

1. Impact of financial decentralization on the socio-economic development of Ukraine in the conditions of integration processes

At the current stage, Ukraine, in accordance with the main provisions of the European Charter of Local Self-Government, continues to direct its efforts to the implementation of the European integration course on the development of local and regional democracy. And it is decentralization that is currently one of the most successful reforms that is effectively implemented in the country [2]. It covered various spheres: education, health care, urban planning, state registration, provision of administrative services, social sphere, sphere of land relations and others.

A series of events important for national state-building related to Ukraine's protection of its own sovereignty and territorial integrity, the economic and social crisis, a decrease in public confidence in the actions of the government - became the primary reasons for a radical change in the vectors of state administration. It is obvious that there is a need to bring the authorities as close as possible to the citizens and involve them in the management of public affairs, which, in turn, will serve as a means of strengthening people's power in Ukraine. Overcoming crisis phenomena in society is possible only under the condition of strengthening the importance of local self-government bodies, their real legal and political responsibility for the decisions made.

Financial decentralization began with the adoption in 2015 of amendments to the Budget and Tax Codes of Ukraine and a number of important laws, in particular regarding the transfer to local self-government bodies of additional budgetary powers and stable sources of income for their implementation; stimulation of territorial communities to unify and transition to direct inter-budgetary relations with the state budget with appropriate resource provision at the level of cities of regional importance, introduction of legal foundations for the formation of capable territorial communities by increasing their financial and economic capacity, etc. [2].

The problem of decentralization of public power as a political and legal phenomenon is one of the most relevant in the domestic scientific discourse. At the same time, it is highlighted from different angles and in different aspects. The

confirmation is the presence of a significant number of fundamental studies devoted to the issues of decentralization.

As a result, in 2015, 794 village, settlement and city councils, which include 2,015 settlements, voluntarily united into 159 territorial communities (hereinafter - United Territorial Communities) [2].

A significant incentive for UTC in 2016 was the possibility of obtaining a subvention for the formation of the infrastructure of these communities. It should be noted that to switch to direct inter-budgetary relations with the state budget, to receive financial support in the form of this subvention in accordance with Article 64 of the Budget Code of Ukraine and Art. 10 of the Law of Ukraine "On Voluntary Unification of Territorial Communities" can only communities whose boundaries fully correspond to the boundaries determined by the perspective plan for the formation of territories [2].

The implementation of financial decentralization is a new stage in the administrative-territorial, economic, and demographic development of rural areas, which continues in the conditions of limited financial resources of united territorial communities (UTCs), their subsidization, inefficient use of acquired financial opportunities due to the incompetence of local leadership and their ignorance of the specifics budget reform [1]. Awareness of the nature and directions of the impact of financial decentralization on the development of rural settlements can accelerate the implementation of the reform and minimize its destructive consequences.

In the first half of 2016, revenues from the general fund of budgets 159 UTC (taking into account transfers from the state budget) increased almost 7 times compared to the same period in 2015, their volume reached UAH 3,093 million. UTC's own revenues increased more than 3 times - from UAH 418 mln to UAH 1,324 mln. Compared to the beginning of 2016, the balances of the general fund of UTC local budgets (without subventions) increased by UAH 405 mln, or increased by 2 times and as of July 1, 2016 amounted to UAH 748 mln, including deposits in bank accounts UAH 112 mln. The unification of communities made it possible to increase the own

income of UTC budgets per 1 resident on average in Ukraine from UAH 288 to UAH 955 [2].

Decentralization of public power is an integral part of today's legal and political reality, a guarantee of effective democracy and the basis for observing the principle of the rule of law. However, the harmonious development of this phenomenon in accordance with the needs and requirements of the time directly depends on a deep and comprehensive study of its genesis. The history of American and European legal thought contains two different models of power decentralization, which need to be understood in the context of modern state-building practice. In addition, decentralization as one of the principles of democratic governance in the process of establishing a constitutional type of state requires a thorough analysis. It is also impossible to overlook the development of the idea of decentralization in Ukrainian political and legal thought and state-building practice.

The concept of "decentralization" (from the Latin "de" - denial, "centralize" - middle, central) means the destruction, cancellation or weakening of centralization and the expansion of the rights of grassroots management bodies.

The following types of decentralization are distinguished [4]:

- political: delegating political power to sub-national governing bodies that are politically accountable to local voters;
- administrative: transfer of certain management functions (extension of rights and competences) to local authorities;
- market: the issue of optimization of production processes based on the use of market mechanisms;
- economic: introduction of delegation and complete abolition of restrictions on private business competing with state enterprises;
- fiscal: transfer of resources from the center to localities, i.e. expanding the rights and competences of local self-government bodies in the field of local finances;
- budgetary: acquisition by local self-government bodies of spending powers to ensure their own self-governing functions by distributing spending powers between the levels of the budget system, delegated powers, expanding the financial autonomy of

local budgets by simplifying the procedure for local borrowing, expanding access to the domestic and international financial market.

In Ukraine, the decentralization process began in 2014 with the adoption of the Concept of Reform of Local Self-Government and Territorial Organization of Power in Ukraine (04.01.2014), the Laws of Ukraine "On Cooperation of Territorial Communities" (06.17.2014), "On Voluntary Association of Territorial Communities" (05.02.2015) and amendments to the Budget and Tax Codes - regarding financial decentralization.

This process made it possible to form, in accordance with the provisions of the European Charter of Local Self-Government, a significant effective and capable institution of local self-government at the basic level - united territorial communities (UTC).

During the 6 years of the reform, 1,070 UTCs were formed, in which 4,882 communities voluntarily joined. Of these, the first local elections were held at 936 UTC.

The government has approved long-term plans for the formation of the territories of communities in 24 oblasts, which cover 100% of the territory of the oblasts.

The area of the formed UTCs is almost 47% of the total area of Ukraine. More than 70% of the population of Ukraine lives in OTG and cities of regional importance.

In accordance with the adopted Law of Ukraine dated 04.16.2020 № 562-IX "On Amendments to Certain Laws of Ukraine Regarding Determining the Territories and Administrative Centers of Territorial Communities", the Cabinet of Ministers of Ukraine determined the administrative centers and approved the territories of 1,470 capable territorial communities in which local elections in 2020 on a new territorial basis.

Thanks to the introduction of inter-municipal cooperation, communities got the opportunity to consolidate efforts and implement joint projects. In particular, 1,354 territorial communities concluded 604 agreements on cooperation [8].

The main mission of decentralization in Ukraine is "the transfer of significant powers and budgets from state bodies to local self-government bodies, so that those

bodies that are closer to the people, where such powers can be implemented most successfully, have as many powers as possible".

Financial decentralization is the process of delegation by the state of powers and financial resources for their implementation to local self-government bodies. According to the conclusions of most experts, its impact on certain territorial communities, the development of settlement infrastructure and the standard of living is ambiguous, as it contains certain risks associated with:

- insufficient capacity of village budgets as a result of the legislative limitation of the income base of those settlements that are not part of the UTC, low involvement of financial support tools, professional incompetence and lack of initiative of the local leadership, non-compliance with the requirements regarding the minimum population size of the community (5 thousand people);
 - significant subsidization of local budgets in rural areas;
 - an increase in the excessive financial burden on financially self-sufficient villages from poor UTC rural settlements;
 - low efficiency of local budget expenditures due to the absence of socio-economic development programs in the vast majority of UTCs;
 - probable slowing down of the process of financial decentralization, subject to the resistance of local elites and the intensification of their struggle for the material foundations of governance [1].
- In fig. 1 presents the main challenges of the formation of modern UTCs in Ukraine.

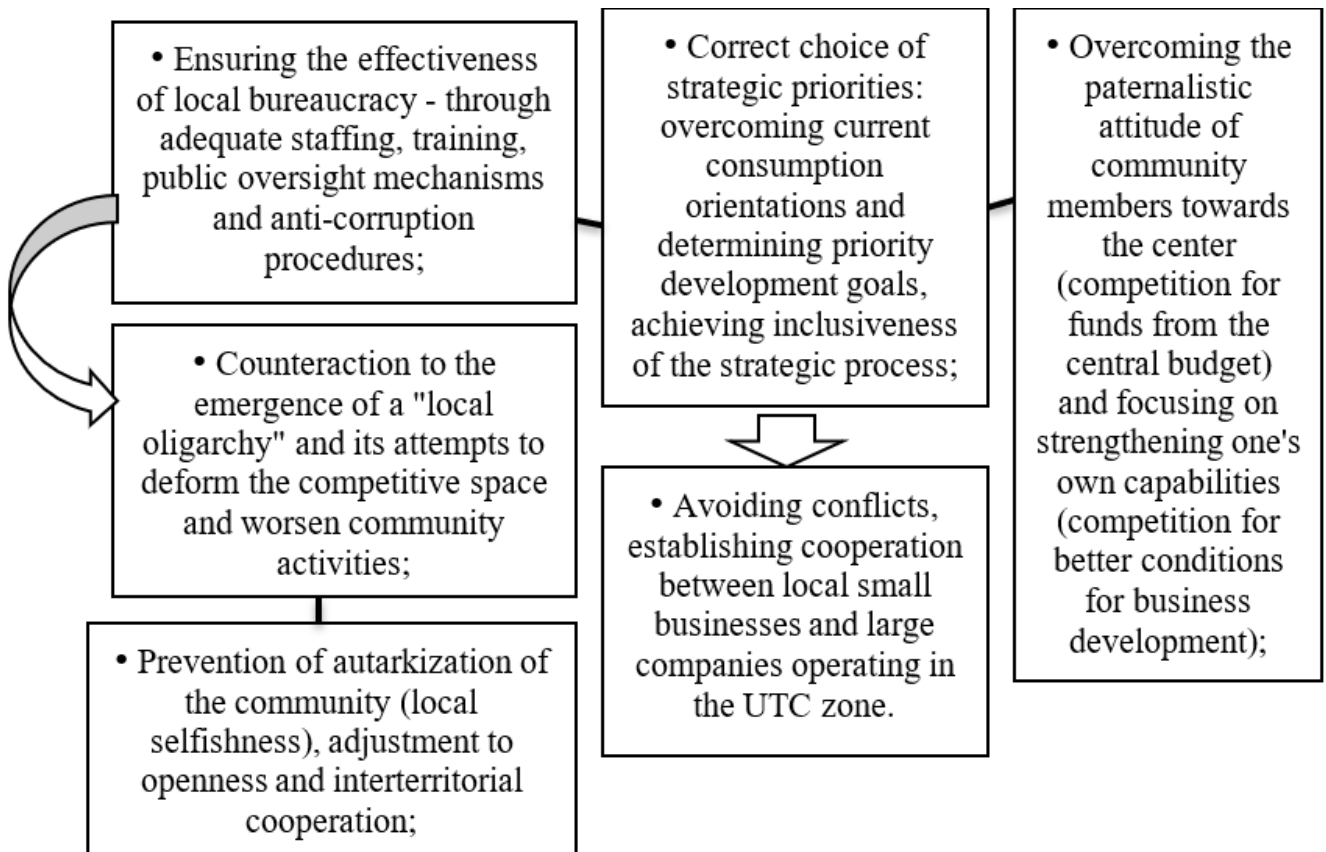


Fig. 1. The main challenges of the formation of modern UTC in Ukraine

Source: Formed on the basis of [12]

The subjects of decentralization are specific participants, between whom there are relevant connections regulated by legal norms. Considering the fact that decentralization is a peculiar form of organization of public power, the circle of its subjects that implement tasks and functions of a public nature is also wide.

A necessary component of financial decentralization is the creation of financially capable and self-sufficient territorial communities. This process has changed the approach to financing the development of territories in recent times:

- firstly, there was a transition from the policy of financing declared public services to the financing of actually provided services;
- secondly, the list of public services and methods of their financial support has been optimized by significantly expanding the educational and medical functions of Local Self-Government Bodies;
- thirdly, the issue of monopoly in the market of provision of public services by communal or state institutions and institutions underwent changes [4]. This creates

conditions for the formation of a competitive environment in the market of public services, improves the quality and timeliness of their provision, brings the ratio of price and quality of service provision into line.

Budgetary and financial decentralization as one of the components of the management process is capable not only of maintaining its status as a channel of redistribution of funds from budgets of one level to another, but also to acquire the features of a regulatory mechanism that should have a real impact on regional development - to form the financial self-sufficiency of territorial communities, to optimize redistribution processes budgetary resources between territories, to activate local economic development, to provide the population of territorial communities with public services at the legally defined level, to solve social problems. And these processes are taking place in the country as a whole, but the results so far are calculated only at the level of growth of the main indicators of territorial development [2]. In fig. 2 shows the main problems of local self-government in Ukraine.

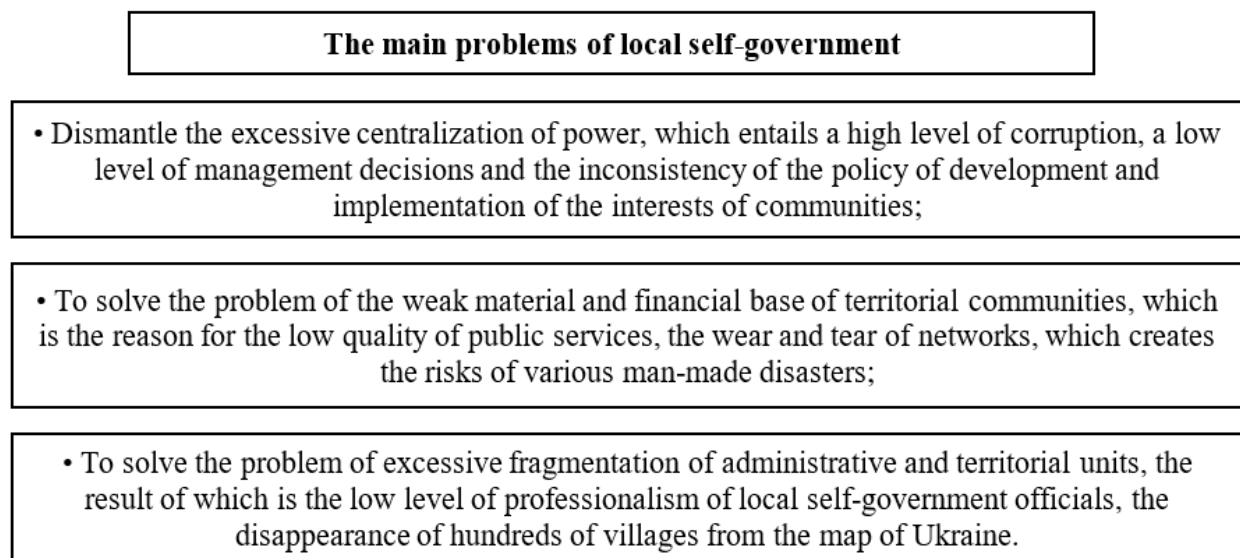


Fig. 2. The main problems of local self-government in Ukraine

Source: Formed on the basis of [11]

In the context of European integration processes in Ukraine, one of the first places in the sphere of governance should be international cooperation. For these

reasons, international organizations and the international community can also be classified as subjects of decentralization of public power.

Decentralization of public power is an effective mechanism for the organization of public power in a democratic state governed by the rule of law, which provides for the procedure of transferring power (rights and duties, material and intellectual resources) from central to local bodies, in accordance with established legislation, taking into account the possibility of effective interaction between them bodies and institutions of civil society. Decentralization can be carried out in political, administrative and financial directions.

It can be argued that the decentralization of public power in Ukraine as a factor in the development of democracy is effective only thanks to the expansion of the functions of local government bodies. In Ukraine, the decentralization of public power should be based on strengthening the constitutional and legal status of local self-government.

It is important to note that fiscal decentralization has a significant indirect effect on raising the standard of living of the population, which is confirmed by the research of scientists in various countries of the world.

According to the Constitution of Ukraine, our state is unitary in terms of territorial organization. In legal theory, the form of the state system is understood as the way of territorial organization of the state, which is manifested in the features of the administrative system, the legal status of administrative units, and the distribution of powers between the central and local authorities. In fig. 3 shows the main tasks of decentralization of management in Ukraine.

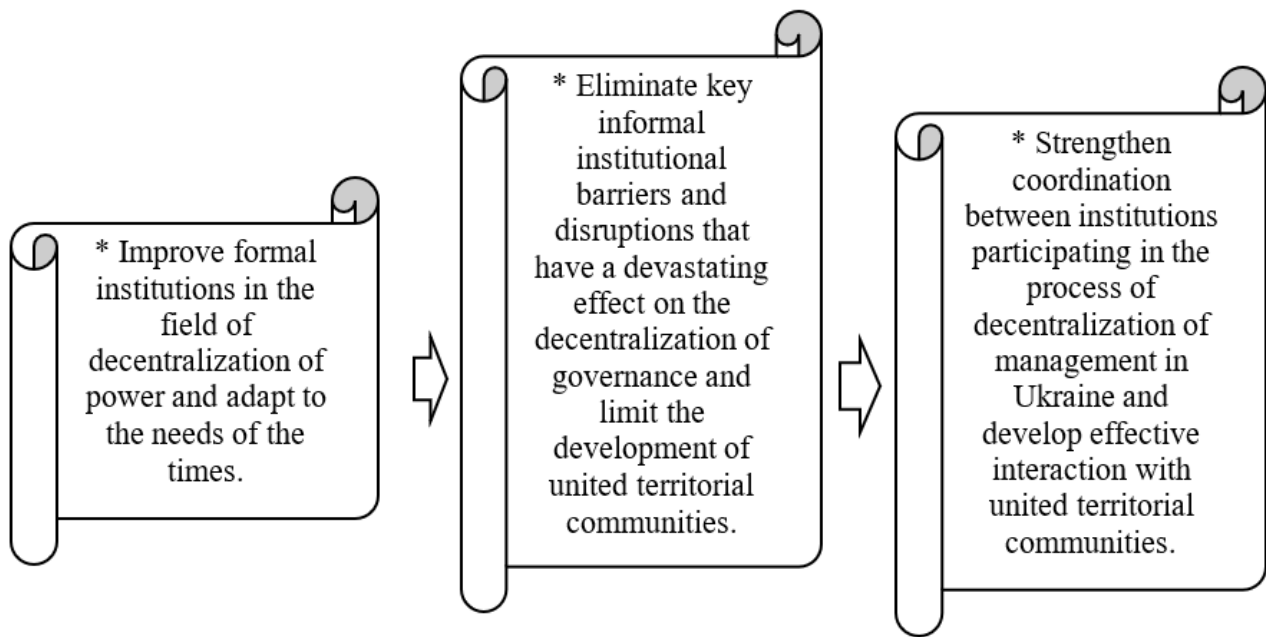


Fig. 3. The main tasks of decentralization of management in Ukraine

Source: Formed on the basis of [12]

For unequivocal conclusions about the impact of financial decentralization on the development of rural settlements in Ukraine, a significant time lag is needed, when it will be possible to draw indisputable conclusions and generalizations based on the specific results of its implementation. Currently, it can be stated that in the near future, the further development of rural settlements will be determined by the gradual increase of financial potential and its use in the interests of the community [9]. This activates transformational processes in the rural settlement network, primarily due to villages with a high level of financial capacity. The implementation of financial decentralization under more favorable conditions (increased investment activity of business entities, lower credit interest rates, detinization of the economy) will create financial potential for reorientation of capital to more productive and strategically important types of economic activity, which will make it possible to increase the financial capacity of settlements and, accordingly, to improve the infrastructure of the village, the quality of the provision of social services in the fields of health care, education, housing and communal services, culture.

Given the preservation of inertial development trends and the exacerbation of the financial and economic crisis, it is highly probable that the reform of budget

decentralization will slow down, which will affect the deepening of the deficit of rural budgets, the degradation of the rural economy, and the deterioration of the standard of living of the population [1]. The restrictive budget policy will intensify the processes of population reduction in the vast majority of small settlements and will lead to further administrative and territorial reformation.

The main reason for another change in the budget legislation was the significant amount of financial resources accumulated by the local budgets of Ukraine. Today, there are about 10 billion hryvnias in the deposit accounts of local self-government bodies in Ukraine. A number of draft laws have been registered in the Verkhovna Rada of Ukraine, which, if adopted, will entail a significant decrease in the revenues of the general fund of local budgets [2]. There is also a risk that the revenues that will flow into the general fund of local budgets will not correspond to the scope of the powers that are planned to be transferred to local self-government bodies.

Today, the following factors are most important for the economic development of regions:

- significant influence of regions on the national level;
- a noticeable degree of independence of regions from the national level;
- availability of considerable financial powers and resources in the regions;
- sufficient powers of the regions in the recreational sphere and culture, infrastructure, education and research, health care. In other words, regions with influential powers develop better than others, and countries with a high degree of decentralization are economically more successful than centralized states. The importance of decentralization processes is evidenced by the fact that for the first time the mission of the International Monetary Fund is interested in the decentralization reform. This is precisely the reform that completely changes the system of management in the state, the financial capabilities and potential of the regions.

For successful reform actions, the decentralization of functions must occur along with the transfer of sufficient financial resources and property to ensure that local self-government bodies provide quality and affordable services. When financial resources are provided to local governments, then they can generate their own revenues by setting

and collecting taxes and fees for services provided, guided by the principles of compensation for the cost of services [10]. The necessary funds are also created through the effective management of communal property and the free part of the budget, which depends entirely on the decision made by the local self-government body [3].

With the help of financial decentralization, local self-government bodies are given access to attract additional resources to the local budget using such tools as placing temporarily free funds on deposits, purchasing securities, providing loans, municipal bond loans, etc.;

- local budgets are strengthened, financial independence of communities is ensured. An increase in the number of own revenue sources strengthens local budgets and ensures their financial independence, providing resources to fulfill the powers entrusted to local self-government bodies;

- communities have more opportunities to implement their own development strategies;

- the number of projects implemented with the help of the State Regional Development Fund is increasing;

- the local infrastructure is being updated. Thanks to receiving additional financial incentives for development, local communities develop their own infrastructure, construction, and repair social facilities;

- the investment attractiveness of territories and their competitiveness increases. Thanks to increasing the capacity of territorial communities and their financial independence, they contribute to increasing the attractiveness of territories for foreign investments. Having competitive advantages, new ideas for the development of the territory and interesting investment proposals, the community can interest potential investors in cooperation, which in turn will further improve the investment climate and have a cumulative effect;

- investment activity increases. Improving the investment climate will contribute to increasing investment activity;

- the level of bureaucracy decreases, as most administrative issues can be resolved directly in each united territorial community;
- initiative is growing at the local level. Citizens feel more involved in the community development process and show more initiative for improvements and new development ideas, thus creating favorable conditions based on self-organization;
- there is an increase in the quality of services and their availability for residents of communities. Since local communities are better informed about the needs and problems of the residents of the territory, the transfer of powers to localities will contribute to the improvement of the quality of public services and their availability;
- the economic activity of residents is stimulated. The development of entrepreneurial activities of community residents will contribute not only to increasing investment attractiveness, but also influence the formation of the local budget and establish potential areas of economic development;
- there is a general visible improvement of the socio-economic situation of citizens;
- local identity is formed and community cohesion increases [4]. Understanding the importance of one's own involvement in the development of the region will contribute to increasing the efficiency of its development.

In addition, a new challenge for communities is the development of decentralization during the war, and in the future - in the post-war period. One of the obvious consequences of the war is the underperformance of local budgets, which is associated with tax benefits that were introduced to reduce the financial burden on the population and businesses that were in a difficult situation, the massive outflow of human resources from the country, the deterioration of business conditions, etc. That is why it is necessary to define new movement vectors of decentralization processes, because the former system cannot be effective in these conditions.

The Ministry of Regional Policy and the Association of Cities of Ukraine proposed a change in the typology of territories, on the basis of which different approaches in management, tax and economic policy will be applied [14]. According to the new typology, there will be four categories of territories: temporarily occupied

territories; territories where hostilities take place; support areas - front-line areas that provide first aid to areas where hostilities are taking place; the territories deep in the rear are the safest areas, where the largest population has moved and where enterprises are moving their activities [5].

In turn, financial decentralization should be based on such principles as:

- the principle of conformity: decision-making on the production of public goods must rely on citizens who live in the territory where the relevant services will be provided, and who finance their production by paying tax payments;
- the principle of centralized redistribution: the policy of distribution should be carried out by central authorities, since they have the necessary tools for this;
- the principle of financial equalization: ensuring inter-budgetary equalization among better and less well-off administrative and territorial units should be carried out at the central level;
- the principle of national desired goods: the provision of goods that are important from the point of view of supporting national interests or the production of which is characterized by spatial externalities can be stimulated by the central authorities at the expense of providing targeted transfers for their production [4].

The experience of European countries has shown that decentralization is one of the most effective ways to ensure financial autonomy and stability of local budgets, ensures transparency and efficiency in the use of budget funds, raising the standard of living of the population and focusing on the needs of each community individually.

Considering the foreign experience of decentralization, it can be seen that Ukraine follows European trends. This applies both to the reduction of the number of municipalities due to their merger, and to the distribution of financial resources between levels of government [15]. So, for example, Ukrainian local communities are endowed with their own financial resources, which include property tax, single tax, tourist tax and vehicle parking fee [5]. Municipalities also receive a share of distributed taxes, which in Ukraine include personal income tax, rent, excise tax, corporate income tax, etc.

In general, it is necessary to develop decentralization processes in the country, because even in a critical period, self-organization of the population has shown its effectiveness. At the same time, it is necessary to increase state control over the activities of local self-government bodies, to develop an effective model of support and reconstruction of the affected regions, as well as to ensure more flexible strategic planning, which should outline the actions of the authorities for various options for the development of events in the country and directly in specific communities [16]. It would also be appropriate to change the principle of tax collection on the income of individuals: instead of collection at the place of registration of a legal entity, collection at the place of actual residence of the employee should be introduced.

Ukraine is developing a political system that corresponds to the European one. The key changes proposed in the legislative framework of Ukraine boil down to several provisions:

1. Communities should become the main units of self-government, which are endowed with broad financial and managerial autonomy. It was expected that instead of about 11 thousand villages, towns and cities, one and a half to two thousand communities would be created.

2. Administrative-territorial units - districts and oblasts will be preserved, but executive bodies of local self-government will be formed in them. Local state administrations subordinated to central authorities should be abolished.

3. Demarcation of powers in the system of local self-government bodies and their executive bodies of different levels is carried out on the basis of subsidiarity, that is, social and political issues must be resolved at the most immediate (or local) level, which corresponds to their resolution.

4. The institution of the prefect is introduced, the main function of which is to ensure unity of policy in state issues of a national and security nature [17].

Thus, changes to the Constitution provide for the introduction of European principles of political governance and the strengthening of people's power.

United communities, in accordance with the legislation and regional perspective plans for the formation of territories, receive the following significant preferences in

terms of financial and resource support: 60% Personal Income Tax, direct inter-budgetary relations with the state budget, state subsidies, participation in financial equalization, an expanded list of transfers of a social nature, full expenditure powers, access to local external borrowing, powers in the field of architectural and construction control, the right to directly provide all administrative services through its own institutions, powers to form public law and order bodies [3]. In addition, united communities receive state financial support at the expense of funds from the State Fund for Regional Development, in the form of subventions from the state budget for the formation of infrastructure in accordance with the community's socio-economic development plan.

The first months of the war turned out to be a real test for the local self-government, which they passed and showed that they are able to face any threats and obstacles with dignity. The decentralization reform showed the true result of the strength of the financial base of territorial communities and their ability to quickly adapt to the situation.

Communities where hostilities did not take place were able to receive internally displaced persons with dignity, provide them with adequate infrastructure and provide public services at an appropriate level. In addition, receipts to local budgets in communities that were not affected by Russia's military aggression made it possible to fill a single treasury account in wartime conditions. And even taking into account significant tax benefits, communities managed to fill their budgets at the level of last year and resume growth.

On the other hand, communities are responsible for financing a large part of their powers, both delegated and their own (which are still not defined in the Budget Code). But the strength of local budgets rests on them, because in terms of volume, it is local self-government budgets that form the basis of the stability of local financial resources [13]. In fig. 4 shows the main expenditures of the state fund of Ukraine by general and special fund sectors in 2022.

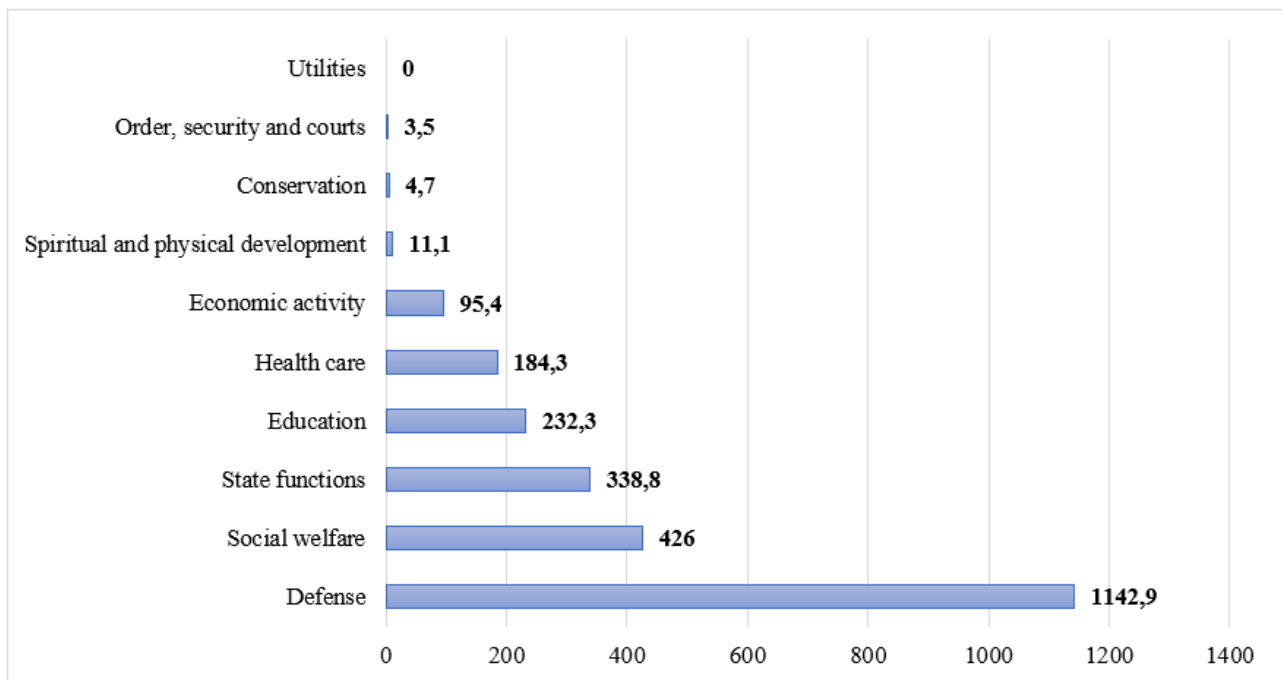


Fig. 4. TOP expenditures of the State Fund of Ukraine by industry (general and special funds), 2022, billion UAH

Source: Formed on the basis of [13]

Substantial differentiation of local budgets is determined by territorial characteristics, infrastructure development, and the scale of reforms, which is reflected in the increase in fundamental differences in the distribution of tax potential across the country, differences in the structure of budget financing needs, and the state of their budgets.

In order to increase the effectiveness of the functioning of budget systems, it is necessary that the formation of revenues of local budgets is based on the principle of fiscal equivalence, according to which consumers of local public goods must themselves bear the corresponding costs and finance their provision at the expense of the taxes they pay [4]. With this approach, the tax burden is not exported outside the territorial community, and differences in taxation levels determine the benefits that community residents receive from local public goods and services. Their "net financial benefit" will depend both on the level of taxation and on the provision of local public goods and services in the region (administrative-territorial unit) where they live [6].

Financial decentralization depends not only on the distribution of income and the powers of local authorities to make relevant decisions. Even if these conditions are met, the fiscal autonomy of local authorities may be limited by strict regulation and control over expenditures, financial planning, and organization of the provision of local public goods.

Budgetary decentralization should provide for the effective implementation of program-target budgeting at the local level, the development of a system of horizontal budget equalization at the level of administrative-territorial units, a system of indicators for the assessment and quality of financial management at the local level, while simultaneously strengthening state financial control over the financial and economic activities of local authorities [4].

The complexity of the research subject should be taken into account when building the model. Therefore, at the initial stage of the analysis, we will limit ourselves to only one component of fiscal decentralization: the ratio of revenues and expenditures of state-level budgets.

In the course of our research, we used a standard regression model, which has the form:

$$S_{it} = \beta X_{it} + \delta_t + u_i + \varepsilon_{it};$$

where **S_{it}** – corresponds to the indicator of decentralization in the period **t** in the region **i** ;

X – corresponds to the explanatory variables used in this regression;

δ_t – year or period dummy variable (temporary fixed effect);

β – evaluation coefficient;

u_i and **ε_{it}** – two components of the residuals showing, respectively, a country- or region-specific effect.

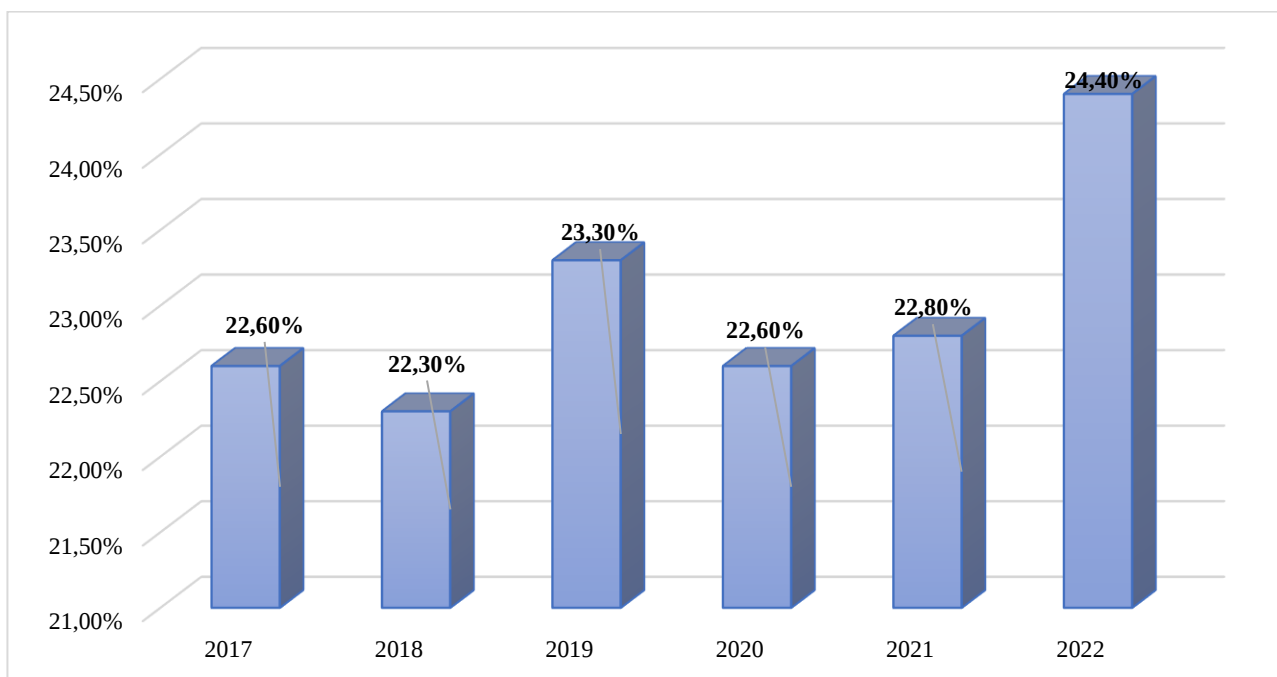
In the course of our research, united territorial communities in 24 regions of Ukraine were analyzed in terms of 4 explanatory variables, namely:

- own income per inhabitant (ratio of the volume of own income receipts to the number of inhabitants of the relevant UTC);
- distance from the regional center of the region;

- the level of subsidization of budgets (the ratio of the amount of basic or reverse subsidy to the total amount of UTC revenues, excluding subventions from the state budget);
- the specific weight of expenses for the maintenance of the management apparatus in UTC financial resources (the specific weight of expenses for the maintenance of the management apparatus of local self-government bodies in the amount of own revenues of the general fund) [6].

Effective local self-government and its provision of progressive socio-economic development of the respective territories must be accompanied by an increase in the resource and financial base. Decentralized powers must be provided with appropriate resources for quality implementation.

Therefore, with the introduction of changes to the Tax and Budget Codes, from January 1, 2015, local self-governments received more finances to increase economic capacity. In fig. 5 shows the share of local budgets of Ukraine in revenues of the consolidated budget (without transfers) in 2022.



**Fig. 5. Share of local budgets of Ukraine in revenues of the consolidated budget
(without transfers), 2022, %**

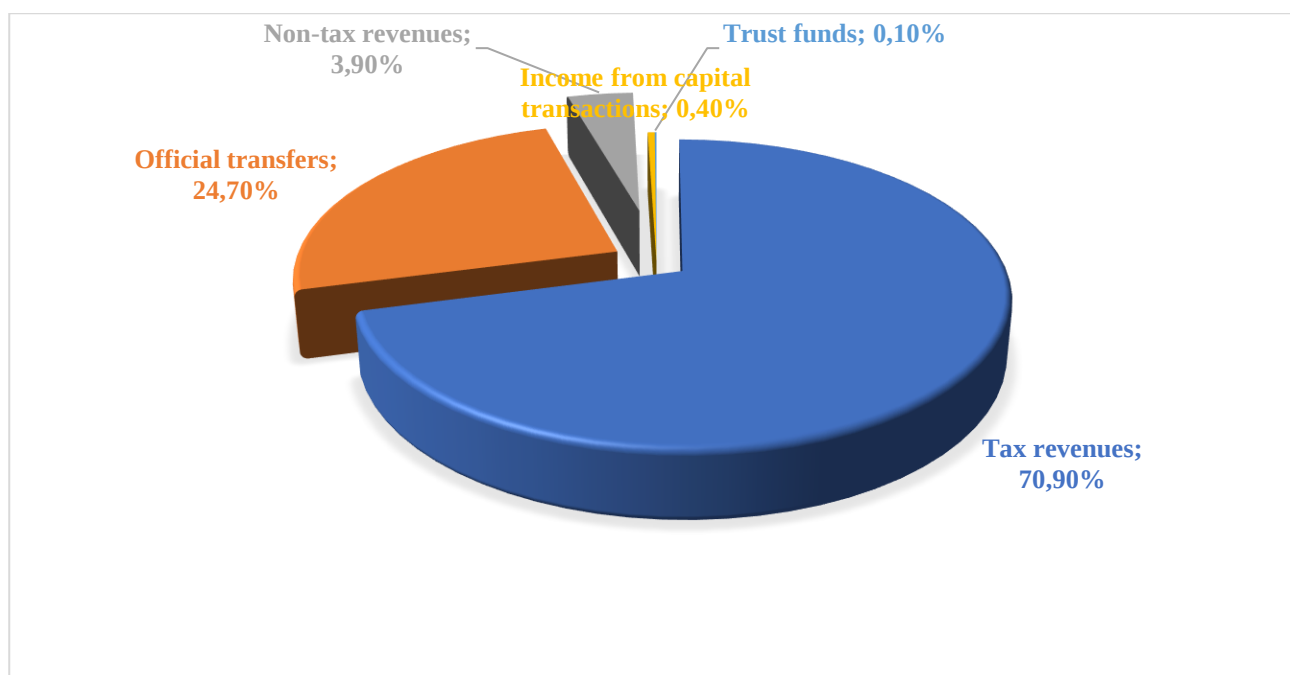
Source: Formed on the basis of [13]

The united communities have acquired the powers and resources that cities of regional importance have, in particular, the inclusion of 60% of the personal income tax on their own authority in the UTC local budgets. In addition, revenues from taxes remain entirely local: the single one, on the profit of enterprises and financial institutions of communal property and tax on property (real estate, land, transport).

In addition, UTCs have direct inter-budgetary relations with the state budget (before the reform, only regional and district budgets, the budgets of cities of regional importance had direct relations), in order to fulfill the powers delegated by the state, they are provided with appropriate transfers (subsidies, educational and medical subventions, development subventions community infrastructure, etc.). Legislative changes also gave local self-government bodies the right to approve local budgets regardless of the date of adoption of the State Budget Law.

Such improvements have already produced the first noticeable results. Own revenues of local budgets increased by UAH 200 billion from 2014 to 2019. (from UAH 68.6 billion to UAH 267 billion). This is a real tool of influence on the achievement of results and responsibility for the trust of communities [8].

However, newly created UTCs faced the problem of inefficient use of financial resources. The funds were mainly used to implement high-visibility projects (renovation of schools, cultural centers, medical and midwifery centers) in order to raise the rating of the head of the community and increase the chances of re-election in the next elections. At the same time, the reluctance of the heads of communities to take on additional responsibility and the work of attracting investments (for example, for infrastructure development) was noticeable [3]. In some places, the management of UTC did not invest the money received from the budget in development, but kept it in deposit accounts. According to the Ministry of Regional Development, as of August 1, 2018, UAH 0.5 billion of UTC budget funds were in bank deposits [5]. Most often, the reasons for the non-utilization of funds were: the procedure for joining new communities, legislative unsettlement, lack of long-term plans for unification and financial regulation, opposition of interested parties [4]. In fig. 6 presents the structure of revenues of local budgets of Ukraine in 2022 by types of revenues.



Note: in 2022, a total of UAH 555.1 billion was received by the local budgets of Ukraine.

Fig. 6. The structure of revenues of local budgets of Ukraine in 2022 by types of revenues, %

Source: Formed on the basis of [13]

At the local level, there were noticeable delays in unification or resistance of residents of local communities to the reform, the reason for which, in our opinion, were the following factors: economic - caused by a possible decrease in the financial capabilities of a particular settlement as a result of its unification with other communities, reluctance to share financial and material resources with poorer villages [7]. That is, communities that had sources of filling their budgets (local excise taxes, funds from land leases) were extremely reluctant to agree to unification with those settlements that did not have such sources.

The problem of financial support of local budgets must be solved by intensifying the economic and economic activity of local authorities with the aim of increasing the share of own and fixed sources of income in local budgets and reducing the share of transfers, as well as increasing the overall number of regions that do not require significant transfers from the state budget [6].

A feature of the modern Ukrainian model of local government organization is the creation and operation of local executive bodies not for the purpose of exercising

control and supervision functions regarding the legality of local self-government activities (as in Western European states), but assuming the main scope of powers to manage the respective territories, which complicates separation of functions between the bodies of executive power and local self-government [6]. The solution to this dilemma requires the implementation of reforms, the content of which is further decentralization.

Therefore, financial decentralization is an important process that contributes to the development of regions in Ukraine. However, during the implementation of financial decentralization, local budgets encountered certain problems that have a negative effect on the development of regions, including: lack of a clear distribution of powers, imperfect relations between different levels of government, high dependence of some regions on the state budget, insufficient own revenues to fulfill assigned tasks on local authorities and others [5]. That is why it is necessary to clearly delineate the powers, rights and duties of different levels of government, expand the powers of local self-government bodies, increase the amount of own income of territorial communities, stimulate investment activity in the regions, improve the regional development planning system, ensure control over the use of local budget funds at the state level and public levels, ensure openness of data on the activities of local self-government bodies, improve the system of local borrowing and develop cooperation between municipalities. All these actions will have a stimulating effect on the socio-economic development of the regions of Ukraine, especially in the period of post-war development.

The model of decentralization of public power in the state depends on such criteria as: the state system of the country, the administrative-territorial division of the country, the legal system, the organization of state power, regulatory support, the development of civil society, the history of statehood, folk traditions and customs, etc. At the same time, clearly defined features of one or another model of decentralization of public power, inherent only to one or another unitary state, cannot be determined, they can be in a synergistic combination and complement each other.

Conclusions. At the current stage in Ukraine, the primary task is to preserve the unitary state system of Ukraine with simultaneous decentralization - an important component of optimizing the system of state authorities and local self-government. Therefore, in terms of the democratization of Ukrainian society and European integration, its implementation in accordance with existing international standards and human needs, the transformation of the power system and territorial organization are decisive. From an economic point of view, increasing the powers of communities and providing them with additional resources is the only real opportunity to revive the socio-economic development of the territories. Only decentralization will be able to make Ukraine a modern state with stable industrial development and a reliable foreign policy position. Because effective economic reforms will not take place without community participation. And the effective participation of the people in political and economic reforms is impossible within the framework of the centralized management of economic life in the country, despite the fact that the central authorities are sabotaging the implementation of reforms in every possible way. In addition, successful decentralization deals a devastating blow to corruption. Mechanisms of public control, reinforced by strict anti-corruption legislation and a transparent procurement system, allow us to talk about a real fight against corruption in the regions.

Economic integration creates new opportunities and prospects for market activity. The enterprise will have more economic advantages due to economies of scale of production, if it interacts with many market and institutional socio-economic agents, on the actions of which the success of the enterprise largely depends. Consolidation of activities and the formation of integration structures contributes to the coordination of the economic interests of the integration participants and increases the efficiency of their activities and is a priority reference point for the development and development of territories, industries, the national and international economy as a whole. The formation of effective mechanisms and management tools of the merged enterprises ensures the maximization of their profits, optimization of the areas of activity, sustainable functioning, increases their safety in the event of changes in external conditions, since the effect of scale can be manifested not only in the traditional form

- in the area of improving the quality of services , integration of resources and separate areas of joint activity, but also in the direction of creating a positive image, forming corporate culture and social responsibility, obtaining competitive advantages in the market.