

DEVELOPMENT OF PRODUCTIVE POTENTIAL AND REGIONAL ECONOMY

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ANALYSIS OF THE SOCIO-ECONOMIC DEVELOPMENT OF THE REGIONS AFTER THE FIRST STAGE OF THE DECENTRALIZATION REFOR

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Introduction. In the period of active globalization processes, the main priorities are ensuring the sustainable development of the national economy. Today, the main vector of economic development is the process of decentralization. The model of stable development of each region, as a tool of general national economic development, is actively developing in leading European countries. Thus, on the basis of this development model in 2015, a document was formed at the meeting of the UN General Assembly, which determined the strategy of sustainable development of Europe until 2020. Based on this document, 17 goals and 169 tasks were formed. The basic priorities of this decision are the development of microeconomic units of the country based on regional opportunities. When developing regional strategies, European countries took into account resource, human, geographical, historical aspect of each region.

Ukraine, in turn, under the conditions of European integration, developed its own document "Sustainable Development Strategy "Ukraine – 2020" on the basis of a pan-European document and began to implement a number of reforms. At the first stage, the reforms developed rather slowly, and the strategic planning of the country itself was on the verge of failure. Therefore, the centralized developed the draft law "On peculiarities of stimulating regional development" on June 9, 2021. However, this draft law was not approved, therefore, the Verkhovna Rada of Ukraine approved the Law of Ukraine "On Amendments to Certain Legislative Acts of Ukraine Regarding the Basics of State Regional Policy and the Policy of Reconstruction of Regions and Territories" for the orientation of regional government bodies, which clearly reflects the concept of strategic planning and the internal model of building a regional economic policy. Today there is a question of determining the factors of the unsuccessful start of the reform system of Ukraine and the factors that served its success. It is important to investigate this issue in order to prevent further mistakes in the construction of regional development strategy documents.

Analysis of recent research and publications. The founder of the theory of budgetary decentralization is the American scientist and economist Ch. Tibu, who in his work "The Economic Theory of Fiscal Decentralization in Public Finance: Necessity, Sources, and Uses" notes: Fiscal decentralization increases the level of competition of local self-government bodies, which leads to an increase in economic efficiency. This factor is more accurate information security at the regional level than at the national level.

In their work, scientists Sokyрко O., Plahotnyuk V., Katan L., Kachula S., and Demchuk N. analyzed the state of local budget revenues during the implementation of the budget decentralization reform [4–5].

The main idea of the reform is to increase the tax revenues of local budgets, but today the level of income does not increase significantly and there are few territorial units that need a large subsidy, and therefore financial independence of the regions does not exist today.

Farion-Melnyk A., Sernetsky V. [6] considered the issue of implementation of the budget decentralization reform in their work. The model of sustainable development based on European standards is considered in the textbook by domestic scientists Yakymenko I.L. and others [7].

Among foreign scientists, the topic of decentralization is quite relevant today [8–13]. Most of the countries of Europe have already carried out the decentralization reform, and some are on the way to this, which is why in the scientific space quite often this reform is analyzed, risk factors are determined, as well as positive and negative consequences of this reform.

Therefore, today there are many problems, risks and unresolved issues regarding the regulation of the processes of decentralization of the management system. It is important, on the basis of Ukrainian and foreign scientists, to choose a successful strategy for the development of interregional relations during the formation of a decentralized management system, to choose a strategy for the even distribution of economic resources, taking into account the economic, geographical and socio-political opportunities and preferences of the regions.

Objectives of the article. The purpose of the work is to analyze the impact of budget decentralization on the revenues of local budgets, to form a source of risks and to offer proposals for improving the financial support of territorial communities.

The main material of the study. Today, in the conditions of globalization, the main priority of developed countries is to ensure democratic relations and economic stability not only of the state as a whole, but also of each individual region. A centralized management system equates everyone to the same status, which is an economic mistake, since each individual region has an individual level of provision of resources and public goods. Taking into account the foreign experience of the developed countries of Europe and the world, economic growth and an increase in the standard of living and the quality of public services is possible only under the conditions of high-quality public administration.

When reforming the public financial system, there is currently a tendency to decentralize the state management system, which results in the delegation of certain powers and the financial independence of local self-government bodies. Financial decentralization makes it possible to provide the needs and services of local residents taking into account the needs and preferences of the respective region.

When reforming territorial systems, it is important to develop an effective strategy for the use of economic resources of regional budgets. It is worth noting that the "Ukraine-2020" economic development strategy adopted by the Verkhovna Rada in December 2015 with a number of changes to the Tax and Budget Codes of Ukraine is one of the most important steps for all independence in the direction of financial decentralization. The result of this reform is a halving of subsidy budgets.

Decentralization of the financial system serves as a high-quality and effective model of financial management of microeconomic territorial units, but the interests of local residents should be taken into account. Because if the population migrates, this strategy will fail for several reasons. The main factor, of course, is the reduction of taxes, which make up a large part of the local budget. That is why the budget model should be aimed not only at the financial and economic vector, but also at the social and resource one.

Therefore, the question arises of the impact of budget decentralization on the revenues of local budgets after the implementation of the reform. Determination of the main positive factors and risks of the reform system.

After the reform of the sphere of administration, the territorial united communities received a significant range of powers that were previously held by cities of regional importance. As you know, local self-government bodies approve the tax system of this region. If the local self-government body has not made a decision on local taxes and fees, minimum rates are applied based on the norms.

An indicator of the effectiveness of the implementation of the reform of financial independence of regions can be the share of local budgets to the indicator of the consolidated budget of the country. It is advisable to take the period for analysis before the beginning of the reforms and after their implementation, so the analytical period will be from 2009 to 2023. The percentage ratio of local budget revenues to the consolidated budget is shown in Figure 1.

It is obvious that positive developments took place after the implementation of the reforms, and this indicator does not reflect the quality of the implemented reforms. Also, the year of military aggression had a negative impact on the indicators, this is primarily due to the fact that large industrial territories of Ukraine were occupied.

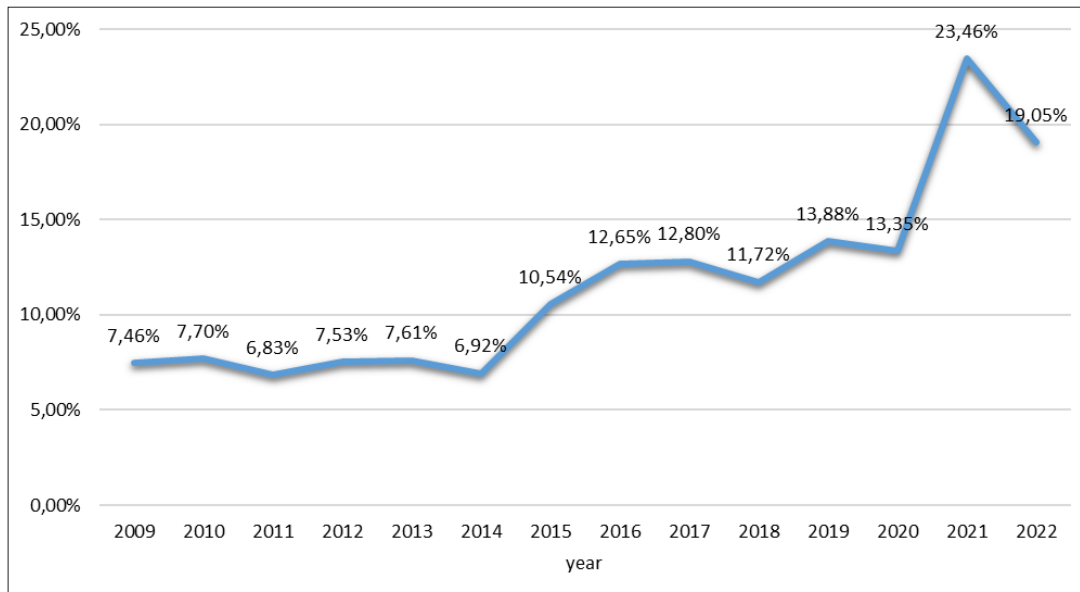


Figure 1. Percentage ratio of local budget revenues to the consolidated budget

Source: developed by the authors

However, local budgets began to fill up more, in contrast to this indicator, subsidies should decrease as the regions acquire a certain financial independence. However, it will not be economically correct to analyze the net amount of subsidies, since the hryvnia of the base period will not correspond to the price of the hryvnia of the studied period. That is why, during the analysis, it is necessary to recalculate the amounts of subsidies taking into account the percentage of inflation up to the base year. The dynamics of subsidy changes for the period 2012–2022 is shown in Figure 2.

Analyzing the statistical data, we can conclude that the amounts of subsidies are increasing from year to year, and therefore:

- option 1: the reform is unsuccessful in this aspect;
- option 2: non-current day unsettled principle of formation and redistribution of the budget of Ukraine;
- option 3: increase the volume of budget programs, in relation to local budget expenditures;
- option 4: combined.

In order to determine the main factor influencing this phenomenon, it is necessary to examine the expenditures of local budgets. It is important to note how the redistribution of local budget expenditures between different spheres of human activity has changed. We will take the years 2011, 2014, 2017, 2021 as the basis for the analysis, which will allow us to study the distribution of expenses before the start of the reform and after its implementation.

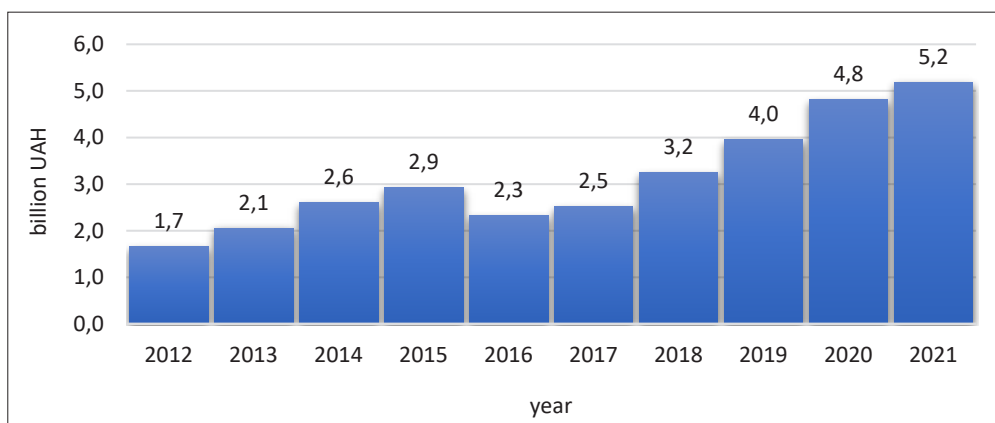


Figure 2. Amounts of subsidies to local budgets for the period from 2012 to 2021

Source: developed by the authors

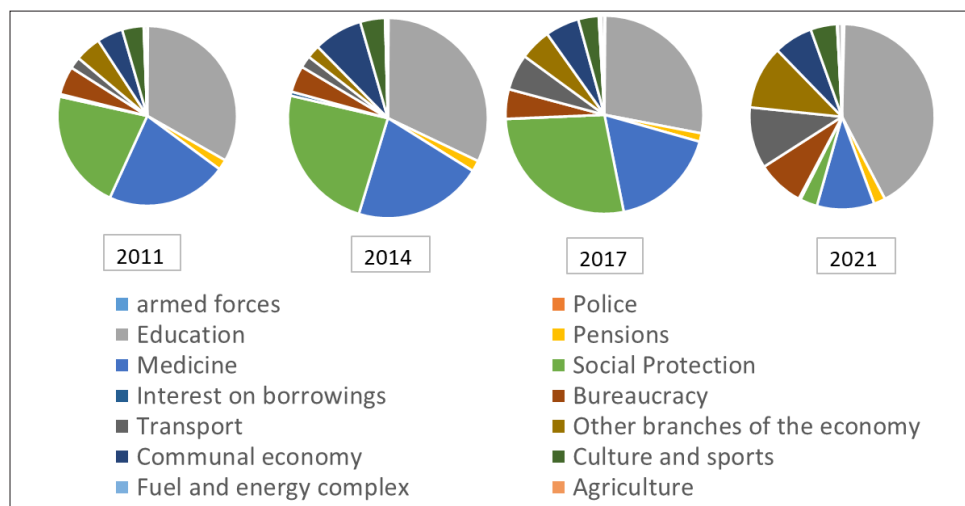


Figure 3. Diagram of local budget expenditures for 2011, 2014, 2017, 2021

Source: developed by the authors

Having analyzed the expenditures of local budgets for the mentioned years, it can be noted that the specific weight of education and transport increased significantly due to the reduction of expenditures on medicine and social protection. All other expenditure items remain almost at the basic level. However, today, when developing development strategies, territorial communities focus on the development of social protection, which is why we can expect items of expenditure in this area. Spending on environmental protection has also increased significantly, the main factor of this factor being the use of European standards as a basis for the strategic planning of regions, where socio-biological development is a priority.

After the implementation of the financial decentralization reform, certain changes were made to the Tax Code at the legislative level, which in turn should increase the level of tax revenues to the local budget.

Table 1

Horseshoe revenues to local budgets for 2015, 2016 and 2021

Article of receipts	2015, billion UAH	2016, billion UAH	2021, billion UAH
Income tax	53.60	79.00	212.2
Excise tax	7.70	11.60	17.8
Payment for land	14.50	23.30	35.3
Single tax	10.90	17,20	46.2
Other fees	11.60	16.60	13.2

Source: developed by the authors

Already in the first year after the implementation of the reform, personal income taxes increased by 32.1%, and as of 2021, they have increased 4 times. The excise tax has increased by 2.5 times since the beginning of the reform. The single tax, which according to the reform remains 100% in the local budget, also increased significantly. The single tax in 2021 increased by 76.4% compared to 2015.

For a detailed analysis of the situation of changes in the economic sphere of local self-government bodies, we will calculate the absolute and relative deviation of revenues to the general fund of the local budget, and analyze structural changes in actual revenues (Table 2).

Therefore, the obtained results indicate an increase in tax revenues to local budgets almost 2.5 times over the 6 years of the reform, which in turn is a positive result.

The largest increase in revenues is observed in the Unified Tax (increased by 323.85%). Excise tax has increased significantly, this is due to the fact that before the reform, the local budget did not receive income from excise tax, so today 5% of this item of income goes to the local budget. After the reform, tax receipts during the formation of the local budget are distributed as follows:

- 100% property tax;

- 100% single tax;
- 100% income tax of communally owned institutions;
- 100% of payments for the provision of administrative services;
- 60% personal income tax;
- 25% environmental tax;
- 5% excise tax on retail trade.

Table 2

Comparative analysis of tax revenues to local budgets for 2015 and 2021

Article of receipts	2015, billion UAH	2021, billion UAH	Absolute deviation, billion UAH	Relative deviation, %
Income tax	53.60	212.2	158.6	295.9
Excise tax	7.70	17.8	10.1	131.17
Payment for land	14.50	35.3	38.8	267.58
Single tax	10.90	46.2	35.3	323.85
Other fees	11.60	13.2	1.6	13.8

Source: developed by the authors

So, to date, the first stage of the sustainable development strategy has already ended, and according to the monitoring report of the Ministry of Finance, it is indicated that currently only four of the seventeen specified goals can be achieved with a high probability. It is almost impossible to achieve the five goals of sustainable development, and at the moment in Ukraine, the factor is of a militant nature. That is why the model of the first stage is not perfect. Today, for the sustainable development of the country, it is important to analyze the first stage, to work on mistakes, taking into account existing and new challenges and risks.

The negative factors that influenced the unsuccessful first stage of the decentralization process include:

- the principle of voluntariness (quoted from Poland, where the forced distribution of territorial units took place), which led to an uneven distribution of territorial units. The result of this factor is that strong territorial units united became even more economically successful (and the opposite is the case);
- partial delegation of powers to local self-government bodies. A large proportion of the decisions made at the local level are not made without the confirmation of the central authority due to a number of laws, which slows down the decision making process;
- simultaneous approval of a number of reforms. Most countries of the world implemented reforms gradually, analyzing each of them, unlike Ukraine, where a number of reforms were launched simultaneously, resulting in a certain chaos;
- there is no financial independence of territorial units. A large number of territorial people live on subsidies without introducing their own elements of financial independence;
- there is no perfect model of redistribution of finances between regions. In several countries of the world, the share of revenues to the local budget remains at the disposal of territorial communities to implement their own programs (usually it is from 30 to 50 percent);
- the presence of a shadow economy and corruption, which prevents adequate assessment of the economic potential of regions when developing regional strategies.

Therefore, after analyzing the revenues, expenses, risks and positive factors of local budgets, we can conclude that the decentralization reform has an impact on the formation of local budgets and in many aspects this impact is positive. However, at the moment there is a need to study the behavior of this reform in practice. It is necessary to constantly improve the model of administrative management through scientific research, economic analyzes and monitoring.

The following recommendations can be made to improve the economic indicators of united communities:

- optimization of tax and non-tax revenues by increasing citizens' incomes (expand the range of services needed by this region, attract investors);
- optimization of tax revenues by strengthening control and simplifying the collection system;
- expanding the powers of territorial communities, creating conditions for financial independence, improving the processes of their formation.

Conclusions. Based on the results of the scientific research, the following conclusions can be drawn that a successful decentralization reform will contribute to improving the efficiency and effectiveness of state and regional economic policy, increasing expenditures and receipts and incomes of local budgets. The reform provides an opportunity for regions to independently resolve issues that require the most attention, rather than complex issues that do not coincide with the interests of a specific region.

Financial decentralization has a positive impact on comprehensive economic development of the region, development of citizen's solvency, clear distribution of powers and responsibilities of local self-government bodies is ensured. Already a year after the implementation of the "Ukraine-2020" development strategy, according to the statistical data of the Ukrainian State Statistics Service, it is possible to observe an increase in the income of local budgets and a decrease in treasury loans, which indicates an increase in the solvency of the regions. In order to improve the results, the main attention should be paid to the implementation of projects that will serve to increase citizens' incomes, improve the management system and stimulate the increase of financial independence of citizens.

The task of improving decentralization processes at the local level and analyzing the strategy of forming local budgets requires further research.

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Oleksandr Kudinov, Postgraduate Student, National University "Yuri Kondratyuk Poltava Polytechnic".
Analysis of socio-economic development of regions after the first stage of decentralization reform.

In the conditions of global risks, the main prerequisite for the stabilization of the economy is strategic planning, which actively began to develop in European practice since 2015 after the UN General Assembly meeting, where the main issue was the implementation of a single globalized economy in the aspect of sustainable development. As a result of the meeting, 17 goals of sustainable development and 169 tasks were determined. The development of

regions separately, as an object of social national development, has become the main vector of strategic planning of European countries. Accordingly, in the process of active European integration, since 2015, Ukraine has developed its own sustainable development strategy, "Sustainable Development Strategy of Ukraine – 2020", which was based on reforms of decentralization, education, health care, etc. There were few changes to the Tax and Budget Code of Ukraine. However, the first stage of the implementation of the reforms was unsuccessful and only 4 goals out of 17 could be achieved. Despite this, there are significant shifts in the development of regions. In 2020, the first stage of reforms ended and it is important to monitor in all aspects and sectors. An important part of the reform is financial decentralization as the basis of the economic foundation of regional development. The article analyzes the impact of the decentralization reform on the financial and economic indicators of the region and the country in general from the moment the reform began until the end of the first stage of its existence. Analyzed changes in the revenues of local budgets, "Tax revenue" was singled out separately as an item of revenue with the main specific weight. The studied period was set both before the beginning of the reforms and after their implementation in order to compare the changes in the socio-economic indicators of the regions. In addition to revenues, it was important to examine the level of subsidies and changes in local spending priorities. On the basis of statistical information, the main positive and negative consequences of the development of reforms are determined, as well as the aspects of inhibition of the process of formation of sustainable development of regions are determined. Determination of possible ways to improve the administrative management model. To date, constant research and improvement of the management system, financial and economic, social models because there is a high risk of not fulfilling the second stage of sustainable development. That is why the topic is relevant and requires further scientific research.

Key words: decentralization, reform, strategy, local budget, income, expenditure, sustainable development.

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Кудінов Олександр Миколайович, аспірант, Національний університет «Полтавська політехніка імені Юрія Кондратюка». **Аналіз соціально-економічного розвитку регіонів після першого етапу реформи децентралізації.**

В умовах глобальних ризиків головною передумовою стабілізації економіки стратегічне планування, що активно почало розвиватися в європейській практиці з 2015 року після проведення засідання Генеральної Асамблеї ООН де головним питанням розглядалось впровадження єдиної глобалізованої економіки в аспекті сталого розвитку. У результаті засідання було визначено 17 цілей сталого розвитку та 169 завдань. Розвиток регіонів окремо, як об'єкт суспільного національного розвитку, став основним вектором стратегічного планування європейських країн. Відповідно Україна у процесі активної євроінтеграції з 2015 розробила власну стратегію сталого розвитку «Стратегія сталого розвитку Україна – 2020» підґрунтям якої стали реформи децентралізації, освіти, охорони здоров'я тощо. Відбулись низька змін до Податкового та Бюджетного Кодексу України. Однак перший етап впровадження реформ пройшов невдало і тільки 4 цілі з 17 можна було досягти. Попри те існують і позивні зрушення розвитку регіонів. У 2020 році закінчився перший етап реформ і важливо зробити моніторинг у всіх аспектах і галузях. Важливо частиною реформи є фінансова децентралізація як основа економічного підґрунтя розвитку регіонів. У статті проаналізовано вплив реформи децентралізації на фінансово-економічні показники регіону та країни загалом з моменту початку реформи до закінчення першого етапу її існування. Проаналізовані зміни в доходах місцевих бюджетів, виділено окремо «Податкові надходження», як статтю надходжень з основною питомою вагою. Досліджуваний період був заданий як до початку реформ так і після її реалізації задля порівняльної характеристики змін у соціально-економічному показників регіонів. Окрім надходжень важливо було дослідити рівень дотацій, та зміни пріоритетів місцевих видатків. На основі статистичної інформації визначено основні позитивні та негативні наслідки розвитку реформ, а також визначено аспекти гальмування процесу формування сталого розвитку регіонів. Визначенні можливі шляхи удосконалення адміністративної моделі управління. На сьогоднішній день залишається актуальним постійне дослідження і удосконалення системи управління, фінансово-економічних, соціальних моделей оскільки існує високий ризик невиконання другого етапу сталого розвитку. Саме тому тема є актуальною і вимагає подальших наукових досліджень.

Ключові слова: децентралізація, реформування, стратегія, місцевий бюджет, надходження, видатки, сталий розвиток.