAH 700 to 2345 UAH). Slobozhanska UTC of Dnipropetrovsk region received maximum funds per 1 inhabitant — 16 thousand UAH [5].

![Fig. 1 Growth in own resources of local budgets [10]](image-url)

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue (UAH)</th>
<th>Increase (UAH)</th>
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<tr>
<td>2014</td>
<td>68.7 mln</td>
<td>+29.6 mln (+42%)</td>
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<tr>
<td>2015</td>
<td>98.2 million</td>
<td>+48.4 mln (+49%)</td>
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<tr>
<td>2016</td>
<td>146.6 million</td>
<td>+24 mln (+16%)</td>
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<tr>
<td>2017</td>
<td>170.7 million</td>
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According to the outcomes of the sociological surveys results systematization organized by various expert agencies, it was determined that among the main problems / obstacles in the implementation of the decentralization reform, the respondents distinguish: financial imbalances; inadequate legal framework; lack of clear division of powers between district administration, district councils and UTC; the need to comply with the declared data; lack of awareness of decentralization; the lack of agreement within communities; political processes. However, more than 70 % of respondents support the reform and believe in its successful implementation [11].

Experts suppose that the decentralization reform must be sped up, the consolidation of the communities in the UTC must be implemented on the principles of economic efficiency, provide a more democratic approach of regional governments in the creation of the UTC.

### Table 1

<table>
<thead>
<tr>
<th>The reason / need for decentralization reform</th>
<th>Interim results of the decentralization reform</th>
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<tr>
<td>The excessive fragmentation of territorial communities</td>
<td>In 2015—2016 Ukraine created 366 consolidated territorial communities.</td>
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<tr>
<td>Subsidized local budgets</td>
<td>All UTC changed over to direct inter-budget relations with the State budget, received financial sources, own authorities at the level of the regional cities.</td>
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<tr>
<td>A significant part of financial resources is allocated for administration funding</td>
<td>There were about 12 thousand units of self-government before the reform, and after the reform there should be 2—2.5 thousand. Downsizing of the management stuff naturally leads to a reduction of maintenance costs</td>
</tr>
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</table>
| Degradation of rural areas | Financial resources obtained as a result of decentralization reform in 2016 helped communities to:  
— implement spending powers in the socio-cultural sphere, namely, to finance secondary education institutions and kindergartens for a total amount of 2.5 billion UAH; to organize the provision of primary medical care to community residents and to fund secondary medicine services — 0.9 billion UAH; to provide for the maintenance and organization of the community centers, libraries, sports institutions, to provide social assistance to the population — 0.5 billion UAH;  
— to finance the executive offices of local authorities — 0.5 billion UAH;  
— implement infrastructure projects and local programs and activities — 1.9 billion UAH, including repair of roads, accomplishment of territories and projects in housing and communal services — 1.1 billion UAH; repair and reconstruction of institutions of the socio-cultural sphere — 0.6 billion UAH;  
- to provide administrative services, to establish community centers and to carry out other expenses related to their powers  
It should be noted that the largest part of financial resources of the community was directed on the realization of powers in the socio-cultural sphere - 60-70%, the implementation of infrastructure objects and investment projects — 25-30%. It proves that during the first year of operation in the new status the united communities could spend the third part of their funds for the development of their territories [11]. |
| The lack of initiatives on the part of local authorities | Decentralization reform provides for the voluntary association of territorial communities on the principles of initiative, vicarious liability and partnership. |

**Conclusions.** Thus, the main purpose of the decentralization reform is the creation and maintenance of a favorable living environment, necessary for full human development, providing residents of territorial communities with qualitative and accessible administrative and social services through sustainable development of viable communities. The reform gives the opportunity for consolidation of communities, the development of civil society.

The efforts aimed at the decentralization of financial resources are an important part of the local government reform. Positive results in this regard are proven by the indicators of local budgets.
use, increasing the share of local budgets in the consolidated budget of Ukraine and indicators of financial decentralization.

It became possible due to the interest of local governments to expand revenues to local budgets, search of reserves of their content and efficiency administration increase of taxes and fees.

Regarding the use of funds by local governments, including the united territorial communities, the emphasis shifted from the consumer position (the expectation of subsidies from district and provincial budgets), to attempts to create an effective administrative apparatus and to direct resources to the communities development, to carry out analysis of budget spending and to prevent cases of inefficient or irrational use.

Література


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