

**THEORETICAL AND PRACTICAL JUSTIFICATION
OF THE ENTREPRENEURIAL COMPONENT
FINANCIAL AND ECONOMIC ENSURING
THE DEVELOPMENT OF TERRITORIAL COMMUNITIES**

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DOI: <https://doi.org/10.30525/978-9934-26-268-5-4>

Abstract. Theoretical aspects of regional policy formation at the stage of local self-government reform are considered. The historical facts of the initiation and further development of regional policy on the ground are analyzed. It has been proven that decentralization is a process of expanding and strengthening the rights and powers of administrative divisions or lower bodies and organizations while simultaneously reducing the rights and powers of the corresponding center in order to ensure the financial capacity of communities, which requires the improvement of organizational, legal and financial mechanisms for the implementation of this process. Territorial communities of Ukraine are analyzed taking into account their regional specifics, and emphasis is also placed on the Kharkiv region. The importance of entrepreneurship in ensuring the financial and economic development of territorial communities has been proven.

Keywords: territorial community, region, local government bodies, finance, entrepreneurship.

1. Introduction

In the modern conditions of the European integration processes currently taking place, the issues of transformational changes in the

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state administration system deserve special attention. Thus, within the framework of the decentralization policy, which provides for the delegation of a number of powers, including financial ones, and part of the state budget revenues to local areas in order to increase the efficiency of the development of territories, the autonomy of communities of territorial associations, and to increase the level of administrative and organizational support at the local level was developed and the decentralization reform is being actively implemented in Ukraine.

The management of financial and economic support itself plays an extremely important role not only at the state, but also at the regional and local levels. Since financial resources are a part of economic relations and at the same time the main component of the implementation of the main directions of the state, regional and local policy of socio-economic development of the regions and the country as a whole. The economic and financial condition of territorial communities in general must meet the requirements and challenges of modernity, as well as fully ensure the need for their strategic development in accordance with the general vision of the community leadership and the needs of the population. Therefore, local authorities need to know and understand the nature of local finances, to understand the mechanism of their functioning, to be able to analyze those processes and phenomena related to the formation, distribution and analysis of the budget formation and management system, to be able to group methods and means, with the help of which can make the most complete use of local finances as one of the tools of effective influence on all processes of socio-economic development of their community.

It is worth noting that a comprehensive analysis and assessment of the financial resources of territorial communities will help not only in identifying the main sources of the formation of the budget component, but also in predicting measures for their additional income. It is known that subventions, subsidies and grant funds in the form of state and international aid form the basis of the formation of the budgetary component of territorial communities. However, taking into account the realities of today, communities need to focus on replenishing the budget with their own financial resources, in the form of tax revenues. Therefore, the development of the entrepreneurial component in territorial communities is particularly relevant.

2. Theoretical aspects of state regional politics formation at the new stage of local government reform

Currently it is a problem of the administrative-territorial structure reform in Ukraine to transfer from the level of formulation and discussion to the practical plane of implementation. The process of creating territorial communities (TC) in Ukraine provided a particularly significant impulse to these changes, which put the issue of redistributing competencies, rights and responsibilities between various government structures at the regional level on the agenda. From the standpoint of state regional policy, it is important to minimize the occurrence of local conflicts on rebuilding issues, and therefore today the regions are invited to develop their own options for enlarging the regions and defining the borders yet administrative functions of these new territorial formations.

State regional policy has its own evolutionary history; it undergoes substantial transformations in certain historical periods. Thirty – forty years ago, while being a part of the USSR, Ukraine set scientific and applied problems of regionalism in two main directions – productive forces deployment, according to special principles for the placement of military – industrial complex of objects, and the alignment of territorial imbalances according to the mechanism of state budget distribution [12; 13].

Since gaining independence, in terms of its economic aspect, regional politics has weakened attention, and the political aspect has increased many times: electoral moods and sympathies have been investigated and considered in the regions, administrative resources have been used in electoral processes, and the mechanism for allocating budget funds has acquired political criteria and priorities. This shift in emphasis can be explained with the formation of statehood that has required efforts concentration on the political component of regionalism.

Under the circumstances, a group of new accounting, analytical and strategic guidelines have been added to the first two regional policy directions (location and political interests), namely:

- decentralization and expansion of the rights and independence of regions;
- reduction of potential asymmetry between regions;
- strengthening competitiveness of regions according to the sectoral priorities;

- support for interregional cooperation and promotion of foreign economic activity of territorial structures;
- involvement of local leaders in the formation of state regional policy;
- development of a partnership model for public, private, and non-governmental sectors;
- strengthening the competitive position of the regions, including the one at international markets.

Decentralization is a process of expanding and strengthening the rights and powers of administrative divisions or lower bodies and organizations, while reducing the rights and powers of the corresponding center. It is usually carried out purposefully in order to optimize the practical solution of issues of national significance, as well as the implementation of specific regional-local programs.

The so-called “hybrid financial policy instruments” have also been developed in the new conditions: budgets + loans + grants + attracting foreign investment.

Having set the reform task of strengthening the position of local self-government, the state began to support and encourage the use of own distinctive features in the regions (geographical, resource, sectoral, ecological and demographic, etc.).

It is statistics accumulated and scientific research of regional features and problematic issues that have shown that the regions of Ukraine, generally distributed into regional territories, significantly differ from each other so that a “standardized” approach to their development will not be capable to provide effective results. Hence, the first component of regional policy is a flexible, differentiated position of the centre’s influence on the regions, and the second component is more rights and freedoms in local governance.

These provisions have been behind the basis of the reform process, which uses new principles of management development (democratization, innovation, subsidiarity) and new organizational forms, “rules of the game”, incentive tools. Despite the fact that the regions (regions, districts, and new forms of self – government – TC) are intended to take on the main burden of “power-management”, central authorities do not reduce the power of their influence on them, but only change the competencies, functions, and mechanisms of influence. In any case, the state regulatory policy does not reduce its role in the development of regions, it directs and programs the use

of social capital and local resources, and emphasizes that “Social capital is a fundamental component of a democratic society and a market economy” [19].

For the development of regions, the management system (on centralized and local level) should consider in more detail the problematic issues of the regions. And there are a significant number of such problematic issues, including migration, quality of life and prosperity, financial security, self-development, and others.

“New social realities in Ukraine, in particular, large-scale labour migration abroad of a latent nature, made it insufficient to accurately account for the size of social strata of groups” [21].

In this phrase, the main idea is that it is now impossible to determine the “current accounting of the social groups size” in society, which means that all economic indicators per capita do not correspond to reality. It is also significant that the cause and effect of the erosion of the nation – “large – scale labour migration, which has a lethal character” [21] – is placed on secondary roles in the text, between commas. Further, the author notes “perhaps statistics are too shy to call a spade a spade” and even so – “helpful people use terms that please the ear to portray Ukraine as a classless society” [21].

From the set of differences between regions, let us draw attention to the fragmentation of territorial units as subjects of self-government. The situation importantly differs in foreign countries, where there have been reforms in the territorial and administrative structure. The social significance of the “problem” emphasizes the postulate that “the problem should be fixed in documents of state significance – in strategies, concepts, development programs, and others”. That is why it is clarified that changes in public policy occur through targeted intervention of state and local government bodies in social practices that already exist. Such author’s positions reflect the connection between project management and state regulation, which indicates the need for state participation in the development of both regions with their infrastructure and organizations of different types. In addition, public policy at the regional level, including the project approach, has a wide range of areas of influence, which can be shown in this way.

The state impact directly occurs through changes in the functions of the RSA (Regional state administration) management, expansion of international contacts, and development of DPP (Department of patrol police) institutions and civil society.

Special attention should be paid to the fact that, the leading role in innovation processes is played by mechanisms for launching the “innovation wave”, without which the priorities and growth points of the economy may have been in the incubation period for many years, that is, too slow in development. The Institute of public policy should pay attention to this, realizing that “delays” are unacceptable in the dynamic conditions of world development. But the “institute of state policy” is not only the central government, but also regional government bodies.

And the more actively the regions themselves change their management practices, the more likely they are to realize their competitive advantages, transfer the charge of activity and experience of innovation to other regions and work for national development in general. Of course, neither scientific thought, nor the state and regions are stingy with initiatives, but the reformer and activator in cities, that is, local government structures, can give these initiatives an impetus for development and implementation.

There are many resources and options for development in the country and in the regions, “project management in the public sphere” is among them [1]. Being a general state trend, each region supports and implements it at own discretion. Project management is a well-developed methodology for solving problematic development problems, especially in foreign countries, but in modern conditions, it has not shown itself properly. The region has significant scientific and educational achievements in this area of knowledge and management practice [8; 18], but in terms of practical success the results are still unsatisfactory. One can point to various reasons for this state, including a lack of finance, broken ties between science and production, an unsatisfactory investment climate in the country, the weak position of small businesses etc. All of the above is the case, as well as the fact that revolutionary changes are not arriving at once. On the other hand, waiting for “better times” is harmful: one must act. Everything is important here – search, attempts, strategic management, applying new organizational forms focused on innovation, investments attraction, development processes control, introduction of the “incentives and responsibility” institute. All of this has already been tested in the world practice.

World experience has a certain history. The world’s largest local government organization is “the united cities and local authorities” (UCLJ), a centre is in Barcelona (headquarters) with offices located in 7 regions of the world.

Europeans live: 41% in urban areas, 35 % in mixed areas, and 23 % in rural areas. More than 17 million people work in local and regional government bodies. 40 % of European funds invest in local and regional authorities. In the EU-27, the number of subnational governments is defined in three gradations: local (89196), sub-regional (990), and regional (203). There are countries that have all these three levels (there are 6 countries – Belgium, France, Germany, Ireland, Italy, Poland), 8 more countries have only local governments (Bulgaria, Cyprus, Estonia, Latvia, Lithuania, Luxembourg, Slovenia, Great Britain). All others have 2 levels of local government hierarchy (local and sub-regional or regional). For example, in Austria 254 of the local government and 9 regional ones in Hungary, 3175 local and 19 sub-regional (regional bodies exist) in Romania, with nearly equal with Hungary number of local governments (3181), sub-regional – twice more than in Hungary (41). So, the spatial factor in Europe does not affect the structural hierarchy of local governments. If one compares Italy and the United Kingdom, Italy has 8,092 local, 110 sub-regional and 20 regional governments, while the UK has only 433 local governments and no other levels are highlighted. And in France, there are 36,785 local governments in general, while in Poland – 2,479 governments of this level [1; 20; 22].

Let us make another comparison: Malta has 68 local governments, while Luxembourg – 106, Lithuania – 60, Denmark – 98. It is obvious that Lithuania and Denmark are many times larger in territory and population than Malta and Luxembourg, and they have the same number of management structures. Cyprus (524) cannot be compared with Bulgaria (264). So, the European practice of local self-government shows that the two most important parameters for us (territory area and population size) in Europe are not the key parameters in the formation of local governments and their hierarchy systems.

There are pretty significant differences in European countries regarding public spending at the local level. Thus, Spain, France and the United Kingdom spend close amounts from the public sector to the local one (261.5 – 231.2 billion euro), Germany 537 billion euro. Austria and Poland – 51.1 and 52.3, respectively. But the share of these expenditures from GDP looks revealing itself: Austria – 17 %, Germany – 20.7 %, Spain – 24 %, Poland – 14.1 %, France – 11.7 %.

It is the Council of European Municipalities and Regions (CEMR) to be the largest organization at the regional level representing the interests of

European local authorities and their associations in more than 40 countries. CEMR members are national associations of local and regional governments that include members of municipalities, cities, and regions in their country.

The Council of European Municipalities and Regions includes 41 countries, 150 000 local and regional governments and has 60 years of experience.

In Europe, there are 60 national associations, 147 891 municipalities and cities, 1 468 provinces and districts, and 7 regions.

There are 40 000 twinning connections in Europe.

Europeans live: 41% in urban areas, 35% in mixed areas, 23% in rural areas.

More than 17 million employees work in local and regional public administration bodies.

40% of European funds invest in local and regional authorities.

Here are some of the international acts that have had the greatest impact on community development.

1980 – European Framework Convention on cross-border cooperation between territorial communities or authorities.

1983 – European Charter for regional / spatial planning. (Torremolin charter).

1985 – European Charter of local self-government adopted by the Council of Europe.

1987 – International Charter for the protection of Historic Cities (Washington charter).

1992 – European Charter of cities.

1994 – Aalborg Charter – Charter of European Sustainable Cities and Towns Towards Sustainability.

2008 – European Charter of cities II. (Manifesto of New Urbanism).

Important historical dates in the history of Ukrainian self-government:

1356 – Lviv received confirmation of Magdeburg law.

1990 – Law of Ukraine “On local councils of people’s Deputies of the Ukrainian SSR and local self-government”.

1992 – Decision to create the first association of local self-government bodies in Ukraine, Association of cities of Ukraine (ACU).

1996 – Self-government received constitutional status.

1997 – Law of Ukraine “On local self-government in Ukraine”, Verkhovna Rada of Ukraine has ratified the European Charter of local self-government.

2002 – Charter and Founding agreement of the Congress of local and regional authorities of Ukraine signed.

2009 – The Ministry of Justice of Ukraine has registered the All-Ukrainian Association of village and settlement councils.

2014 – Cabinet of Ministers of Ukraine adopted a decree “On approval of the concept of reforming local self-government and territorial organization of power in Ukraine”, No. 333 – p 2015 – Law of Ukraine “On voluntary association of territorial communities”.

So, the main direction of implementing international experience in Ukraine is the further consolidation of territories with an increase in the level of their financial viability, which requires improving the organizational, legal and financial mechanisms for implementing this process. The study of best international practices indicates that the decentralization reform should be based on the voluntary consolidation of territories into united communities, with state control over the performance of its functions.

3. The role of entrepreneurship in ensuring the financial and economic development of the territorial communities of the Kharkiv region

Today, the regional development of the state is one of the most relevant in the social and economic life of the country’s population, given that the state’s competitiveness in the global world depends on the state of individual units of the integrated economic space. The world experience of regional development confirms that the economic, political, social, and environmental situation on the ground is ensured by local authorities. It creates conditions for the development of small and medium-sized businesses, to attract investors, and contributes to increasing employment at the expense of new jobs. Solving these problems affects the standard of living of the local population, increasing budget revenues at all levels, which has a positive impact on the development of the state. The proper performance of functions by local authorities depends on the organization of local self-government.

Based on the experience of developed democratic countries, where local self-government is an important component of the territorial power organization, and taking into account the national peculiarities of development, radical administrative reforms have been launched in Ukraine to decentralize the territorial structure and establish a system of local self-government [2].

The chosen path of decentralization is obliged to ensure the financial independence of local authorities, promote the implementation of the interests of territorial communities, improve the level and life quality of residents of these communities, meet their social needs and influence the growth of development indicators of territorial units as a whole.

Regulatory documents that ensure the implementation of the state policy of reforming local self-government and administrative-territorial structure include the following:

- Law of Ukraine “On cooperation of territorial communities” [14];
- Law of Ukraine on amendments to the Budget and Tax codes [15; 16];
- Law of Ukraine “On voluntary association of territorial communities” [4];
- Resolution of the Cabinet of Ministers of Ukraine “on amendments to the methodology of forming capable territorial communities” [17] and others.

Thus, a subject of local self-government in Ukraine can be considered a territorial community, which is a set of citizens of Ukraine who live together in an urban or rural settlement, have collective interests and a legal status defined by law. Unlike a simple territorial unit, a settlement that has the status of a territorial community is granted certain rights. First of all, this is the right for a self-government.

The territorial community, as a part of civil society, is a large self-organized system that includes many institutions and associations of people who have their own interests, the implementation of which contributes to common growth on the basis of mutual understanding, assistance and agreements. The process of territorial community development can be ensured both by strategic planning carried out by local self-government bodies and officials, and by various initiatives of formal and informal associations. The creation of self-sufficient territorial communities that would have the appropriate material, financial, land resources, social infrastructure facilities necessary to improve the provision of citizens ‘ needs, prompt and high-quality provision of basic social and administrative services to them, creating conditions for the sustainable development of the relevant territories, more efficient use of budget funds is the main task of decentralization, which has begun in Ukraine [6].

Figure 1 shows the main functions assigned to the territorial community.

Taking into account the functions assigned to the territorial community, which are presented in the figure, one can claim that it performs a certain range of

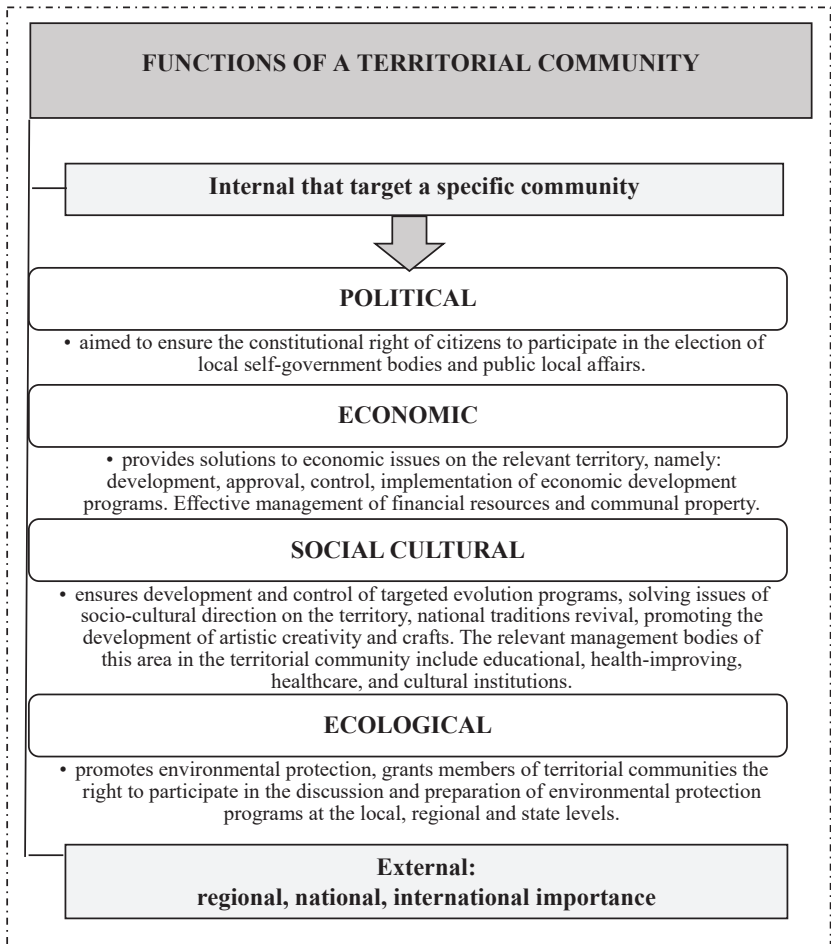


Figure 1. Main functions of a territorial community

important social functions and is an institution that implements the right of citizens to solve the socio-economic needs and interests of the local population with local self-government bodies within legally maintained limits. Characteristics of the activity of a territorial community determine the set of functions performed by it, focused on the centre of public relations of the territory.

Formation of TC during years 2015–2020

Region	TC number during 2015–2020	Population amount of the capable communities (TC, thousand people)	Area of capable communities (TC, Ministry of Healthcare)	Number of territorial communities that have merged and joined
Vynnytsia	46	761,1	5020	156
Volyn	54	602,8	11789	235
Dnepropetrovsk	71	918,9	21466	230
Donetsk*	13	244,8	5294	74
Zhytomyr	56	820,7	19315	408
Zakarpattia	17	283,8	1674	60
Zaporizha	56	514,9	18604	201
Ivano-Frankivsk	39	718	4021	175
Kyiv	24	335,9	5215	142
Kirovograd	27	162,8	5895	81
Luhansk*	18	128,4	7039	75
Lviv	41	352,3	5052	173
Mykolayiv	42	323,3	12571	147
Odesa	37	370,3	11555	159
Poltava	53	413,6	9894	197
Rine	45	355,8	7874	148
Sumy	38	762,9	10608	187
Ternopil	54	676,9	6971	314
Kharkiv	23	378	7653	114
Kherson	33	275,1	9669	114
Khmelnitskiy	51	607,8	12789	373
Cherkasy	57	344,8	8579	222
Chernivtsi	37	360,9	3880	132
Chernihiv	50	511,2	20422	375
SUM	983	11225,1	232849	4492

* Excluding the temporarily occupied territory

Source: [3; 11]

As of September 2020, 983 TCs have been created in Ukraine, where: 936 – territorial communities which the first elections were held in and 47 –

TC with administrative centers in cities of provincial status. Table 1 shows the main data on the formation of capable communities for 2015–2020 based on the materials of the national decentralization project “monitoring the process of power decentralization and reform of local self-government” [10].

The process of creating TC has been actively started in Ukraine with a use of international experience. The government has approved 23 long-term plans of formation of territories of communities in the regions of Ukraine, where 1206 TC have been identified, including 7913 existing territorial communities. According to these plans, TC will cover 76% of the total area of Ukraine. As of February 18, 2020, 983 TC have already been created, where 63 are awaiting the Central Election Commission’s decision to call the first elections. Of the existing communities (919), the largest number of them is in the regions of Dnipropetrovsk (71), Cherkasy (57), Zhytomyr and Zaporizhia (56 each), Volyn and Ternopil (54 each) [11].

The process of creating TC itself took place as follows: 2015–2016 – 366 during 2 years, 2017 – 665 during 3 years, 2018 – 838 during 4 years, 2019 – 848 during 5 years, 2020 – 982 during 6 years [11]. As of the beginning of 2020, when the state-owned enterprise was not transferred for privatization, according to State service of Ukraine for geodesy, cartography and cadastre, 10,4 million hectares of land are in the structure of state ownership. Of these, 0,7 million hectares of land are located at the occupied territories, which is 7%. On the entire territory of Ukraine, 1,7 million hectares, it is 16%, were transferred to TC. A total of 3839 basic – level communities (35.1%) of their total number have merged into TC, while 7113 territorial communities are not included in TC. The average number of communities that have merged into one TC is 4-6 units. The average population in one TC is 8448 citizens [11].

According to the results of 2020, local budgets of 665 TCs received 14.6 billion UAH, which is 69,4% more than revenues for the same period of the previous year [11]. The results analysis of the TC activities in 2020 are presented in Figure 2.

The figure shows that the amount of TC’s own income depends on the size of the population. Local taxes and fees indicate the effectiveness of local self-government bodies, since the exclusive competence of local councils is to introduce local taxes and fees and set rates. The availability of sufficient resources in local budgets is a guarantee for the territorial community to have the opportunity to provide better and more diverse services to its

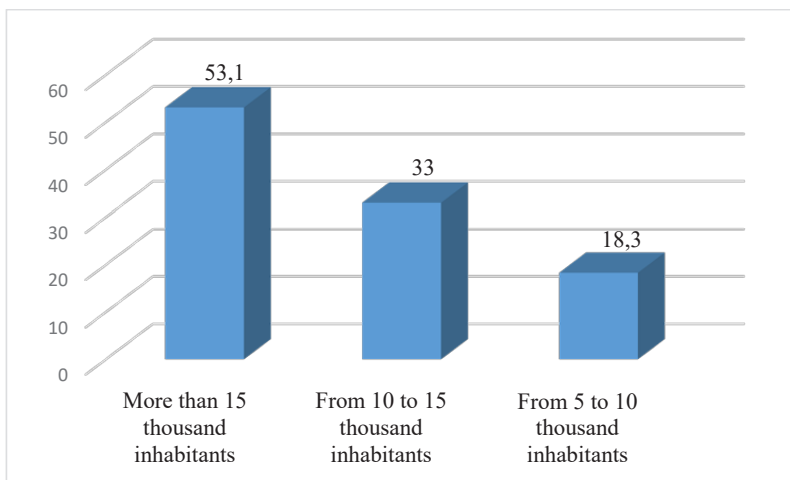


Figure 2. Average amount of own income per TC, mio. UAH

Source: [11]

residents, implement social and infrastructure projects, create conditions for the development of entrepreneurship, attract investment capital, develop local development programs and finance other measures to comprehensively improve the living conditions of the community's residents.

As of 2022, there are a total of 1,439 communities in Ukraine, covering 27,833 settlements, with a total area of 553,818 km² and a population of 3,812,555 [11]. However, there is no information on the distribution by individual regions of Ukraine on official sources.

Let us take a closer look at the decentralization process in the Kharkiv region. So, as of September 2020, there are 23 TC in the Kharkiv region [9; 11]. Table 3 shows the main characteristics of each territorial community of the Kharkiv region.

It comes from the table that the decentralization process in Kharkiv region is taking place at an accelerated pace. Decentralization helps to attract each resident of the territorial community to participate in solving territorial problems and influencing decision-making of local authorities, and also makes it possible to ensure the provision of high-quality services to local residents. The total population living in TC is 334004 people.

Main indicators of the formation of TCs of Kharkiv region

Name of TC	Number of councils, that unite	Population of the community, in persons	Area of the TC, sq. km
Velykoburlutsk	2	6984	221.0
Donetsk	2	17732	139.75
Zachepylivsk	7	523.89	523.89
Zolochivsk	13	24623	917,01
Izum	2	48479	103.77
Kindrashivsk	7	4877	365.66
Kolomatska	5	6762	329.55
Kurylivsk	3	8308	242.424
Lozivsk	20	79087	1143.26
Malynivsk	2	8290	79087
Malodanylivsk	2	13427	89.76
Merefyansk	2	25116	99.86
Natalynsk	3	6275	180.7
Novovodolazhsk	6	16350	351.63
Oleksiyivsk	7	6301	532.57
Oskilsk	4	5765	360.48
Petropavlivsk	4	5455	336.879
Pisochynsk	3	32589	81,27
Rohask	2	13782	86.44
Starovirivsk	3	5764	365.45
Starosaltivsk	5	7790	472.67
Tsyrkunivsk	2	9648	134.45
Chkalivsk	5	12207	386.97

Source: [11]

Currently, the Slobozhansk territorial community of the Zmiyiv district of the Kharkiv region is in the process of creation, by combining the following village councils:

- Komsomol village council;
- Heniyivsk village council;
- Skripayivsk village council;
- Sheludkivsk village council;

- Lymansk village council;
- Nizhnebyshkinska village council.

The Slobozhansk village council consists of 17 villages and localities. The Siversky Donets River, which is the largest river in eastern Ukraine and the largest tributary of the Don, flows through the territory of the village council. The total area of the council is 576,667 km² with population of 31 435 people.

Village councils that are part of the Slobozhansk TC differ in the amount of income received, this is explained by such factors as: population amount, the number, organizational and legal form and industry specifics of enterprises, tax policy, state financing, etc., which is confirmed by structural indicators that illustrate the contribution of each territory to the formation of the total income of the Slobozhansk TC (Figure 3).

It is worth noting that these structural indicators themselves give representation only for the income formation, but do not allow to draw conclusions about the funding ratio of a particular territory.

When analyzing budget revenues separately by their components, it is important to pay attention specifically to community revenues, which

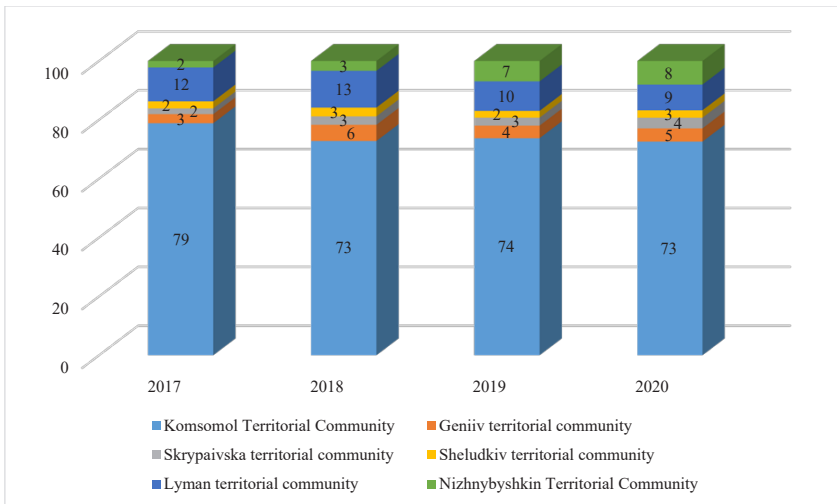


Figure 3. Revenue structure of Slobozhansk TC by village councils. It is based on the financial statements of Slobozhansk TC

are supplemented by taxes and fees, and at the same time to focus on the entrepreneurial component of the community [23].

In 2020, enterprises of the Slobozhan district sold products (goods, services) without VAT and excise duty for a total amount of UAH 5,526 million, which is 3.0% of the total volume of industrial products sold in the region (in 2019, it was 4188.2 million UAH). The enterprises of the district also carried out export and import operations. The foreign trade turnover of Zmiiv district for January-September 2020 amounted to 116 million 508 thousand UAH. The main goods that were exported by leading enterprises of the region outside Ukraine were heating boilers, lumber, components for inflatable boats, and electric hermetic conduits. As one of the most powerful agro-industrial districts of the Kharkiv region, Zmiiv district specializes in the production of agricultural products. 73.74 thousand hectares of its area are occupied by agricultural land, including arable land – 53.3 thousand hectares. The largest number of agricultural enterprises is concentrated in the Komsomol Territorial Community. Among 15 agricultural enterprises, 4 are located in the Komsomolsk TC. The largest among the presented enterprises is PJSC TM “Zmiyivska Vegetable Factory”.

At the beginning of 2014, Ukraine gradually began the process of growing its own revenues of local authorities and funds transferred from the state budget. Due to the increase in the revenue of local authorities, the expenditure side was respectively increasing, this undoubtedly shows positive trends in the decentralization process in Ukraine. Therefore, one considers expenses to be the most interesting part of the budget for local residents. The total amount of expenses for the Slobozhanska village council in 2017 made up UAH 76 107,8, and in 2020 they increased by UAH 11 597,3 and made up UAH 87 705,1.

The expenditures structure for village councils that are part of the Slobozhansk village council is below.

It is seen from fig. 4 that the largest percentage of expenses is occupied by the Slobozhansk village council. In 2020, the percentage of expenditures was 66.01%, the smallest percentage is occupied by the Sheludkivsk village council (in 2020 – 2.88%).

Thus, the military actions that Russia is currently conducting on the territory of Ukraine have shown how stable local self-government is, which is able to face any challenges with dignity, in particular, in the financial part. After

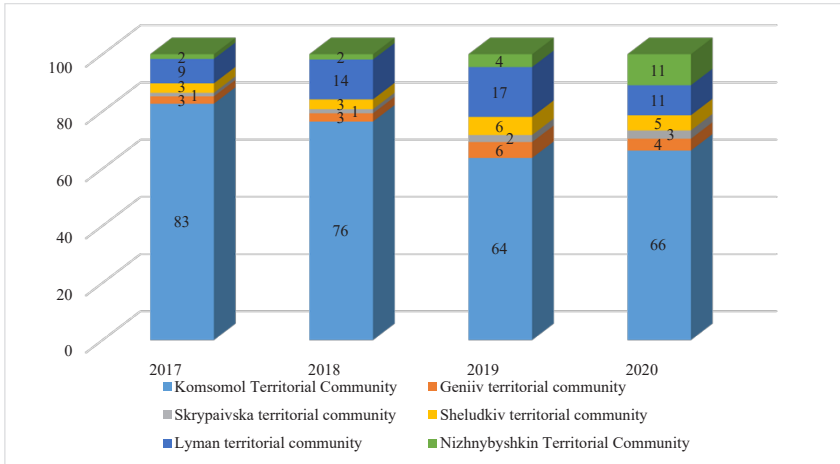


Figure 4. Expenditures structure of Slobozhansk TC by village councils, %. It is based on the financial statements of Slobozhansk TC

all, the organization and provision of territorial defense activities, material and technical assistance to the Armed Forces, attracting the help of foreign partners are the things that local self-government bodies undertook to support from the very beginning of the war. At the same time, constant support is provided for all spheres of life activity of the community population.

Thus, in order to bring the standard of living of the population closer to European standards and create conditions for strengthening the economic activity of territorial communities, it is necessary to create a favorable environment for the development of entrepreneurship. It is still important to organize entrepreneurship education, to open centers and agencies for the support and development of small and medium-sized businesses, to inform about the possibilities of participation in regional and state entrepreneurship support programs, to join donor programs, which should lead to an increase in the number of entrepreneurs and become another powerful lever of development community.

4. Conclusions

A great advantage in creating TC is the transfer of significant powers and budgets from state bodies to local self-government bodies. The prominent issue of the communities' association is to give the right to independently

solve the most important local issues to residents of cities, villages and towns, namely, issues related to the distribution and formation of the community budget, solving priority problematic issues that have their part in the allocation of a significant part of budget expenditures.

As can be seen from the above, decentralization is a complex and deep-laid reform, the purpose of which is to restructure the entire system of government of the country on the basis of territorial and financial decentralization, studying the experience of many countries and taking into account the national characteristics. The implementation of the reform of local self-government bodies in Ukraine provides new opportunities for rural development. The first real (economic) result of the implementation of the decentralization reform is the growth of the TC budget's own revenues.

During the transformation period, there is some kind of competition between conservative and reformist flows in the economy and in development management mechanisms. Still experience of history indicates more significant results to be provided not through competition, but rather by the convergence of mechanisms for introducing changes. As a consequence of such a convergence, effective development regulators are identified, when the development management model itself should be considered of a one of a "mixed type". In the investigation, this is a fundamental methodological state: the region's development requires a combination of the state economic mechanism with the market one, administrative mechanism with the social one.

It is at the local level, where the main task is self-development, the analysis shows that it has a whole range of problems. It is revealed that difficulties arise in attracting investment, equalizing imbalances, and state supervision of territories., Contradictions create barriers and direct resistance in the most acute form, this leads to conflicts. It is determined that the restructuring of management and the entire reformation process have incomplete solutions, namely:

- the information system in the region is not ready to reach a new level (data bank, communications, analytics, exchange technologies);
- TC are not fully established, and they still lack work experience;
- attracting investment to the region remains extremely problematic, large corporations are focused on current profits and do not invest in the regional development strategy.

Theoretical analysis and data, gained from practice, show that the creation of an organizational and economic mechanism for managing regional development

is a prerequisite for establishing profitable interactions and optimizing the activities of various participants in regional development. It is proposed to include incentives for positives and counteraction to barriers and negatives in such a mechanism. The mechanism is served by an integrated information system with elements of monitoring. The organizational component of the mechanism is the conditions and procedure for interaction between participants, the economic component is standards, current indicators, and long – term guidelines. In the investigation, these developments are represented by diagrams, logical and structural models, definitions and recommendations. The engineering part of the mechanism is project management, which an operational model of project preparation and execution has been developed for.

Regional development in the new conditions is formed as a complex process of interaction between participants of “different weights” and different legal and functional nature. The state with its legislative and executive structures, local elected authorities and communities themselves are equal partners while managing regional development. Each of these three regional development management actors performs its own tasks and functions and cannot be excluded from the overall mechanism. In the current conditions, the state regional policy is entering a new stage of its influence with the following characteristic features: implementation of reforms, innovation policy, support for measures to strengthen competitiveness, smart specialization, support for interregional interactions.

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