

A. O. Pelekhatty

Specific features of formation of self-sufficient combined communities in Ukraine

The article observes specific features of formation of united local communities in Ukraine according to the principle of economic efficiency. Influence of amount of population and area of united territorial community on its financial situation and ability to perform its functions is analyzed. Main features of management and administrative staff of united communities of all volumes are established. It is defined inversely proportional dependence between the level of expenditures per pupil and volume of the community. It means that expenses on pupils at small communities are greater than at big communities. It is proposed a matrix to determine optimal parameters for united municipalities formation. The basic actions that state should realize for effective implementation of the reform of fiscal decentralization are defined. It is proved that formation of united local communities, that can be characterized with optimal features, which are defined at the article, will facilitate effective development of communities and provision of quality public services to their residents.

Keywords: competent local communities, reform of administrative and territorial structure, financial independence, local budget expenditures, economic capacity.

Year 2014 is remarkable for Ukraine because of setting up of the reform of local government system that involves a reform of administrative and territorial structure including forming of self-sufficient united regional community as a basic local administrative unit and transfer of financial decentralization to local level together with appropriate authority and resources.

The main objective of the reform is to eliminate remnants of Soviet command-administrative type of management and to form self-sufficient and capable administrative units, talking about financial support as well as administrative empowerment.

The aim of article is to determine the optimum parameters for a unified territorial community that can promote effective development of basic administrative units as well as provision of quality public services to population of a community.

10 278 village councils operate in Ukraine as of January 1st 2016, representing interests of residents of 28 441 villages. Accordingly, 18 163 rural administrative units are not autonomous as residents of those communities do not have any effect on development of their villages. In addition, more than half of these communities are not able to finance its existence and progress in social and economic sphere. According to the reform, which is supposed to resolve these issues, as of January 1st 2016 regional councils confirmed and Cabinet of Ministers of Ukraine approved long-term plans for 23 regions, except Zakarpattia, and 793 communities associated into 159 united territorial communities (UTC), obtained relevant resources and authority.

United territorial communities, which are formed in Ukraine, vary in amount of population and quantity of settlements. (Fig. 1). This situation is caused by a number of miscalculations in the methodology of UTC formation, approved by Cabinet of Ministers of Ukraine. In turn, this causes problems adjusting performance of united communities budget, including funding of social and other services which should be available to residents of communities. Such problems are particularly incisive for communities with small quantity of residents – nowadays we have 4 communities with up to 2 000 inhabitants. In addition, it is understood that value of services varies significantly in small communities and communities with amount of population over 30 thousand of people (7 communities).

UTC analysis shows that financial conditions of performance of UTC varies significantly according to number of residents. As we can see at figure 2, local communities, where number of residents does not exceed 3 thousand people, have the lowest rate of own revenues per capita – 1194.23 grn. United communities with population from 3 to 5 thousand people have average value of own revenues per

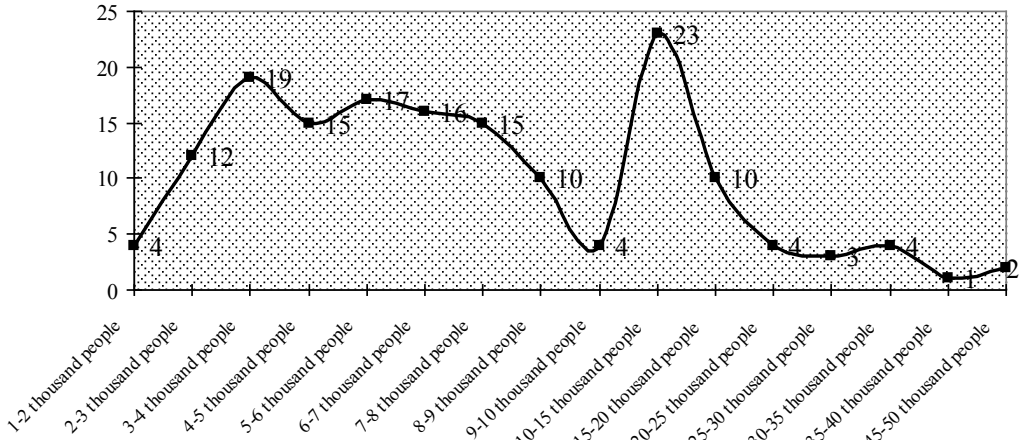


Fig. 1. Quantity of united territorial communities in Ukraine due to amount of population

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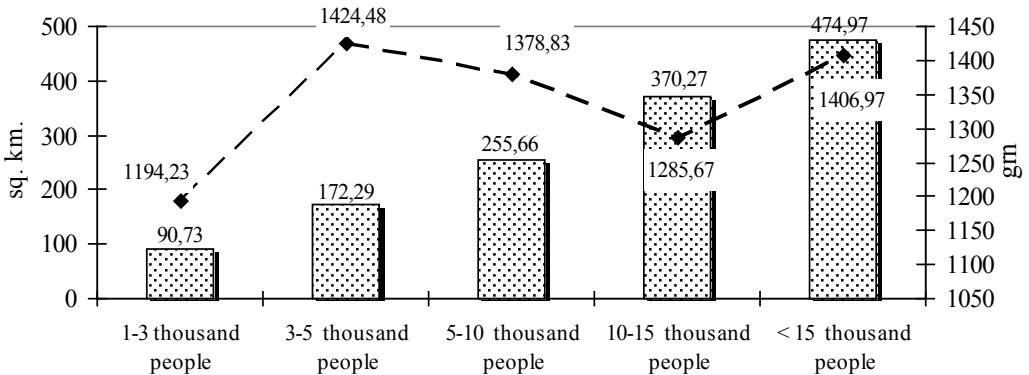


Fig. 2. Average values of specific indicators of own revenue of UTC budget in the context of quantity of population, 2016

one person equal to 1424.48 grn. However, such a high value of the index is quite subjective because largely is caused by ultra-high index value in one of communities. Excluding this community we get average own income rate in UTC with population 3-5 thousand inhabitants equal to 1159.51 grn. It means that financial capability of communities with population, less than 5 thousand of residents, is relatively lower.

Communities with population over 5 thousand residents have higher specific indicators of own revenue rate, and further increase of population in communities does not influence on the measure.

We would like to highlight that level of income of residents of mountainous areas is significantly low. Verkhnyanska UTC (Ivano-Frankivsk region) and Vilkhovetska UTC (Zakarpattya region) have measures of own revenues per capita equal to 272.0 grn. and 351.0 grn. respectively (19.73% and 25.46% to the average points of the group), that caused a slightly lower indicator of average income rate at group of communities with population 10-15 thousand people.

Thus, issue of formation of self-sufficient and capable united territorial communities on supererogatory basis can not be described as the most successful. During the process of communities' conjunction, we should follow clearly defined principles and criteria for UTC formation, avoiding too large deviations in the parameters of demographic and spatial capacity that can course substantial fiscal differentiation of communities and can complicate the process of fiscal adjustment and alignment.

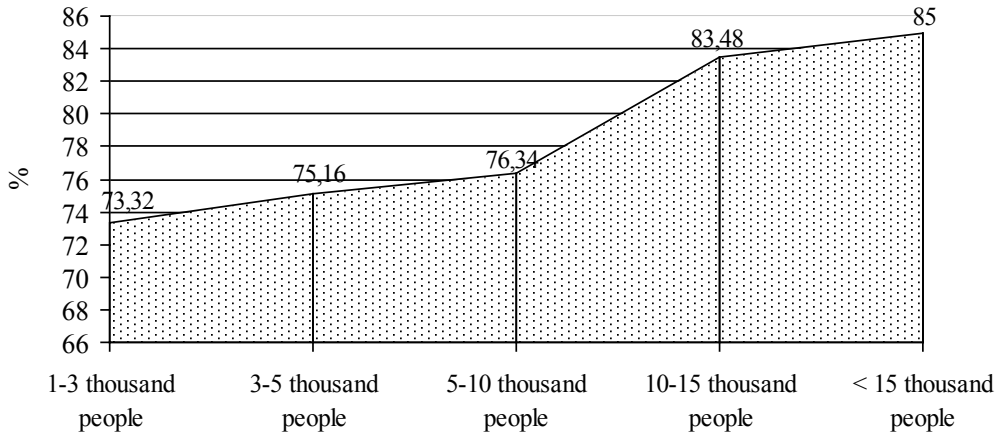


Fig. 3. Levels of financial independence of united territorial communities in 2016

Figure 3 demonstrates that the number of residents affects directly financial competence of UTC. United municipalities with population 1-3 thousand inhabitants have level of financial independence equal to 75.32%, nearly the same rate have communities with population of 3-5 and 5-10 thousand residents (75.16 and 76.34). Significant increase of indicator can be observed in communities with population over 10 thousand people – nearly 7-8% and further increase of number of community residents hardly influence on financial independence rate.

Formation of UTCs is characterized with financial autonomy as well as reorganization of administrative and managerial staff, which influences directly on transformation of expenditures for maintenance of local authorities. As a result of analysis of costs for management and administrative staff of united territorial communities in Ukraine (Fig. 4), we can define following you can define following key trends:

- The larger local community is, the lower is proportion of cost for maintaining management staff in the share of total expenditures of local budget (it reaches up to 36.28% in communities with population 1-3 thousand residents – it means more than one third of all expenditures – and 16.5% in communities with population 15 thousand and more residents);
- In large communities the same number of employees serves more inhabitants, it helps to achieve more effective employment of managerial staff and, accordingly, reduces cost of social services. In UTC, where number of residents accounts from 1 to 3 thousand people, every civil servant serves 144 inhabitants and in UTC with population 15 thousand people and more this figure is equal to 354 residents. However, it is understood that increasing of workload per civil servant may course lower quality of social or management services. Some inconveniences of residents of community can arise. So, we can make the conclusion that the most effective ratio «price – service – quality» will have communities, where number of inhabitants counts from 10 to 15 thousand people.

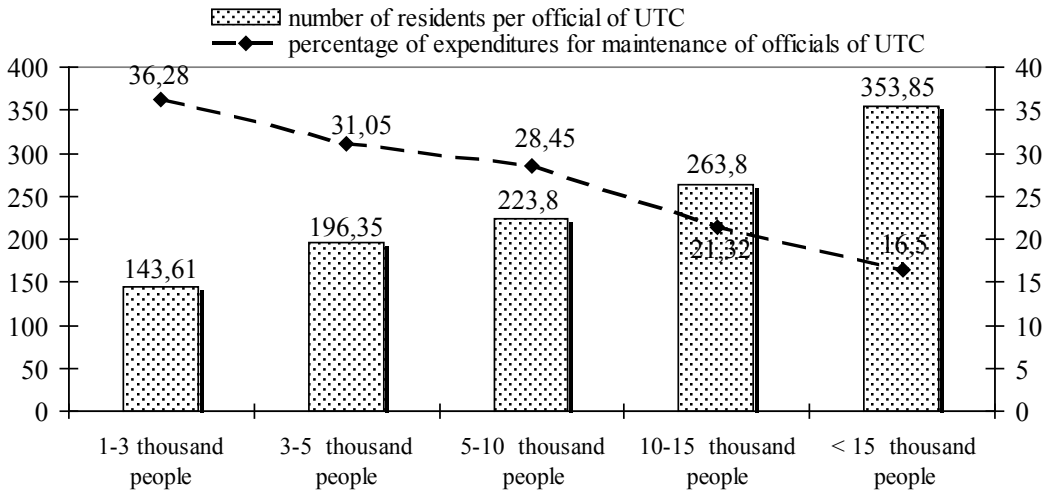


Fig. 4. Interdependence between expenditures of local budget for maintenance of UTC management and number of residents

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We should also pay attention to the issue of accessibility of centers of administrative services provision (CASPS). The concept of forming centers of administrative services provision offers creation of integrated single place of reception of citizens and representatives of businesses and other entities to provide them with the highest number of administrative services. It is obvious that during the process of amalgamation of territorial communities, CASPS will be located in the center of UTC, where appropriate infrastructure, including premises, should be available. So, transport accessibility to the center of the community is also very important. It becomes worse in geographically large communities. Taking into account all facts mentioned above, it is clear that residents would feel more comfortable in medium and small communities, because distance to the center of UTC is smaller, and one officer of CASPS serves fewer residents.

Thus, we can conclude that community with the number of residents from 10 to 15 thousand people will have level of administrative services provision closer to optimal. Larger communities will face with necessity to create additional centers of services provision, which will require additional budgetary resources.

Similar situation is observed in the sphere of education and health services. In particular, the state offers optimization of secondary schools with simultaneous formation of basic schools to solve the issue of providing quality educational services. The basic principles for formation of basic schools and optimization of educational process are:

- improving of pecuniary conditions of schools;
- closing schools with prohibitive maintenance costs;
- forming schools-subsidiaries;
- preserving elementary schools, that are the closest to the child's place of residence.

Reform of decentralization offers provision of educational grants to fund educational institutions. In 2016 it volume increased to 9.3 thousand hryvnias per pupil. However, in most UTC cost of educational services is much higher. The difference between real need and educational subvention is financed from own revenue of UTC that is a heavy burden for many communities.

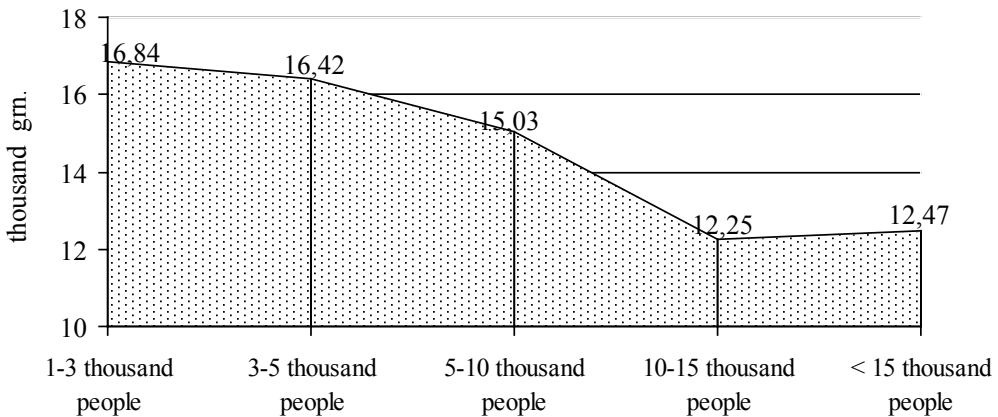


Fig. 5. Average level of expenditures per pupil in UTCs with different number of population

In 2016 level of expenditures per pupil ranged 16,4-16,9 thousand grn in communities with population up to 5 thousand inhabitants. Costs reducing is directly proportional to increase in population in the community, so communities with 15 thousand people and more spend up to 12.47 thousand grn. per pupil (Fig. 5). So, large communities have an opportunity to save their budget on social expenditures and use them for capital purposes.

The research leads to conclusion on optimal number of residents of UTC to achieve effective development of basic administrative units (Fig. 6).

It is defined that increase in number of residents of community leads to its growth of economic potential, financial independence and ability to provide quality services. But when community increases, management and services become more distant from residents as well as opportunities to influence on decisions concerning its development reduce. Communities with population 15 thousand people and more do not show effects of growth of financial independence, but costs in education begin to grow.

We can conclude that communities, where live from 10 to 15 thousand inhabitants, where parameters of transport accessibility to administrative center do not exceed acceptable level, can be considered as close to optimal while formation of UTC.

In addition to specific principles, methods and financial arrangements of formation of united communities, legislation improvements for empowering local authorities and strengthening their fiscal autonomy are required. Following actions should be performed primarily:

1. To amend Constitution of Ukraine in part of voluntary association of local communities and precise determination of powers of local authorities. Nowadays administrative-territorial reform is a key reform that take place in the country and rapid and successful formation of communities is possible only in case of forced consolidation of communities according to the roadmap of united communities of every region.
2. To adopt the Draft of Law of Ukraine «About Amendments to Certain Legislative Acts of Ukraine regarding empowerment of local government according managing land resources and strengthening state control over land usage and protection» № 4355 from 31.03.2016. The bill will allow communities to manage their own resources and will facilitate strengthening of material and financial basis of local government in order to improve quality plan for development of an area.
3. To develop a clear structure of division of authority and financial resources according to the budget levels (national, regional, united local communities or cities of regional importance). Giving extra powers to local communities should be correlated with financial resources, which are delegated to them by the state.

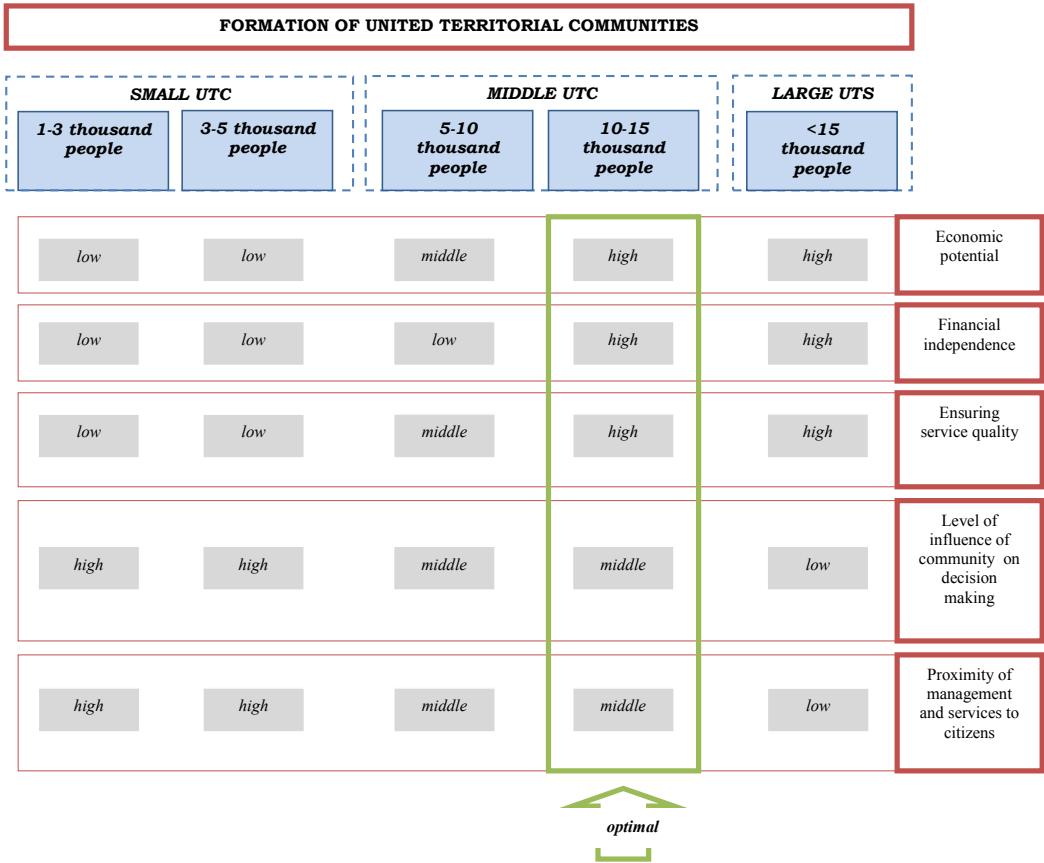


Fig. 6. Matrix of determination of optimal characteristics of united territorial communities

4. To enlist share of funds, collected from corporate income tax of enterprises, performing on certain territory, to regional budgets and budgets of united territorial communities.
5. To improve approach of calculation of educational subsidy, including index of density of population of the territory, that will separate mountainous areas from suburban and create equal conditions for development of educational sector in the country.
6. To release entrepreneurs from payment of share of corporate income tax in case of financing them projects that promote democratic governance and improve planning and organization of public services of communities, where they carry out their activities. Creation of practices of social responsibility for community allows to provide quick and efficient development of administrative-territorial units through belonging of workers to the enterprise, considering entities and investors interests of social groups and promote settlement, where the company is located and operates.

Having examined 159 united local communities we can conclude that optimal indicators of performance are shown in communities with population from 10 to 15 thousand people. Such formation are distinguished by high levels of financial capability and proximity services to the consumer, which will contribute to positive trends in community development. The state, itself should amend legislation that will directly affect the unifying processes and create negative preconditions for formation of UTC.

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Пелехатий А. О. Особливості формування спроможних об'єднаних територіальних громад в Україні.

Розглянуто особливості формування об'єднаних територіальних громад в Україні згідно з принципом економічної ефективності. Проаналізовано вплив чисельності населення та площі об'єднаної територіальної громади на її фінансове становище та можливість виконувати покладені на неї функції. Доведено, що формування спроможних територіальних громад на добровільній основі не можна охарактеризувати як найбільш вдале, тому при об'єднанні громад потрібно дотримуватися чітко визначених принципів і критеріїв, не допускаючи надто великих відхилень у параметрах їх демографічного й просторового потенціалу, що спричинює значну фінансово-бюджетну диференціацію громад й ускладнює процеси бюджетного регулювання й вирівнювання. Встановлено основні тенденції управлінсько-адміністративного апарату різних за розміром об'єднаних громад. Визначено, що рівень видатків на одного учня в об'єднаних територіальних громадах обернено пропорційний величині громади, відтак у малих громадах значно більші видатки на учнів, ніж у великих. Встановлено, що зі збільшенням чисельності жителів громади зростають її економічний потенціал, фінансова незалежність, а також можливості надання якісних послуг населенню, попри те, зі збільшенням громад управління та послуги стають більш віддаленими від жителів, знижуються можливості у членів громад впливати на прийняття рішень щодо їх розвитку, також у громадах з чисельністю населення понад 15 тис. осіб не прослідковується ефект приросту рівня фінансової незалежності, а витрати в освітній сфері починають зростати. Запропоновано матрицю визначення оптимальних параметрів, згідно з якими мають формуватися об'єднані територіальні громади. Визначено, що громади з чисельністю мешканців 10-15 тис. осіб, у яких не перевищують параметри допустимої транспортної доступності до адміністративного центру, можна вважати близькими до оптимальних при формуванні ОТГ. Зазначено основні кроки, які держава має здійснити для ефективної реалізації реформи бюджетної децентралізації. Доведено, що формування об'єднаних територіальних громад з визначеними у статті оптимальними параметрами сприятиме ефективному її розвитку та наданню якісних публічних послуг населенню громади.

Ключові слова: спроможні територіальні громади, реформа адміністративно-територіального устрою, фінансова незалежність, видатки місцевих бюджетів, економічна спроможність.

Пелехатий Андрій Олегович – кандидат економічних наук, науковий співробітник відділу регіональної фінансової політики ДУ «Інститут регіональних досліджень імені М.І. Долишнього НАН України» (e-mail: pelechatiy_a@i.ua).

Pelekhatyy Andriy Olehovych – Ph.D. (Econ.), Researcher of the Department of regional financial policy of the SI “Institute of Regional Research n.a. M.I. Dolishniy of the NAS of Ukraine”.

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