



REGULATORY AND ORGANIZATIONAL ASPECTS: ADMINISTRATIVE-TERRITORIAL REFORM IN UKRAINE

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ABSTRACT

The main consequences of administrative-territorial reform in Ukraine are the formation of united territorial communities and the growth of local budgets, which will further contribute to the financing of programs and projects for the socio-economic development of the regions and improve the quality of life of the population in the regions. In addition, administrative-territorial reform in Ukraine has contributed to the development of institutions that have a positive impact on social and economic development. Administrative-territorial reform in the future will contribute to the development of institutional tools for updating joint production by combining state assets with investment, management and other resources of the private sector, thus ensuring structural changes in the regional economy and capital renewal.

Keywords: Administrative-territorial reform, Fiscal administrative-territorial reform, Legislation, United territorial community, State regional development fund (SRDF), Department of Patrol Police

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1. INTRODUCTION

The administrative-territorial reform has been taking place in Ukraine since 2014, which ensures the transfer of powers, finances from the state authorities to local self-governments. The regulatory framework for administrative-territorial reform is based on the provisions of the European Charter of Local Self-Government [1]. The legal basis for a radical change in the system of government and its territorial base at all levels began to emerge in 2014.

In April 2014, the Government approved a key concept paper – the Concept of Reforming Local Self-Government and Territorial Organization of Government [2]. After that, the Action Plan for its implementation was approved, which launched the reform.

The corresponding changes were made to the Constitution of Ukraine, and a package of new legislation was formed to implement the provisions of the Concept and objectives of the Action Plan.

The changes in the Constitution primarily resolved the issue of the formation of Executive bodies of regional and district councils, the reorganization of local state administrations into control and Supervisory bodies, and gave a clear definition of the administrative-territorial unit – the community.

Through the efforts of local experts, practitioners, scientists, and experts, the draft amendments to the Constitution were developed and submitted for wide public discussion. The proposed changes were supported by the society and highly appreciated by the Venice Commission.

Unfortunately, political circumstances did not allow the Verkhovna Rada of Ukraine to accept the amendments to the Constitution submitted by the President of Ukraine regarding administrative-territorial reform. That is why the Government started the reform in 2014 within the framework of the current Constitution. During this time, the main package of new legislation has already been formed and is in effect, and priority legislative initiatives are being introduced. It is about:

1. Laws on amendments to the Budget [3] and Tax codes [4] of Ukraine. These changes have led to financial administrative-territorial reform:
 - 1) local budgets have increased by 165.4 billion UAH in recent years: from 68.6 billion UAH in 2014 to 234 billion UAH in 2018.
2. Law on Voluntary Unification of Territorial Communities [5] gave the opportunity to start forming a capable basic level of local self-government. In Ukraine, 878 United Territorial Communities (CTAs) were created from 2015 to 2018. These united territorial communities have more than 4,000 former local councils. 9 million people live in united territorial communities. Such rates of inter- municipal consolidation are called very high by international experts. The law also introduced an institution of senior citizens in the united territorial communities that represent the interests of rural residents in the community council. There are already 786 elderly people working in the villages of the united territorial communities, with almost 1.7 thousand people fulfilling the duties of the elderly. In 2018, the united communities acquired communally owned almost 1.5 million hectares of agricultural land outside settlements.

3. Law on Cooperation of Territorial Communities [6] created a mechanism for solving common problems of communities: recycling and recycling, development of common infrastructure, etc. By the end of 2018, 325 cooperation agreements have already been implemented. 975 communities have benefited from this mechanism.
4. Law on the Principles of State Regional Policy [7]. State support for regional and community infrastructure during the reform has increased 39-fold, from \$ 0.5 billion in 2014 to \$ 19.37 billion in 2018. Due to this support, more than 10,000 projects were implemented in the regions and communities in 2015-2018.
5. Package of laws on expanding the powers of local self-government bodies and optimizing the provision of administrative services. This made it possible to delegate to local governments of the appropriate level the authority to provide basic administrative services: registration of residence, issuance of passport documents, state registration of legal entities and individuals, entrepreneurs, associations of citizens, registration of acts of civil status, rights, land issues, and so on.

The new legislation has significantly increased the motivation for inter- municipal consolidation in the country, created appropriate legal conditions and mechanisms for the formation of capable territorial communities of villages, towns, and cities that combine their efforts in solving urgent problems. Also, the new model of financial support for local budgets, which received some autonomy and independence from the Central budget, has already justified itself.

The Cabinet of Ministers of Ukraine initiated the transition to a new phase of administrative and territorial reform on January 23, 2019, which envisages consolidation of already achieved successes and formation of able communities, change of territorial structure at the level of districts and communities, clear delineation of powers and functions of control of different levels of government, as well as development of forms of local governance. democracy.

The main legislative changes of administrative-territorial reform concern the following areas of expansion of the existing revenue base of local budgets: payment from the state budget for providing administrative services (except 50% of the administrative fee for state registration of real rights to real estate and their encumbrances and state registration of legal entities and natural persons- entrepreneurs), as well as state duty; increased percentage of environmental tax credit; fixing the local budgets as a stable source-the tax on personal income for new (for many communities, increased) standards; introducing a fee for the retail sale of excisable goods instead of a fee for viticulture, horticulture and hop growing, which goes to local budgets; expanding the tax base of the real estate tax by including commercial (non-residential) property before taxation.

In the direction of increasing budgetary and financial autonomy of local budgets: the right of independent formation of local budgets on the basis of stable revenue sources and expenditure powers and the basic parameters defined in the draft state budget is enshrined; approval of local budgets irrespective of the terms of approval of the state budget; the process of providing local guarantees and local borrowing from international financial institutions has been simplified by introducing the principle of "tacit consent" when agreeing such operations with the Ministry of Finance.

In the direction of horizontal alignment of budgets and intergovernmental relations: introduced a new improved mechanism of horizontal alignment of fiscal capacity through a basic (reverse) grant, which has a compensatory nature, its size is determined by the fixed national taxes depending on the level of income; the introduction of new types of transfers - an educational subvention (transfer aimed at paying the current costs of comprehensive educational institutions of all grades, first of all to pay, energy and utility bills), medical subvention (transfer aimed at paying the current expenses of healthcare institutions, except for

payment for public utilities and energy), subsidies from the state budget to local budgets for the implementation of expenditures from the state budget for the maintenance of health care institutions (monthly assistance for payment for utilities and energy); a subsidy for the provision of medical measures of individual state programs and complex measures of a programmatic nature (for the implementation of state programs and complex measures in the field of health care).

In the direction of assignment of powers and responsibilities: administrative-territorial reform of expenditure powers in the socio-cultural sphere and a clear division of competences, formed on the principle of subsidiarity; strengthening the responsibility of the line ministries for the implementation of public policy in the educational and medical sectors by identifying them as the main spending units of the relevant subventions; granting the right to choose the institution (in Treasury bodies or banks) independently on servicing local budget development budget funds and own revenues of budget institutions; simplifying the process of providing local guarantees and borrowing from international financial institutions.

The level of financial administrative-territorial reform in Ukraine remains low. Expenditures that are not supported by appropriate financial resources are financed from local budgets [8]. Changes in budget and tax legislation that came into force in 2015 stimulated local authorities to expand their own revenue base, but the level of financial administrative-territorial reform of local budgets has been growing at a rather slow pace in recent years [9].

Administrative-territorial reform should not be limited to institutional changes (changes to constitutional design at the sub-national level), but should ensure a transition from advisory to participatory democracy, when each member of the territorial community has the right and real ability to influence directly and through elected representatives publicly the content and content of the public decisions that directly determine living conditions in the respective territory [10-12].

Researcher in [13] explores the fundamentals of Ukrainian legislation to regulate this policy. The revenues and expenditures of the local budgets of Ukraine were monitored.

After analyzing the state of implementation of sector administrative-territorial reform in the areas of reform, we come to the conclusion that it is non-systemic. In some areas, the work was carried out quite actively, positive practical results were obtained, while there are almost no results in certain areas [14]. Common problems for all areas of sectoral administrative-territorial reform are insufficient legislative and regulatory support, inadequate staffing both at the level of Central and local Executive authorities and local self-government bodies, and contradictions between state authorities and local self-government bodies regarding the transfer of managerial powers and related resources to communities [15].

2. THERORETICAL BACKGROUND

Today, the state is the main coordinating sector for social development. However, the central authorities in the state are no longer able to cope with the fulfillment of their functions, because they are not able to take into account all the peculiarities of the development of each territory. Confirmation of this is approved by the Cabinet of Ministers of Ukraine State Strategy for Regional Development for the period up to 2020, which envisages the transfer of powers to solve local problems to the grassroots, basic, community level, which is administrative-territorial reform. The goal of administrative-territorial reform of power is to build an effective system of territorial organization of power in Ukraine, which provides for the provision of their own financial resources that will make communities able to solve territorial problems. To implement the principle of administrative-territorial reform, the Verkhovna Rada of Ukraine approved a plan of legislative support for reforms in Ukraine, which built a system of measures to overcome the problems of administrative-territorial reform of power and local government

reform. The solution of the identified problems at the level of territorial communities requires the joint efforts of residents of the territory, business and local authorities. Two laws of Ukraine [5, 6] have been adopted to implement the consolidation of efforts of three sectors in the territory of intersectoral interaction. Since the Constitution of Ukraine grants the right to residents of villages on a voluntary basis to unite in a single territorial community, to form local self-government bodies, and the mechanism for resolving this constitutional right at the legislative level was not settled before the adoption of these laws. The purpose of the [5] is to create legal conditions and opportunities for strengthening guarantees of local self-government; to promote the creation of capable territorial communities; to form effective councils and their executive bodies, whose main task should be to promptly meet the needs of citizens and provide them with high-quality administrative services; ensuring sustainable development of the respective territories, effective use of budget funds, and transparent intersectoral interaction. The law of Ukraine [6] defines the legal basis for cooperation of territorial communities, principles, forms, mechanisms of such cooperation, its promotion, financing and control, the grounds and especially the termination of cooperation, inter-municipal cooperation involves the pooling of resources of local governments, businesses and communities to solve common problems, but does not contain any legal norms that would allow such cooperation. Consequently, the public sector has applied the principle of administrative-territorial reform for the development of territories where multi-sector interaction is carried out, which makes it possible to create effective territorial communities, United territorial communities for the purpose of managing regional development at the local level, and to give all sectors the authority to manage the socio-economic and environmental development of territories. This principle is actively implemented in Ukraine, as evidenced by the statistics of established territorial communities and United territorial communities.

The legislative acts [2-7] have become the most important in the reform of local self-government and territorial organization of power in Ukraine.

3. RESULTS AND DISCUSSION

In a short period of time, successful steps have been taken towards the unification of territorial communities for greater fiscal, administrative and political administrative-territorial reform. In addition, the State strategy for regional development for the period 2015-2020 has been developed. The first local elections were held in the newly created United territorial communities, and some local governments already provide a wider range of public services. However, there remains a range of important problems, from the need to find solutions, to adapt multi-level public administration and territorial structure in conditions of growing inequality to better structuring the process of fiscal administrative-territorial reform [16].

In 2015-2019, 1029 united territorial communities were created, 49 of them awaiting the Central Election Commission's decision to hold the first local elections and 44 united territorial communities with administrative centers in cities of regional significance (Fig. 1).

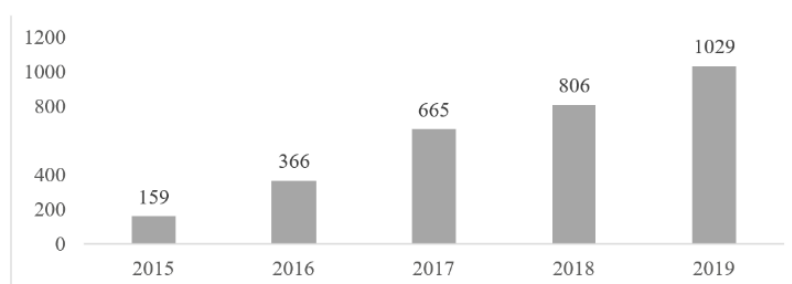


Figure 1 Number of United territorial communities [17]

The main result of decentralization was the formation of United territorial communities and the growth of local budgets in 2014-2018 (see Fig. 1 and Fig. 2). The formation of the United territorial communities ensures an increase in budget revenues, which will contribute to the financing of programs and projects for the socio-economic development of the regions and improve the quality of life of the population in the regions. In addition, accountability from territorial communities and control over the use of budget funds by public councils will be important, which will further increase budget revenues. At the same time, together with the increase of revenues, capital expenditures of the budgets for the development of the territories increase due to the state support for the development of the territories.

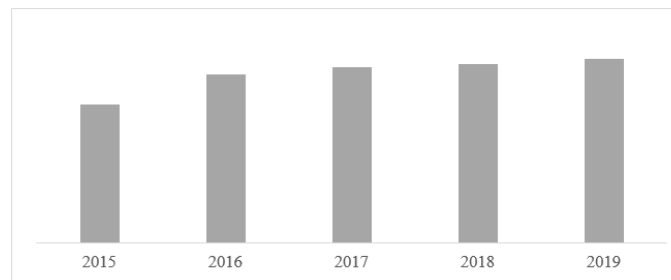


Figure 2 Share of own revenues of local budgets (general fund) in GDP, in % [17]

According to the State Statistics Service of Ukraine as of 01.01.2019 11.7 million people live in united territorial communities (33.3% of the total population of Ukraine). The area of united territorial communities is 246.8 thousand square meters (44.2% of the total area of Ukraine). 4,698 territorial communities united and joined (42.9% of the total base-level councils as of 1 January 2015). 6263 territorial communities remain united (57.1% of the total base-level councils as of 01.01.2015). The average number of territorial communities united into one united territorial community is 4,6 for 2015-2019. 1188 territorial communities concluded 530 (+21) inter-municipal cooperation agreements.

United communities have a broader range of responsibilities, first of all – community development planning and addressing economic development, attracting investment, business development, and, of course, budgeting, land management, building permits, developing local infrastructure, providing housing and communal services, maintenance of streets and roads in the community, passenger transportation and public safety by municipal police, fire protection. This will allow the local councils of the united communities to provide additional jobs for their residents in the near future and to significantly improve the condition of the settlements and, consequently, the quality of life.

Execution of own revenues of local budgets for January-November 2019, compared to January-November 2018, billion UAH (%) was: 1) local budgets increased by 17.8% or by 37.8 billion UAH (from 212.7 billion UAH to 250.5 billion UAH); 2) regional budgets increased by 18.8% or by 15.0 billion UAH (from UAH 79.9 billion to 94.9 billion UAH) (Figure 3).

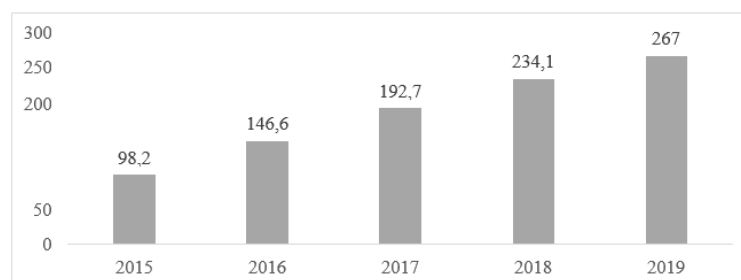


Figure 3 Own revenues of the general fund of local budgets, billion UAH [17]

The share of local taxes and levies in local budget revenues (general fund) increased to 26.6% in 2015, in 2016 – 28.8%, in 2017 – 27.3%, in 2018 – 26.1 % (Figure 4).

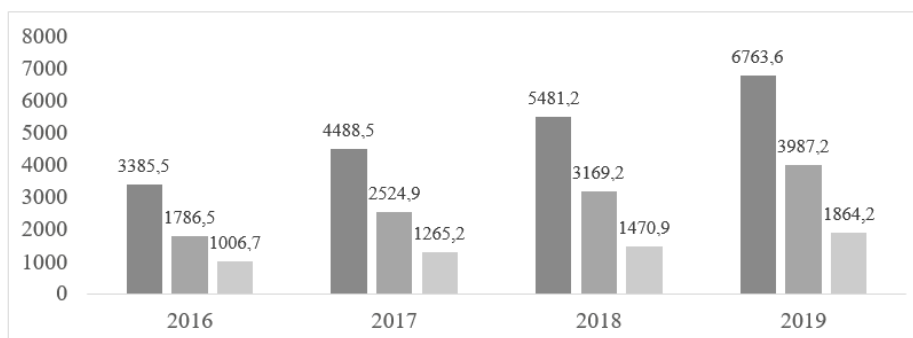


Figure 4 Increase of revenues of the general fund of local budgets for 1 inhabitant for January-November 2016-2019, % and UAH [17]

Thus, local Executive authorities have received a number of powers to Finance local programs, because since the beginning of 2015, in fact, thanks to the financing of the local budget, the State Regional Development Fund (hereinafter - SRDF) makes it possible to implement projects for the development of regional infrastructure. In accordance with the Budget code, the SRDF provides funding for regional programs defined by local governments [18]. Thus, regional programs can become an effective tool for financing structural changes in the regional economy, and can provide for the construction or reconstruction of production facilities of enterprises.

Administrative-territorial reform in Ukraine has contributed to the development of institutions that have a positive impact on social and economic development, and therefore the gradual modernization of the economy. Consequently, such institutions were created, the formation of which indicates the development and change of the institutional environment in Ukraine:

- territorial communities and united territorial communities;
- SRDF;
- consultative and advisory bodies with the participation of representatives of civil society institutions – centers of organized influence of civil society (both citizens and their associations) on the activity of public authorities or bodies of local self-government in the form of public councils in public authorities;
- public hearings;
- public expertise;
- Local government development centers;
- Regional development agencies;
- civil society institutions;
- Administrative service centers;
- National Tripartite Social and Economic Council and Territorial Tripartite Social and Economic Council.

The analysis of the literature shows that there are significant brake factors that slow down the process of community association in Ukraine. These factors include: territorial imbalance at the district level, insecurity of the legal status of united territorial communities; legal restrictions that prevent large scale community unions; unclear assignment of competences to the united territorial communities and incomplete land use reform.

4. CONCLUSION

The main consequences of administrative-territorial reform in Ukraine are the formation of United territorial communities and the growth of local budgets, which will further contribute to the financing of programs and projects for the socio-economic development of the regions and improve the quality of life of the population in the regions. In addition, administrative-territorial reform in Ukraine has contributed to the development of institutions that have a positive impact on social and economic development. Local executive authorities have been given a number of powers to Finance local programs, which makes it possible to implement regional infrastructure development projects. As a consequence, regional programs can become an effective tool for financing structural changes in the regional economy, and can provide for the construction or reconstruction of production facilities of enterprises. Funds financed by the patrol police department and allocated from the local budget or the State Regional Development Fund have a multiplier effect, as the revenue-generating entities are taxed and therefore replenish the local budget through taxes. In addition, the investment of local budgets for road repairs and construction has a double multiplier effect, because they provide job creation and reduce the unemployment rate in the regions. Administrative-territorial reform in the future will contribute to the development of the Patrol police Department, which has every chance to become an institutional tool for updating joint production by combining state assets with investment, management and other resources of the private sector, thus ensuring structural changes in the regional economy and updating capital.

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