

CHAPTER 2
INSTITUTIONAL DEVELOPMENT
OF LOCAL SELF-GOVERNMENT
IN DECREASING CONDITIONS IN UKRAINE

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INTRODUCTION

The development and establishment of the institution of local self-government in modern conditions are essential for the comprehensive development of the country and for the dignified life of the people. In Ukraine, during the period of independence, the idea of the development of the local self-government was constantly adhered to, but the centralization policy, which intensified the reproduction of people from the authorities, the growing distrust of the population, and the intensification of problems in the field of public administration, remained a priority. The development of the institution of local self-government in the contemporary context is essential for the comprehensive development of the country and for the dignified life of the people.

The existence of any democratic, rule-of-law, and civil society, as well as the processes of European integration, foresees the creation of an effective decentralized system of public power, based on the rule of law, democracy, recognition of man with the highest social value. These tasks cannot be realized without a complete system of local self-government.

The introduction of decentralization of public administration is conditioned by the urgent need for the transformation of public administration, characterized by rigid centralization of powers and resources, the inability to effectively address the problems of the development of territorial communities and their associations (within raions and regions), the existence of opaque decision-making mechanisms and, as a consequence, significant manifestations of corruption.

At the same time, the complexity and multidimensionality of the introduction of decentralization of public administration, which would finally give a significant dynamism to the economic and social development of the country and its regions, require a theoretical

substantiation of the conditions, under which the transfer of powers and responsibilities from the central to the regional and local levels will not lead to further deterioration of the provision of public services to the population, the growth of disproportions in access to them by citizens, depending on the place of residence and the increase of social strain in connection with this, and centrifugal manifestations threatening the integrity of the state. This formulation of the question determines the urgency of specifying the theoretical positions regarding the impact of decentralization on the development of the state and territorial communities.

Consideration of the issues of the effectiveness of the functioning of the local self-government institution should be based on the differences in the use of public access resources and the nature of business structures in the market environment. First of all, we should emphasize the differences in the direction of the goals. In the market, owners of business entities determine goals that can be to increase the level of profitability, increase the level of business capitalization, etc. In the process of achieving certain business goals, the degree of consumer satisfaction serves as an instrument for realizing the goals set. In the non-profit sector, one of the main goals is to meet the needs of the consumer by providing quality services.

2.1. The influence of decentralization on the development of the national economy and territorial communities

Today, Ukrainian statehood will test itself, on the one hand, the tendency towards integration into the European and world community, to the formation of a common political, legal, and cultural space, and on the other – the desire for a course on self-sufficiency through regionalization and decentralization in the tendency towards unity and the integrity of the historically formed state. As practice shows, these processes can intersect, which is accompanied by all sorts of contradictions and conflicts¹.

The need for decentralization of the administrative vertical, the close power of the local government, the empowerment of citizens' participation in the management of the state, the division of powers and responsibilities of executive authorities and local self-government – all

¹ Онупрієнко А. М. Принципи централізації та децентралізації в територіальній організації влади. *Форум права*. 2014. №4. С. 224–227. URL: http://nbuv.gov.ua/UJRN/FP_index.htm_2014_4_40

this requires the development and scientific substantiation of a comprehensive scientific and legal concept of public power that meets the needs of society, introduction of legal, social, and economic standards of human life, society, and state, optimal decentralization and centralization. Therefore, today the relevance of the study is determined primarily by the fact that the process of decentralization promotes the democratization of society, which is especially relevant for Ukraine, where democratic institutions of power are experiencing a period of improvement and reform².

Domestic and foreign experience shows that in the exercise of local power, there are constantly two opposing trends – centralization and decentralization. The state by its nature tends to centralize in order to ensure national interests, and territorial communities, in their turn, seek self-government, self-solution of issues of local importance. Therefore, the progress of Ukraine through the formation of civil society depends to a large extent on the optimal combination of these trends³.

In any case, the criterion for the optimal balance of centralization and decentralization of power is to meet the needs of the population; at the central level, only those powers that relate to the functioning of the country as a whole remain, the other powers are transferred to the place; power. In other words, the degree of decentralization of power in a democratic society should be determined by the objective needs of the development of society and the state, that is, at the local level, “power” should be as much as it is necessary for the effective life support of territorial communities and the solution on the ground, within their territories, issues of state importance.

The centralized system of government has the following features: competency and finance are concentrated in the centre; there is a strong central apparatus with a developed network of local bodies subordinate to the centre; the direction of the links is “from the top down”, and the self-government either absent or formally; horizontal, functional the type of separation of powers is dominant.

The decentralized system of government is characterized by the following: competency and finance are divided between levels; there is real

² Онупрієнко А. М. Принципи централізації та децентралізації в територіальній організації влади. *Форум права*. 2014. №4. С. 224–227. URL: http://nbuv.gov.ua/UJRN/FP_index.htm_2014_4_40

³ Концепція політичної реформи в Україні. *Політична реформа як засіб демократизації українського суспільства* : матеріали науково-практичної конференції, м. Харків, 18 квітня 2003 р. Харків : Вид-во ХРІДУ УАДУ «Магістр», 2003. 152 с.

self-government; a variety of links (“from bottom to top”, “from top to bottom”, horizontal and vertical); the multiple division of powers is typical.

In addition to rationalizing public authority and creating legal conditions for the economic development of the regions, decentralization of public authority is also a way of developing democratic institutions and guaranteeing the formation of an authoritarian political regime⁴. Indeed, some decentralization is a real way to avoid a “central government trap” and, inevitably, the processes of “social ossification”⁵. Decentralized management, if only provided with the necessary facilities and conditions, is much more practical than centralized management⁶. For effective decentralization, as a rule, it is necessary to allocate territorial teams with a clearly defined competence and adequate means of solving issues pertaining to this competence, giving them the opportunity to form their own governing bodies, limiting the control over the activities of local authorities by the central authorities⁷. Subject to the general logic of the decentralization process of public authority, in particular, the vertical decentralization of power⁸, the state should establish a balance between: a) between the central and local levels of government; b) between authorities of different levels; c) between the state, on the one hand, and society – on the other.

Thus, the central problem of balancing the two opposite trends – centralization and decentralization (vertical organization (division) of power) – is the problem of optimal definition of the system of territorial units, which requires compliance with two principles: “homogeneity” of the separable unit (i.e., it is advisable to determine the size of the area of residence of people so to have a similar group of processes that could be regulated by the authorities); the optimality of the size of the unit (that is, the definition and establishment of the boundaries of the territory so that it can simultaneously “see” the proceeding process, cover its power influence, control the course of events, and “see” the results of influence).

Decentralization and centralization can be considered as certain actions to increase or decrease the number of authorities and

⁴ Конституционное право: учебник / за ред. В.В. Лазарев. Москва : Юрист, 1999. 592 с.

⁵ Остром В. Смысл американского федерализма. Что такое самоуправляющееся общество : пер. с англ. / Винсент Остром; предисл. А. Оболонского. Москва : Арена, 1993. 320 с.

⁶ Ведель Ж. Административное право Франции: пер. с фр. / под ред. М. А. Крутиголова. Москва : Прогресс, 1973. 512 с.

⁷ Черкасов А. И. Сравнительное местное управление: теория и практика. Москва : ФОРУМ-ИНФРА-М, 1998. 160 с.

⁸ Тоффлер Э. Футуршок : пер. с англ. / Элвин Тоффлер. СПб.: Лань, 1997. 472 с.

responsibilities of authorities, structural units or officials who are at different hierarchical levels of a management system⁹.

The optimal organization of public authority depends on the effectiveness of distributing its powers at the appropriate vertical and horizontal levels of its implementation, establishing limits of competence of each level, effective public and judicial control, adherence to the principles of autonomy in the implementation of the exclusive competence of each level of public authority and subsidiarity. In any case, a modern approach to the problem of the development of statehood involves creating a holistic view of the system of institutions of social, political governance and self-government, mediated by law, connected both with society as a whole and with its subsystems, and closes on a person – higher value of a democratic society.

Economic and social development of the community occurs in the case of the existence of three necessary conditions: ensuring the microeconomic efficiency of economic entities, and an appropriate local social policy that supports this. These conditions create the so-called microeconomic environment that reduces transaction costs (adaptation costs to changing market conditions)¹⁰, forms the confidence of economic entities in the predictability of the economic environment, positively affects the assessment of expected profitability, risk reduction, and reduction of necessary business efforts¹¹. The state's ability to effectively perform its functions is determined by its institutional capacity to create the general favourable conditions for development, first of all, economic: macroeconomic stability, transparency of rules and procedures of doing business, effective mechanism for solving problems that arise in relations between different economic actors, fair (competitive) access to resources. The proper institutional capacity of the state to ensure the economic and social development of the country as a whole makes it possible to reduce the probability internal conflicts of interest (between communities and separate social groups within the communities) and minimize the potentially negative external challenges (the impact of globalization processes, open markets, territorial problems associated with the need to update their economic base). This is the basis

⁹ Енциклопедія державного управління: у 8 т. / наук.-ред. колегія: Ю. В. Ковбасюк (голова) та ін. Київ : НАДУ, 2011. 748 с.

¹⁰ Стратегии бизнеса: аналитический справочник / под ред. Г. Б. Клейнера. Москва : КОНСЭКО, 1998. 612 с.

¹¹ Rodriguez-Pose A. Better Rules or Stronger Communities? On the Social Foundations of Institutional Change and Its Economic Effects. *Economic Geography*. 2006. № 82 (1). P. 1–25.

that generates the spread of trust in the institutions of state power to communities, which is transformed into strict compliance with the implementation of state decisions at their adaptation at the community level. In turn, trust in the main institutional structure – the state – enables to increase the capacity of the local self-government body to solve the problems of local development in the communities.

On the contrary, the institutional weakness of the state stimulates territorial communities with relatively high economic potential, influential business groups that form stable informal rules and connections within communities, seek rent not only in their own territory but also receive it from the state, thereby violating the principles of equality and competitiveness in the country as a whole, adversely affecting its economic and social development. To overcome such possible stability in relations, a state with low institutional capacity is unable. The economically weak communities, especially the crushed ones, lose the opportunity to defend their interests before such a state, and their socioeconomic situation completely falls into dependence on the volumes of resources that it can send them. Own weakness, together with the lack of trust in the state, alternatively, impair their ability to develop. Decentralization, on the one hand, should contribute to strengthening the role and capacity of communities in shaping the environment of their own development, which cannot be effectively created by the state, namely: reduction of transaction costs in the territory, favourable microeconomic conditions, and a rapid reaction to solving problem issues that arise in the process business activity. On the other hand, decentralization requires an institutionally strong state, which is the key to a balanced relationship between it and the communities, as well as within the community in the long run. Therefore, in the processes of decentralization of management, the primary should be the strengthening of the state itself, which should establish clear and transparent institutions for individuals and legal entities that form the basis of dynamic development.

2.2. Institutional analysis of the effect of decentralization on the development of territorial communities

In 1991, after the proclamation of independence, the question of introducing a policy of decentralization, including financial, arose in Ukraine. This process is associated with significant legal, economic, organizational, and staffing difficulties. The Constitution of Ukraine in

1996 consolidated the system of organization of power at the local level, established in 1992 in the Law “On Local Councils of People’s Deputies, Local and Regional Self-Government”. Important acts in creating the legal basis for the decentralization of power were the Laws of Ukraine “On Local Self-Government in Ukraine” as of 1997 and “On Local State Administrations” as of 1999. An important step on this path is the adoption by the CMU of the Concept of Local Self-Government Reform and Territorial Organization of Power in Ukraine on April 1, 2014¹². The consolidation of the principle of decentralization in the exercise of state power is the main slogan of the developed proposals for amending the current Constitution of Ukraine, which are based on the provisions of the European Charter of Local Self-Government, the work of the Constitutional Assembly and the Constitutional Commission of the Verkhovna Rada, groups of experts in the field of constitutional law and local self-government¹³.

The purpose of the Concept is to identify the areas, mechanisms and timelines for the formation of effective local self-government and territorial organization of power to create and maintain a full-fledged living environment for citizens, providing high-quality and affordable public services, establishing institutions of direct democracy, meeting the interests of citizens in all spheres of life in the respective territory, harmonization of interests of the state and territorial communities.

The Decree states that the implementation of the Concept is carried out in two stages. The Law of Ukraine “On Cooperation of Territorial Communities” as of June 17, 2014¹⁴, and in February 2015 a practical commentary was prepared by the Institute of Civil Society in cooperation with the Council of Europe Program “Strengthening Institutional Capacity of Local Self-Government Bodies in Ukraine” at the request of the Ministry of Regional Development, Construction, Housing and Communal Services of Ukraine within the framework of implementation of the Action Plan for the implementation of the provisions of this Law¹⁵. On August 6, 2014, the Cabinet of Ministers

¹² Концепція реформи місцевого самоврядування та територіальної організації влади в Україні : Розпорядження Кабінету Міністрів України від 01.04.2014 р. № 333-р / *Відомості Верховної Ради України*. 2014. № 333-р.

¹³ Питання конституційної комісії : Указ Президента України від 31 березня 2015 року № 190/2015. URL: <http://www.president.gov.ua/documents/19212.html>

¹⁴ Про співробітництво територіальних громад: Закон України від 17.06.2014 р. № 1508-VII. *Голос України*. 2014.

¹⁵ Практичний коментар Закону України «Про співробітництво територіальних громад». URL: <http://www.minregion.gov.ua>

approved the State Strategy for Regional Development for the period until 2020¹⁶.

At the second stage of the Concept's implementation, the Law of Ukraine "On the Principles of State Regional Policy" was adopted¹⁷, which creates a legislative framework for the implementation of a new state regional policy, which should cover a much larger range of issues than simply supporting regional development. On March 4, the Law of Ukraine "On Voluntary Association of Territorial Communities" came into force on February 5, 2015¹⁸, which defines the specific mechanism of voluntary association of territorial communities, which did not exist before.

In addition, the provisions put forward in the Concept were enshrined in the presidential draft constitutional reform. On July 3, 2014, the President of Ukraine submitted to the Parliament for consideration a draft Law of Ukraine "On Amendments to the Constitution of Ukraine (Regarding Authorities of State and Local Government Bodies)" (Reg. No. 4178a dated 26.06.2014)¹⁹, which in compliance with the requirements of society regarding the decentralization of power directly relates to the reorganization of the system of local authorities, which proposes to change the principle enshrined in the Basic Law of the territorial structure of power on the principle of its administrative-territorial system, in the application of which the main unit of authority should act as a territorial community. But in November 2014, the project was withdrawn and discontinued. Thus, the provisions of the Constitution did not change. However, on March 31, 2015, the Decree of the President of Ukraine approved the personal composition of the constitutional commission, which should develop draft amendments to strengthen the role of territorial communities in the field²⁰. As a result, the effectiveness and accountability of local communities will be enhanced.

¹⁶ Про затвердження Державної стратегії регіонального розвитку на період до 2020 року : Постанова Кабінету Міністрів України від 06.08.2014 р. № 385. *Офіційний вісник України*. 2014. № 70. С. 23. Ст. 1966.

¹⁷ Про засади державної регіональної політики : Закон України від 05.02.2015 р. № 156-VIII. *Офіційний вісник України*. № 18. С. 9. Ст. 470.

¹⁸ Про добровільне об'єднання територіальних громад: Закон України від 05.02.2015 р. № 157-VIII. *Офіційний вісник України*. № 18. С. 21. Ст. 471.

¹⁹ Проект Закону України «Про внесення змін до Конституції України (щодо повноважень органів державної влади та місцевого самоврядування)» (реєстр. №4178а від 26.06.2014 р.). URL: http://w1.c1xada.gov.ua/pls/zweb2/webproc4_1?pf3511=51513.

²⁰ Питання конституційної комісії : Указ Президента України від 31 березня 2015 року № 190/2015. URL: <http://www.president.gov.ua/documents/19212.html>

The process of decentralization of power, which began in Ukraine in 2014, led to the creation in 2015 of the united territorial communities (hereinafter the UTC). Capacious communities should become a basic element of an effective system of government in Ukraine.

At the stage of creating, the UTC met many challenges, including:

- the absence of generally accepted priorities for the provision of basic services to the residents of the UTC. Each local self-government body that was a part of the UTC had its own development priorities and its own system of values for resource management. After combining these priorities, the approaches to managing “unified” resources must obviously be reviewed and developed;

- the need for effective management of new land and budget resources that have become available for UTs and can be used for development;

- an increase in the number of stakeholders with whom it is necessary to coordinate decision-making within the UTC.

In a broader context, the community must respond effectively to external challenges, such as globalization of the economy, increased labour mobility, and the resulting increase in unemployment, increased international competition for investment and development resources.

The answer to these and some other challenges may be promising (medium and long-term) planning of the UTC. The methodology of strategic planning of UTC development in Ukraine was developed by experts of the EU program “Support to Regional Development Policy in Ukraine” (PPRRU).

The methodology integrates key aspects of life and development: economic, social and environmental, supporting their interaction. The methodology promotes the active participation of all interested and competent persons in the process of strategic planning and implementation of development plans in accordance with their interests and capabilities. Finally, the methodology is a definite guide to the development of ingenuity and support for creative thinking. However, this is not a recipe for solving all problems and challenges for local development, but only a document for creative use²¹.

Negotiations and consultations take pace with one of the carriers of the district on the procedure of reimbursement by the settlement council

²¹ Сайт проекту ЄС «Підтримка політики регіонального розвитку в Україні». URL: <http://www.minregion.gov.ua/press/news/>

of the cost of travel in suburban and interurban transportation for preferential categories of residents of the community. In addition, the community assumed the provision of free meals in secondary schools in the district of children whose parents are participants in the ATO or died during the service in the area of the anti-terrorist operation. This is an incomplete list of socially-oriented projects within the community that are planned to be implemented. The Department of Social Protection of the Oblast State Administration, within the limits of the designated authorities, is assisted in accelerating the process of creating communities on a regional scale. It is envisaged to maintain as much as possible the existing level of service to the poor people of different categories, taking into account local features and experience gained²².

Thus, the optimal organization of public authority depends on the efficiency of the distribution of its powers on the relevant vertical and horizontal levels of its implementation, the establishment of the limits of competence of each level, effective public and judicial control, adherence to the principles of autonomy in the implementation of the exclusive competence of each level of public authority and subsidiarity. In any case, a modern approach to the problem of the development of statehood involves creating a holistic view of the system of institutions of social, political governance and self-government, mediated by law, connected both with society as a whole and with its subsystems, and closes on a person – higher value of a democratic society.

2.3. External experience of decentralization

In Ukraine, decentralization has recently been seen as a serious reform that should address a number of problems and, most importantly, economic growth. In order for the decentralization tool to become effective and ensure a real increase in the efficiency of the national economy, the world experience in implementing the principles of decentralization should be studied, especially on the example of developing countries. A study of the experience of different countries will also provide an opportunity to understand the conditions that are necessary for decentralization to have a positive impact on the development of the entire economy.

²² Газета запорізької обласної ради. URL: <http://www.zp-pravda.info/suspilstvo/857-pro-reformu-mistseвого-samovryaduvannya.html>.

Decentralization in the European Union has become an integral part of governance. It covers both the issue of decentralization within individual member countries and the peculiarities of the division of responsibilities between countries and European institutions throughout the entire association. EU countries are in a position to find an effective model of public administration. This search provides several options that differ in a higher or lower level of decentralization. Own model of decentralization of expenses and centralization of income collection was formed in Australia, which made it possible to improve the vertical fiscal imbalance and stabilize the central and state budget, as well as local government budgets. The “second kind” of US citizens calls the financial decentralization of J. Brockner²³. Financial decentralization is also a goal for many countries that were previously centralized. One of the most successful examples of decentralization is Poland’s experience. The main transformational processes that took place in Poland after 1989 were²⁴: firstly, democratization (political changes were aimed at the formation of a democratic system that would be characterized by the protection of individual rights and civil liberties); secondly, the formation of a free market (reforms of the economic system envisaged the formation of a market economy, which is based on private property); and thirdly, decentralization (reforming the system of public financial management). Reform of such a scale leads to the transformation of the general state system. The reform effect has become a civilian state that operates at various levels of government and is open to change, cooperation, and competition.

The processes of decentralization in Poland were based on the fact that local self-government is an integral part of a community that lives and operates in a certain territory; accordingly, local authorities must exist to such an extent that they will contribute to the development of the state. The examples presented show that decentralization has become not only a mechanism for solving problems of regions, the state budget and, most importantly, a condition for ensuring economic development of the country as a whole, although this conclusion in the scientific literature is not always clear.

²³ Brueckner, J. K. (2004). Fiscal Decentralization with Distortionary Taxation : Tiebout vs. Tax Competition International Tax and Public Finance, 11: 133–153.

²⁴ Kulesza, M. (2002). Methods and Techniques of Managing Decentralization Reforms in CEE Countries. The Polish Experience. Public Administration Department Faculty of Law and Administration Warsaw University, Poland. URL: www.oecd.org

The experience of developed countries shows that the main precondition for the successful development of communities is the unification of territories and resources. It is necessary to distinguish the main criteria of a capable community:

1. Transparency in the management of own development, including the setting of real strategic goals, ongoing analysis, and monitoring of the implementation of current tasks.

2. The priority of investments, which involves continuous work on attracting investment through the development of local business.

3. Quality and simplicity of management, implemented through the lack of bureaucratic delays in the registration of business and property, obtaining a permit or license, certificate, passport, subsidy, social assistance, etc.

4. Availability of services, including the availability of modern equipped educational and medical facilities with skilled workers, cultural and sports institutions, quality roads and housing utilities, etc.

In general, there are two generalized schemes for the association of territorial communities in Europe: the North European, within which the formation of large municipalities and the South European – with the association of communities in relatively small municipalities. Accordingly, various municipalities and 22 municipalities were formed. In Sweden, the average size of the community is 34 thousand inhabitants, in Denmark – 55 thousand, in England – 120 thousand. In some areas of Germany, reforms have led to an increase in the average size of the municipality to 45 thousand inhabitants²⁵. Another model for the emergence of effective local self-government is in Spain, Switzerland, Italy, and France where the number of municipalities has not changed. The latter, in general, is the leader in Europe in terms of the number of local self-government bodies, over 36,000 of them, and the majority of the population does not exceed 2,000. However, most of the functions there are implemented through institutions of inter-municipal cooperation, of which more than 2,500 people have been created in France. Their creation and functioning is voluntary and comes from community initiatives whose tasks they are called to perform²⁶. It should be noted that in countries with small communities, most of the powers

²⁵ Методичні матеріали «Впровадження зарубіжного досвіду децентралізації управління». URL: objjust.gov.ua/uploads/Метод_рекомендації_23_12.doc

²⁶ Методичні матеріали «Впровадження зарубіжного досвіду децентралізації управління». URL: objjust.gov.ua/uploads/Метод_рекомендації_23_12.doc

belong to the central government. The experience of foreign countries confirms that the implementation of decentralization reforms will not bring positive results if this process is compulsory. This is the statement that Ukraine adheres to. At the same time, it should be noted that in reality, the degree of voluntariness was, in some cases, not too high. An example might be the introduction of administrative-territorial reform in Latvia. The difficulties of the processes of decentralization primarily concerned the reluctance of small communities to unite. During the first six years of reform, only 20 united communities have been formed. At the same time, the government's mistake was that there were no clear rules on the criteria and format of the merger. This led to the fact that new communities even though they were but were unable to perform the necessary functions²⁷.

It is obvious that voluntarily uniting all communities in Ukraine will not succeed. As of September 2016, there are 184 associations of territorial communities in Ukraine²⁸. Among the total number of Ukrainian territorial communities (12 thousand), half are small with a population of fewer than 3 thousand people. Therefore, leaving the opportunity for the existence of small communities, it is important to provide them with tools to solve common problems with neighbouring communities. Therefore, the main reform efforts need to be directed at them, because under existing conditions, they have no chances for the effective self-government. Consequently, foreign experience confirms that even in countries that were successful in the political, economic, and social terms, they had great problems in the process of decentralizing power.

Ukraine should take into account all factors in advance in order to prevent possible negative consequences of decentralization. In this regard, a clear separation of functions and powers between the state and local authorities should be ensured. So the main goals of the government should be foreign policy, national security and defence, elaboration of strategic directions of state development. The task of managing the economic development of the region, managing the budget funds and property of the territorial community and ensuring the system of

²⁷ Пігуль Н. Г. Зарубіжний досвід проведення децентралізаційних реформ. *Глобальні та національні проблеми економіки*. 2016. №9. С. 684–688.

²⁸ Перелік об'єднаних територіальних громад. URL: <http://www.minregion.gov.ua/napryamki-diyalnosti/regionaldev/rozvytok-mistsevoho-samovryaduvannya/dobrovil-ne/obyednani-terytorial-ni-hromady/perelik-ob-yednanih-teritorialnihgromad/>

providing services for the population should be the task of local authorities.

Implementing the decentralization policy should take into account those risks that may arise. Decentralization can increase centrifugal tendencies because of the extremely low level of state responsibility to administrative and territorial entities. Foreign experience confirms that even in the countries that succeeded politically, economically, and socially (France, Great Britain, Italy, Poland), they had great problems in the process of decentralizing power. In a deep political, economic, and social crisis, this factor should be taken into account in advance in order to prevent possible negative effects of decentralization²⁹. In Ukraine, which seeks to be a democratic state both de jure and de facto, the urgency of the further implementation of the policy of financial decentralization, and more specifically the financial evolution, is one of the forms of decentralization. This is due to the fact that the particular features of the organization of financial evolution are more in line with the political, administrative, and economic conditions that have developed in Ukraine. All planned reforms in the future, namely, effective fiscal and tax reforms, should be correlated with the reform of the institution of local self-government and the administrative-territorial structure of the country, which will increase the level of financial independence of local self-government bodies.

CONCLUSIONS

The study of the theoretical aspects of the impact of decentralization on the development of the state and territorial communities gives grounds to formulate the following conclusions and determine the directions of further research: 1. Decentralization of public administration – a complex and multifaceted concept, representing in the most general form the transfer of authority (power), responsibility, and resources from the national (state) level to the subnational (regional, local) level represented by the relevant elected authorities or territorial bodies in (representations) of central bodies of executive power, or in the private sector. 2. It is expedient to consider decentralization in terms of its different types: political, administrative, fiscal and market, which can take on various forms. None of these types predominates over others; they can be

²⁹ Скрипнюк О. В. Децентралізація влади як фактор забезпечення стабільності конституційного ладу: питання теорії і практики. URL: <http://www.ccu.gov.ua/uk/doccatalog/list>

implemented separately or combined; Depending on the existing economic and social problems in the state in certain time periods, decentralization can accelerate, slow down or even reverse (decentralization). 3. The introduction of decentralization is accompanied by significant risks, including in-kind and methodological, which need to be taken into account: the main obstacle to its implementation is the lack of a systematic approach to the reform of public administration and the fragmentation and incompleteness of other important reforms (judicial, budgetary, fiscal, tax, institutional, administrative-territorial, social, etc.); lack of scientifically grounded prediction of the model of development of the country and its institutions. 4. The complexity of the adaptation of international decentralization experience is determined by the unique economic, social, political, cultural, historical, and mental characteristics and developmental conditions of each individual state. In this context, it is important to carry out a comprehensive study and scientific substantiation of the sequence of implementation of all types of decentralization, taking into account their mutual influence and conditionality. 5. The state and community always act as complementary forms of organization of public administration, the relative balance and interaction of which form the economic and social potential of each territory in a certain time period. Changes in this balance of relations between the community and the state are ongoing and affect the definition of medium and long-term prospects for the development of territories of different scales – from settlements to the whole country. In these circumstances, a certain balance must be struck between centralization and decentralization of powers and resources, the use of different types of periods and forms of decentralization in different time periods for the formation of economic, social, and legal conditions for the development of both the state and territorial communities. Decentralization involves providing local authorities with the maximum number of powers on the basis of subsidiarity, adequate level of their resource provision (including financial resources), which will become a solid foundation for sustainable development on the ground, will contribute to increasing the responsibility of local governments for fulfilling their obligations regarding community development and the rule of law. Decentralization is the only way to build a strong, unitary, democratic, European Ukraine. An integral part of decentralization is the strengthening of accountability and accountability of local authorities to voters – community members, citizens, for the welfare of which all branches of public authority in Ukraine must work.

Decentralization is the key to effective territorial development, the road to democratization, real democracy. The obvious need for reforming both the system of local self-government and the entire territorial organization of power in Ukraine has led to the appearance of a sufficiently large number of relevant projects. At the stage of direct implementation of the Concept of Reforms of Local Self-Government and Territorial Organization in Ukraine, we have a newly created legal framework for the implementation of the rights of territorial communities in the field, which corresponds to the vector of the European development of local self-government.

The most pressing issue is the appropriate financial support for territorial communities in providing them with authority over controlled territories. Further development requires the promotion of self-government units to effectively exercise their powers, as well as educational work on the awareness of opportunities provided by the legislative framework to all members of the community. In the long term, constitutional reform is expected to take place regarding changes in the provisions of the Basic Law in the area of decentralization of power and development of local self-government. Thus, the process of reforming local self-governance is complex and requires a further multidisciplinary approach to the development and implementation of changes in the current legislation of Ukraine in this area.

SUMMARY

The existence of any democratic, rule-of-law, and civil society, as well as the processes of European integration, foresees the creation of an effective decentralized system of public power, based on the rule of law, democracy, recognition of man with the highest social value. These tasks cannot be realized without a complete system of local self-government. The complexity and multidimensionality of the introduction of decentralization of public administration require theoretical substantiation of the conditions under which the transfer of powers and responsibilities from the central to the regional and local levels will not lead to further deterioration of the provision of public services to the population, an increase in imbalances in access to them by citizens, depending on the place of residence and the strengthening of contacts. As a result of this, both social tension and centrifugal manifestations threaten the integrity of the state. This formulation of the question determines the urgency of specifying the theoretical positions regarding the impact of

decentralization on the development of the state and territorial communities. The introduction of decentralization is accompanied by significant risks, including the scientific and methodological nature that need to be taken into account: the main obstacle to its implementation is the lack of a systematic approach to the reform of public administration and the fragmentation and incompleteness of other important reforms, the lack of scientifically based prediction of the model of development of the country and its institutions. Decentralization is the key to effective territorial development, the road to democratization, real democracy. An integral part of decentralization is the increased accountability and accountability of local authorities to community members, citizens who, for the sake of their well-being, must work in all branches of public authority in Ukraine. The process of reforming local self-government is complex and requires a further multidisciplinary approach to the development and implementation of changes in the current legislation of Ukraine in this area.

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