

## FINANCIAL PROVISION OF UNITED TERRITORIAL COMMUNITIES

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*The purpose of this study is to highlight the main problems that arise in the financial provision of UTCs, as well as to develop recommendations for their solution. To achieve this goal, it is necessary to conduct an analysis of the state and number of UTCs today, analyze the problems that arise during their operation and determine possible directions for solving these problems. It was determined that local finances play an extremely important role in the life of society, as it is an objective form of economic relations at the level of administrative-territorial units, the main driver of socio-economic development of regions. Given the relevance of this topic among Ukrainian scientists, the peculiarities of their interpretation of the essence of "financial support of united territorial communities" were considered. The dynamics of revenues of local budgets of Ukraine for 2022 by types of revenues was analyzed. Revenues to the budgets of local communities decreased significantly in the first months of the war, but gradually recovered during the stabilization of the situation in the country. Taking into account the research of domestic scientists on the problems and ways of solving them in the context of financial provision of territorial communities, the own vision of modern problems and ways of solving them is provided. It was emphasized that financial support of united territorial communities can be a difficult task, especially in conditions of limited resources and economic challenges. To solve these problems, the UTCs can consider a number of ways, such as rationalizing expenses, developing the economy and attracting new sources of income, attracting external sources of funding, trying their hand at obtaining grant funds, strengthening financial discipline and openness. It is also important to promote the development of local entrepreneurship, expand opportunities for increasing tax revenues, and seek cooperation with various financial organizations and experts. Also, an important and basic condition for a country that is a candidate for joining the EU is the involvement of the public in the decision-making process regarding the financial provision of the community, which will contribute to greater openness, interaction and responsibility in the management of the finances of the UTCs.*

*Keywords: economic relations, finances, financial provision, united territorial communities, war.*

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### STATEMENT OF THE PROBLEM IN A GENERAL FORM AND ITS CONNECTION WITH IMPORTANT SCIENTIFIC OR PRACTICAL TASKS

Today, local finances are a key element of society, as they represent an objective form of economic relations at the level of administrative-territorial units and are the main source of socio-economic development of regions [1]. Thus, in the context of the implementation of the decentralization reform, local finances were transformed into a separate sphere of financial relations - the finances of the United Territorial Communities (UTCs).

The creation of the UTCs made it possible for each community to independently manage its funds and direct them to useful projects for the region, which is a positive aspect of the reincarnation. However, not all UTCs are able to ensure the performance of basic functions in their region, which creates negative consequences for the budget of Ukraine. Therefore, it is relevant to study the problems of financial provision of territorial communities and search for alternative sources of financing of the UTCs to improve their financial condition.

### ANALYSIS OF RESEARCH AND PUBLICATIONS

The need to solve the problem of financial provision of territorial communities, and therefore the regions of the country, becomes especially relevant in the conditions of modern challenges that have appeared on the path of national state formation. Currently, many domestic and foreign researchers have focused their attention on the topic of creating new territorial organizations for local self-government and are considering the issue of forming financial resources for these Ukrainian authorities. Among the authors researching this topic are M.I. Dzyamulych, I.P. Prykhodko, O.R. Zahidna, N.S. Sytnyk, N.Yu. Melnychuk and others.

### FORMULATION OF ARTICLE GOALS

The purpose of this study is to highlight the main problems that arise in the financial provision of UTCs, as well as to develop recommendations for their solution. To achieve this goal, it is necessary to conduct an analysis of the state and number of UTCs today, analyze the problems that arise during their operation and determine possible directions for solving these problems.

## OVERVIEW OF THE MAIN MATERIAL

Many scientists and economists around the world are researching the issue of financial provision of UTCs, and this topic remains very relevant, especially among Ukrainian scientists. Therefore, it is appropriate to consider the peculiarities of the interpretation of the essence of "financial provision of UTCs" among Ukrainian scientists. N.Yu. Melnychuk believes that this is a set of financial resources that are concentrated in funds and that are used by local self-government bodies to perform the functions assigned to them [2]. M.V. Goncharenko is of the opinion that this is a set of measures aimed at mobilizing existing and identifying and attracting potential financial resources of the local government, the state, business entities, the local community, as well as the resources of external investors and the formation of financial foundations for economic processes through their unification in the relevant territory, implementation of planned social programs, projects [3]. L.V. Panasyuk notes that this is a set of measures regarding the accumulation, distribution and use of financial resources with the aim of creating conditions that contribute to the effective implementation of economic processes in the relevant territory, the implementation of planned social programs and the prevention and elimination of violations in the use of financial resources [4]. In our opinion, financial provision for the development of the UTCs as a set of measures to identify, attract, accumulate, mobilize and optimize the financial resources of the UTCs, as well as the financial resources of investors and benefactors, by fulfilling the duties assigned to them, the purpose of which is the realization of economic, social and administrative programs aimed at the development of a specific UTCs, which as a result should lead to an improvement in the standard of living of the population of this territory, the development of its economy and the economy of the country as a whole [5].

The modern reform of local self-government in Ukraine turned out to be one of the most successful and visible strategic reforms. It is aimed at creating a modern system of local self-government that corresponds to the European values of local democracy. This reform provides for the transfer of powers and resources to territorial communities, which will contribute to local economic development and provide the population with high-quality and affordable public services. The UTCs process in Ukraine was started on February 5, 2015 with the adoption of the Law of Ukraine "On the Voluntary Association of Territorial Communities" and its implementation in mid-2015 [6]. So, as of today, Ukraine has recorded 1,439 UTCs, in which 3,812,555 million people live. So, for example, as of 2019, the number of UTCs in Ukraine was 884 [7].

It is worth taking into account the research on the subject problems and ways to solve them in terms of financial provision of territorial communities. S.V. Sydorenko and I.P. Prykhodko note that in different UTCs and regions, respectively, the problem of attracting investments during the Russian armed aggression and its consequences becomes relevant to varying degrees. Issues related to the future reconstruction of the country, business relocation, attraction of donor funding and investments, etc. are actively discussed in the public space [8]. In this regard, the authors propose an algorithm of actions regarding the attraction of investments by the UTCs of modern Ukraine during the Russian-Ukrainian confrontation, in particular: they identify alternative sources of funding for the UTCs: obtaining state financial provision (for example, enhanced cooperation with the State Fund for Regional Development); participation in non-state projects and programs in the field of local development; grant activities and financial provision in the form of international technical assistance; crowdsourcing (involvement of residents of UTCs in solving local problems by using their abilities, knowledge, skills and experience on a voluntary basis); crowdfunding (voluntary financing, as a rule, through appropriate platforms on the "Internet" network, to provision certain local projects), etc. [8].

It is also appropriate to single out theses of M.I. Dzyamulych and S.V. Maksymyak, who emphasize that the financial provision of UTCs involves the development of an effective financial management system, the attraction of investments and additional sources of financing, the development of the local economy and local enterprises, as well as the implementation of innovative projects [9]. O.O. Podzizeya and I.O. Korobchuk note that in the conditions of war, when there is a significant reduction in economic activity, a drop in demand and a general reorientation of all financial flows to ensure the country's defense capacity, the UTCs fall into the trap of insufficient resources to implement long-term development plans. At the same time, military risks make such planning impossible with an appropriate level of reliability forecasts regarding the required resources and project implementation time. Therefore, the main task of UTCs at this stage is to provision their current competitiveness at the expense of available resources. However, an additional problem in this aspect is the capacity of local budgets, which under such negative conditions are almost the only source of provision for the social and economic infrastructure of the community and financing of its activities in general [10]. Therefore, to determine the financial capacity of the UTCs during the war, we will evaluate the dynamics of the local budgets for 2022.

In the first months of the war, the amount of revenues to the budgets of local communities decreased significantly, but gradually recovered during the stabilization of the situation in the country. It is worth paying attention to the dynamics of interbudgetary transfers, which increased in May and June to UAH 16 and 19 billion respectively, and then decreased to UAH 7 billion in July, with further growth to UAH 15 billion in December. This is related to the specifics of filling the general fund of the state budget, since in the summer the National Bank of Ukraine stopped the emission related to the purchase of government bonds of the domestic state loan, which led to the limitation of the possibilities of defunding the deficits of local budgets. However, the gradual increase in the amount of income from intergovernmental aid allowed the state budget to resume funding of territorial development projects and cover budget gaps [10].

Accordingly, it can be argued that the main consequence of the war for the UTCs was a reduction in the amount of financial resources available for financing investment projects and a decrease in budgets. In such a case, the general consequence for the functioning of the UTCs is a decrease in the level of their efficiency as subjects of the economic system, which can be interpreted as a decrease in the competitiveness of the community. So, to solve this problem, it is necessary to form a management strategy aimed at:

- ensuring the growth of tax revenues of UTCs;
- make maximum efforts to attract additional investments from economic entities in the development of the economy of the territories;
- to increase the effectiveness of the use of budget funds, including - to provide for the implementation of projects necessary to ensure the sustainable development of territorial communities [10].

A. Petrovych and N.S.Sytnyk claim that the newly created territorial self-government bodies have expanded powers and additional financial resources, which allows them to carry out projects to modernize the infrastructure of public utilities, build new facilities, reconstruct and overhaul existing infrastructure facilities, create utility companies, purchase utility equipment, take care of the improvement of the territory, etc. Regarding the problems, the authors highlight the following:

- inappropriate management of UTCs' own financial resources and failure to use the possibility of obtaining additional funds from the State Regional Development Fund or foreign investment funds for investing in projects to modernize the infrastructure of UTCs;
- expenses for maintaining hard infrastructure, such as capital repairs, renovation of roofs and facades, etc., are a higher priority for UTCs than investing in human resources, business development and administrative capacity (soft infrastructure);
- the low level of control over the finances of business entities by local self-government bodies is insufficient, which leads to the non-accounting of legal labor, the underestimation of real trade turnover and the underestimation of the payment for land. In addition, general corruption and bureaucracy, which are present at various levels of management, worsen the financial situation in the UTCs and in the country as a whole [11]. The authors propose a set of measures to improve the system of financial provision of local bodies. Among these measures is ensuring the targeted use of funds from local budgets, in particular by strengthening control over their spending; improvement of the system of regulation of inter-budget relations, use of grants from foreign partners to achieve community goals; and ensuring accessibility and influence of civil society on the decision-making process and formation of territorial community plans [11]. We can say that increasing the financial potential of the UTCs depends on the success of the activities of all economic entities and the efficiency of financial resources management at all stages of production and economic activity.

Therefore, the financial provision of local government is an important aspect of the development of local self-government. However, it may face a number of problems that affect the financial stability and efficiency of the UTCs. Some of these problems and possible ways to solve them are described below, in particular:

- insufficient revenues (many UTCs may have limited sources of revenue, particularly from taxes, fees, and other local payments. This may limit their ability to finance their programs and services). Solutions: expanding sources of income, attracting investments, etc.;
- income instability (some UTCs may face income instability due to changes in economic conditions, changes in legislation or other factors affecting the community's income. This may lead to the inability of UTCs to plan and ensure sustainable financial development). Solutions: creation of reserve funds or reserve funds that can be used in case of income instability; distribution of risks aimed at changes in income by dividing sources of income into different sources, etc.;

- insufficient resources (some UTCs may face insufficient resources, such as financial, technical, human and organizational resources, which may limit their ability to function effectively and provide quality services to citizens). Solutions: cost optimization, attracting external resources, etc.;
- limited opportunities to attract investments (many UTCs have limited opportunities to attract investments, especially in cases where investors do not see the commercial attractiveness or risks of investments in this region). Solutions: implementation of measures to improve the commercial attractiveness of one's region for investors; establishing a partnership with the private sector, which can help attract investments in the development of the region, etc.

### **CONCLUSIONS FROM THIS RESEARCH AND PROSPECTS FOR FURTHER EXPLORATION IN THIS DIRECTION**

Thus, financial provision of UTCs is a difficult task, particularly in conditions of limited resources and economic challenges. Problems related to insufficient funding, low level of tax revenues, limited opportunities to attract external sources of funding and lack of technical and professional provision complicate the financial stability of UTCs.

To solve these problems, the UTCs can consider a number of ways, such as rationalizing expenses, developing the economy and attracting new sources of income, attracting external sources of funding, trying their hand at obtaining grant funds, strengthening financial discipline and openness. It is also important to promote the development of local entrepreneurship, expand opportunities for increasing tax revenues, and seek cooperation with various financial organizations and experts. Also, an important and basic condition for a country that is a candidate for joining the EU is the involvement of the public in the decision-making process regarding the financial provision of the community, which will contribute to greater openness, interaction and responsibility in the management of the finances of the UTCs.

Today, the war with the Russian Federation inhibits the socio-economic effects of the financial provision of the UTCs in Ukraine. Solving the problems of financial provision of the UTCs requires a comprehensive approach, including effective financial management, economic development and attracting various sources of funding. In the future, this can contribute to the sustainable development of the UTCs, ensuring their ability to perform their functions and address the needs and expectations of their residents.

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**ФІНАНСОВЕ ЗАБЕЗПЕЧЕННЯ ОБ'ЄДНАНИХ ТЕРИТОРІАЛЬНИХ ГРОМАД****НАГАЙЧУК Вікторія****Вінницький навчально-науковий інститут економіки ЗУНУ**

*У статті розглядаються питання фінансового забезпечення об'єднаних територіальних громад у сучасних умовах. Визначено, що місцеві фінанси відіграють надзвичайно важливу роль у житті суспільства, оскільки є об'єктивною формою економічних відносин на рівні адміністративно-територіальних одиниць, головним рушієм соціально-економічного розвитку регіонів. Зважаючи на актуальність даної теми серед українських науковців, розглянуто особливості трактування ними сутності «фінансового забезпечення об'єднаних територіальних громад». Проаналізовано динаміку доходів місцевих бюджетів України за 2022 рік за видами надходжень. Обсяги надходжень до бюджетів місцевих громад суттєво зменшилися в перші місяці війни, але поступово відновилися під час стабілізації ситуації в країні. Враховуючи дослідження вітчизняних науковців щодо проблем та шляхів їх вирішення в контексті фінансового забезпечення територіальних громад, надано власне бачення сучасних проблем та шляхів їх вирішення. Наголошено, що фінансова підтримка об'єднаних територіальних громад може бути складним завданням, особливо в умовах обмежених ресурсів та економічних викликів.*

*Для вирішення цих проблем об'єднанні територіальні громади можуть розглянути декілька шляхів, таких як раціоналізація витрат, розвиток економіки та залучення нових джерел доходу, залучення зовнішніх джерел фінансування, спроба отримання грантових коштів, посилення фінансової дисципліни та відкритості. Також важливо сприяти розвитку місцевого підприємництва, розширювати можливості збільшення податкових надходжень, шукати співпрацю з різними фінансовими організаціями та експертами. Також важливою та основною умовою для країни-кандидата на вступ до ЄС є залучення громадськості до процесу прийняття рішень щодо фінансового забезпечення громади, що сприятиме більшій відкритості, взаємодії та відповідальності в управлінні фінансами об'єднаної територіальної громади.*

*Ключові слова: економічні відносини, фінанси, фінансове забезпечення, об'єднані територіальні громади, війна.*