

ЕКОНОМІКА ТА УПРАВЛІННЯ НАЦІОНАЛЬНИМ ГОСПОДАРСТВОМ

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**STATE REGULATION OF FINANCIAL
SUPPORT OF MUNICIPAL AUTHORITY
UNDER DECENTRALISATION CONDITIONS**

**ДЕРЖАВНЕ РЕГУЛЮВАННЯ
ФІНАНСОВОГО ЗАБЕЗПЕЧЕННЯ
МІСЦЕВОГО САМОВРЯДУВАННЯ В
УМОВАХ ДЕЦЕНТРАЛІЗАЦІЇ**

Urgency of the research. The present-day stage of local government reformation in Ukraine causes the problem of transformation of state's role, its goals to regulate the development of municipal authority.

Target setting. The problems of further ways to develop state regulation of financial support of municipal authority under decentralization conditions have been remained unsolved. This fact causes the necessity to carry out the researches in this sphere.

Actual scientific researches and issues analysis. Problems concerning state regulation can be found in works of following researchers: R. Musgrave, V. Heiec, O. Honta, O. Kyrylenko, I. Lunina and others.

Uninvestigated parts of general matters defining. The necessity to intensify scientific researches in the sphere of regulation of the development of municipal authority is caused by the set of vital contradictions in the relationships between state authority and municipal authority to solve the problem of local development.

The research objective. The main aim of the article is to extend the theoretical and methodological basis of state regulation of financial support of municipal authority under decentralization conditions.

The statement of basic materials. The article extended the theoretical and methodological basis of the state regulation of financial support of municipal authority under decentralization conditions. It proved that the difference in interests of social groups appears as for the uneven territory development, the complex structure of a society, as well as social inequality. All those aforementioned factors affect the solution of the task to form a coalition for modernization.

Conclusions. The article proved that the strategy of the social and economic development of the territory is crucial for enhancing the role of state regulation of financial support of municipal authority. The modernization of the state, business, as well as civil society at the same time is crucial for elaborating the successful strategy of the territory development.

Keywords: state regulation; municipal authority; financial support; decentralization; strategy of regional development.

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Актуальність теми дослідження. На сучасному етапі реформування місцевого самоврядування в Україні важливе значення має питання трансформації ролі держави, її цілей в регулюванні розвитку місцевого самоврядування.

Постановка проблеми. питання щодо подальших шляхів розвитку державного регулювання фінансового забезпечення місцевого самоврядування в умовах децентралізації все ще залишаються далекими від розв'язання, що актуалізує потребу подальших досліджень у цій сфері.

Аналіз останніх досліджень і публікацій. Проблеми, що стосуються державного регулювання висвітлені у працях таких дослідників як Р. Масгрейв, В. Гейсць, О. Гонта, О. Кириленко, І. Луніна, та ін.

Виділення недосліджених частин загальної проблеми. Необхідність активізації наукових досліджень у сфері регулювання розвитку місцевого самоврядування зумовлена наявністю ряду істотних суперечностей у взаємовідносинах як державних органів влади, так і органів місцевого самоврядування щодо вирішення проблем місцевого розвитку.

Постановка завдання. Метою статті є поглиблення теоретико-методичних засад державного регулювання фінансового забезпечення місцевого самоврядування в умовах децентралізації.

Викладення основного матеріалу. В статті поглиблено теоретико-методичні засади державного регулювання фінансового забезпечення місцевого самоврядування в умовах децентралізації. Обґрунтовано, що внаслідок нерівномірності територіального розвитку, складної структури суспільства, соціальної нерівності виникає відмінність інтересів соціальних груп, що потребує вирішення завдання формування коаліції для модернізації.

Висновки. Обґрунтовано, що для посилення ролі державного регулювання фінансового забезпечення місцевого самоврядування необхідна стратегія соціально-економічного розвитку територій. Для розробки успішної стратегії територіального розвитку необхідна модернізація одночасно держави, бізнесу та громадянського суспільства.

Ключові слова: державне регулювання; місцеве самоврядування; фінансове забезпечення; децентралізація; стратегія регіонального розвитку.

Target setting. The present-day stage of local government reformation in Ukraine causes the problem of transformation of state's role, its goals in the development regulation of municipal authority.

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The imperfection of valid legislation in this sphere and overcentralization of state government causes non-concurrence of relations between the executive branch of government and the administration of municipal authority.

The system of territorial organization of the government that has been already formed, showed incapability under the conditions of market economy to influence effectively the processes of social and economic development of territories. Today local government faces the problems that are connected with the formation of local budget, a guarantee of the effective government system, as well as proper financial support that are necessary for the implementation of their tasks and authority. It proves that Ukraine meets the crisis of the management system of local development and its financial support.

Actual scientific researches and issues analysis. Problems concerning the regulation of economic development have been revealed in the scientific literature. The researches of foreign scientists are of great importance in the aforementioned sphere. For instance, R. Musgrave [1] considers the state budget as the important regulator in the economy, as well as one of effective ways to solve economic problems and achieve economic stability. Ukrainian scientists also cover the problems of regional and local government's development. They are: V. Heyec [2], O. Honta [3], O. Kyrylenko [4], I. Lunina [5, 6] and others. The scientists draw their attention to the problems of regional economic development and the development of inter-budget relations.

Uninvestigated parts of general matters defining. Meanwhile the set of substantial contradictions in relationships between state authorities, as well as municipal authority has caused the high demand to intensify scientific researches in the sphere of the regulation of local government's development and its financial support in Ukraine. The aforementioned contradictions concern the problems solution of local development connected with insufficient effectiveness of mechanisms of the state regulatory policy on the local level.

The research objective. The main aim of the article is to penetrate the theoretical and methodological basis of the state regulation for financial support of municipal authority under decentralization conditions. Moreover, the task is to define the trends for increasing the local government's role to provide social and economic development of territories.

The statement of basic materials. One of the main problems that influences the development of municipal authority is the problem of the relationships between the municipal and state authority. The successful financial policy promotes the implementation of the state regulation of financial support for the municipal authority.

In 2014, the reform for municipal authority was initiated, as well as the trends to decentralize the system of government in Ukraine were developed [6]. Two years have passed since the time when a new model of inter-budget relations was introduced. However, most of local budgets' incomes have been formed under the state budget deduction (Chart 1).

The volume of transfers in the structure of the incomes of local budgets has been increasing constantly for last years. According to the data of the Ministry of Finances in Ukraine, 190.4 bn UAH of inter-budget transfers were transferred from the state budget to the local budgets in 2016 that is 1.5 times more than in 2014. Moreover, the possibilities of the local taxation turned out to be quite limited. It is noteworthy that the level of own incomes mostly characterizes the independence of budgets. Nowadays, the greater number of local budgets gets grants.

The analysis of various approaches and trends to the specific participation of the state in the regulation of financial security of the municipal authority gave the possibility to define three pivotal trends of its activities.

The first one – the arrangement of legal and organizational conditions that are necessary for the functioning of market institutions [1-4].

The second one – the transformation of the state management, economy management according to the demands of market economy in particular [2-5].

The third one – the transformation into new forms of regulation, the adoption of economic and social policy with the purpose: 1) to maintain the stability in the society, where differentiation of society has been increasing, the degree of living level for greater number of population has not been provided,

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the unemployment rate has increased; 2) to stabilize the economy; 3) to provide the economic growth [9-12].

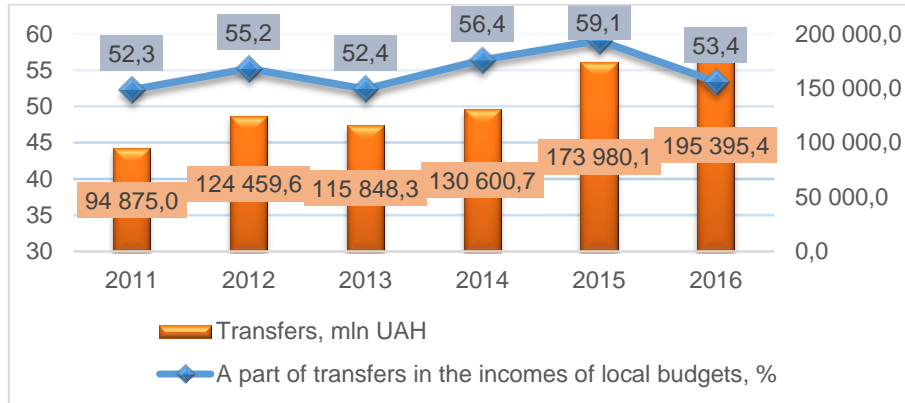


Chart 1. The dynamics of inter-budget transfers from State budget of Ukraine to local budgets*

* **Source:** calculated using the data of the Ministry of Finances of Ukraine [8]

There are objective as well as subjective problems. Their solution will promote the economic stabilization of the state as well as the economic development of territories. The differences between the levels of the regions' development, difficulties in coexistence and interaction of social institutions could be considered as object problems that prevent from stabilizing the economy of the state.

We appreciate the opinion of L. Grygoryev and V. Tambovcev who have defined the reasons that could be obstacles in the way of economic development of the state [9, P. 61]. We suppose that those subjective reasons relate to Ukraine mainly. They are:

- the incapability of political elite to take into consideration the interests of the leading social groups that have been changed dynamically in the process of economic and social development, the lack of long-term strategy based on the conscious participation of citizens in its realization;
- the constant preferences for some oligarchic clans trying to save their own excess profits not in favor of other members of the society;
- the deprivation of citizens' liberty (by their factual consent) with the purpose of protecting from external and other dangers and further restriction of their activities. The aforementioned reason means the beginning of stagnation in the society, as well as the loss of population's support – for the political elite;
- the contemptuous attitude towards the scientific and social work of a person, the policy of people's common assiduity instead of activity.

The main disadvantage of most of state programs of last years was that various trends for the development were proposed as the ideological dogma or as the set of projects and expenses. Traditionally the frequent use of theories and schemes without confirmation in world science was mentioned during the period of transition. Their greatest disadvantage is an idea about interests of the participants of the modernization process: big and small inadequate business, different members of the society. In one case the effectiveness of the market was exaggerated and the importance to develop market institutions was ignored; in other cases the effectiveness of state regulation was exaggerated and the much concern to the tasks in order to develop qualitative market institutions was not paid.

The choice of the development strategy for the country as well as for its territories is quite difficult. It can have the form of several strategies corresponding to real differences between the possible coalitions of groups that are interested in strategic approaches to the long-term economic policy.

The consequences of the economic institutions' transformations can be estimated according to the degree of readiness for the modernization for the mean time. Meanwhile, the strategy of the development for the long-term prospect on the local level as well as the state level is demanded. It is obligatory to differentiate political declarations while characterizing possible strategies. According to

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those declarations, the purpose of any strategies is to modernize a country, to start an innovative way of the development, as well as to enhance the prosperity of all members of the society.

In practice, every strategy is based on the needs of different parts of the society as well as on the combination of its commercial, political, and social interests. Technocratic projects are often established as ineffective on account of the fact that they do not take into consideration the real interests of various social groups. Only the right choice of the development strategy can provide the complex modernization of the state and the enhancement of the population's prosperity [9, P. 60].

The uneven development of territories, the complex structure of the society, the social inequality cause the difference in interests of social groups. Hence, the most difficult task is to form the coalition with the purpose of modernizing that gives new opportunities for social groups of the society but may admit the self-restriction of interests of different members at the same time.

The main aims of the social-economic development of our country and its territory is to provide high level of living as well as to form modern democratic institutions and the advanced civic society. Most experts consider that the effective strategy to achieve those aims might involve: the possibility to increase the private initiative and competition; the effective social and industrial policy; the setting of the interaction going between business, state and society; the enhancement of the institutions' quality (the protection of proprietary rights, the decrease of the corruption level, the legality enhancement, the improvement of the quality of the state management); the possibility to provide the high level of living; the possibility to develop an innovative economy.

Despite aforementioned facts, numerous fundamental discrepancies as for possible terms and efficient ways to implement those tasks have appeared. Those tasks might solve the problem of the background for the strategy of modernization based firstly on methods and instruments to stimulate economic development or made efforts to enhance institutions.

The supporters of institutional reforms consider that the interference of unqualified and corruptive bureaucracy can only do much harm to economy. Therefore, the institutional reforms should be implemented in the direction of enhancing the state management and judicial system, overcoming corruption, preventing administrative obstacles, enhancing the human capital. Those tasks could be done with the help of the state [10].

The supporters of using methods and instrument to stimulate economic growth indicate that efforts to form market institutions have low results under conditions of low effectiveness of economy. Therefore, the intensification of investment in competitive sectors and spheres is desirable. Having said that the formation of such institutions on the beginning stage was inefficient: "the existing system of institutions restrict with harsh limits the activity of all economic agents – enterprisers, workers, as well as representatives of the state. The system is not organized to let them experiment and take risks, as well as does not acquire innovations and technological innovations".

The supporters of both opinions consider that the state plays the leading role in the strategy formation. Hence, both approaches refer to the category of strategy and have their own title 'the modernization from the top' [12, P. 6]. According to this modernization the interaction of the state, business and society can influence the success of the strategy.

The choice of the modernization strategy of the regional development should be based on the experience of other countries that set the task to overtake the development. Those countries hereby formed the background to realize the modernization combining advantages of two others. We consider that the modernization strategy even on the development stage should be based on the interaction of all parts that are interested in this. However, it is of no use to reckon on the quick rise of structures of the developed civil society. It is obligatory to use firstly those coalitions that run their own economic interests and have formed in the country substantially. The base for the interaction might be the system of indicative planning – the modernized analogue of the system used in most economically developed countries.

We consider that nowadays, conditions to form institutions providing the modernization strategy of the territory development have been created in the country. Therefore, it is reasonable to distinguish two means of the nationwide modernization strategy. The first means is oriented on the support of the quick economic growth on account of the government use of different instruments of financial policy:

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credit guarantee, tax remissions, subsidy, state investments. The institutes of development are founded and government (state or regional) projects are formed to implement such strategies. The modern variant of 'the modernization from the top' provides the development of the long-term plans to grow economy with the further formation of motives to involve the private sector to participate in those programs on the state-private partnership base [12, P. 7]. The institutes of development may provide the enhancement of the development even without the formation of nationwide programs that have some priorities as a rule.

The second means of the nationwide modernization strategy is oriented on the institutional reforms. The background for those reforms may become ideas of nationalization and vice versa – privatization, consolidation of legality, corruption control. However, the enhancing of the pivotal institutions is not always possible. Particularly, the same situation may happen if the system with the insufficient developed political culture finds itself in the institutional trap. For instance, if corruption is everywhere then the individual refusal from corruptive standards of behavior is non-lucrative for agents, and the coordination of their efforts is impossible for the undeveloped political system and the civil society. Similarly, unqualified and corruptive bureaucracy can not and do not want to implement the administrative reform. Thus, low qualification of officials and the corruptive character of the system can be stopped temporarily [12, P. 7].

The connection between the economic growth and the quality of institutions is double-sized at the same time: the high quality promotes the growth that promotes the institutions' enhancement. Owing to this, the chance to solve the problem appears in case the growth is successfully initiated. Hence, the attempts to implement the modernization strategy of the first means have been justified from the first sight. However, the population's loss to believe in the effectiveness of reforms causes their blocking if reforms are not accompanied by the growth of prosperity. Promoting quick growth is the essential condition to form favorable institutional expectations, as well as the success of reforms.

However, considerable obstacles accompany the formation and realization of nationwide modernization strategy founded on the stimulation of the economic growth. One of the obstacles is the high rate of uncertainty, the results assessment. The program can lose the confidence of population as it is considered being imposed outside.

Thus, the possibility of nationwide modernization arouses doubts. However, the market is not also able to solve the problems of overtaking development. Their solution must be found in the process to form institutions providing effective interactions between the state, municipal authority, business and society.

The simultaneous modernization of the civil society, business and state is necessary for the development of the successful strategy of the territorial development. It is impossible to focus on the accelerated development in one sphere without paying attention to the adequate progress in others. We consider that the future for the modernization of regional development depends on the modernization in the country as well as on the stability of civil society based on the awareness of inevitable compromises and compensations. It is impossible to solve all the problems at the same time taking into consideration the fact that regions have the substantial difference in economic development in such a socially dissimilar society.

Conclusions. It has proved that the difference in interests of social groups appears as a result of uneven territorial development, as well as the complex structure of the society, and the social inequality. Hence, it is of vital importance to solve the problem of the coalition formation for the modernization that opens new possibilities for all social groups of the society but at the same time, it can cause the self-restriction of interests of different groups.

Two trends in forming the modernization strategy can be differentiated: the first one – the strategy should be based on methods and instruments to stimulate the economic growth; the second trend is based on the improvement of institutions. The state plays the key role in both trends. It means that the category of the strategies or 'the modernization from the top' is used. According to the strategy, the success is possible in case of the interaction of the state, business, and society. It has proved that the modernization strategy even on the beginning stage should be based on the interaction of all parts that are interested in this. The system of indicative planning is proposed as a background for their

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interactions. The aforementioned system is the modernized analogue of systems used in most economically developed countries.

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