

DECENTRALIZATION IN UKRAINE FROM THE POSITION INCLUSIVE GROWS**Rodchenko V.B., Doctor of Sciences (Economics), Professor****Novikova A.E., Student*****V.N. Karazin Kharkiv National University***

В статті розглянутий процес децентралізації влади в Україні у рамках концепції інклюзивного росту, виявлені передумови процесу децентралізації, проблеми місцевих бюджетів, особливості формування бюджету місцевих громад та перспективи його розвитку, проведено порівняння з процесами розвитку регіонів у європейських країнах та окремих регіонах Польщі.

Ключові слова: інклюзивний ріст, децентралізація влади, місцеві бюджети, доходи, стабільний ріст.

Problem statement One of the most important problem of budget forming is providing balanced socially-economical regions development by the increase of all-sufficiency due to decentralization of power.

Incomes policy is a complex constituent of country budget forming. The economic growth based on its effectiveness. This topic is popular among experts of economic reformation in different countries. Particularly, they put on emphasis on problem of uneven development: in the context both world economic regions and particular country. As a result, economic uneven and barriers to sustainable growth. The article offers analyze decentralization of power process as the way to social-economic balance and its influence on local authorities budget.

Analysis of recent researches and publications The problem of forming and implementation of local budgets was examined by economic-scientists S. Bukovinski, O. Vasilik, K. Pavluk, O. Romanenko. The importance of decentralization and finance strengthening of local authorities was confirmed in researches of O. Dem'anchuk and J. Subotovich, J. Nabatova examined recourses of budget forming, I. Lunina – problems of its interactions, I. Midian worked under features of budgetary decentralization and its development prospects. In V. Zajchikiv's article the local finance of Ukraine and European countries are researched, and B. Danilishin examined the task of decentralization in the context of Ukraine sustainable growth. However, the question of local budgets forming as the way of economic balance in Ukraine has lack of analysis and needs to be researched.

The purpose of the article The aim of the article is analysis the features of decentralization process in the context of world inclusive growth tendency and its influence on Ukrainian local budget forming.

Main results of research. Economic uneven between countries regions is a problem for the majority of country in the world. According to expert's opinion of the economic reforming centre Adam Smith International, an uneven between village's and city's incomes performs as the significant problem on the way to shortening poverty range [1].

This problem is discussed since 2010 in the world community. In number of decisions includes conception of inclusive sustainable growth, which is well-known in countries abroad. Its basic statements, including considerable connection between economic growth rate and wide range of social problem, explain more equitable distribution of created in society incomes with a special attention to poor groups of people [2].

Stability of society depends on unit weight and role of middle class. Its existence and prosperity is a guaranty of all society welfare [3]. Aristotle said that people who own average size of property and average incomes is a base for stability of society. Marginal social groups (over-wealthy or beggarly) he relates to instability factors. In industrialized countries middle class constitutes the majority of society (from 60 to 80%) and it's the main social base for civil society. Moreover, middle class is fundamental efficient force of society, which is cope to strenuous labor, learn new knowledge, do creative work, grown up a new generation and so on. Middle class is interested in social order that concede conditions for successful development. Consequently, extension of middle class segment and maintenance of balanced income's level of all society groups lead to increase of local community level of income (by the way of taxes payment, services and so on).

Conception of inclusive sustainable growth was shown at first in the UNDP's report in the context of "Policy of inclusive and balanced growth aim". "Inclusive" is the official term of UNDP, with analogy all inclusive. This is growth, in which marginal society segments perform as the main policy object independently of sex, age, nationality, sexual orientation, physical ability and economic situation [4]. In author's opinion, it's necessary provide "inclusion" of all society groups in good of economic development using and promote shortening of breaches in incomes and prosperity. This, in its turn, should not only give social advantages and lead to acceleration of economical growth. (fig. 1)



Fig. 1. Decentralization in the context of inclusive sustainable growth

This tendency can be applied in Ukraine too. Certainly, national economic needs to be reformed. And one of the latest innovations was decentralization. Decentralization is transfer of decision making power and assignment of accountability and responsibility for results. It is accompanied by delegation of commensurate authority to individuals or units at all levels of an organization even those far removed from headquarters or other centers of power [5]. In the context of government sector decentralization means that decisions take not by the central authorities but local and regional authorities.

It's well-known that tree whales of effective authorities are power, recourses and responsibility. Initially, optimal distribution of power needs to be done, which requires conformed volume of recourses. And power should be responsible for effectiveness to society and for legality to authorities. Only with presence of all tree constituents effective power can be provided [6].

Presuppositions of decentralization were imperfection in power distribution, recourses and responsibility: power antipathy between authorities of different levels, insufficiently rational budget distribution system, as a result problems in implementation of local authority's power, deterioration of society trust to the power and profitability of budget as a whole.

According to data of Association of Ukrainian cities including to 2013, delegated powers of local government were not provided with necessary financial recourses for its implementation. The volume of local authorities' credit debt contain 9.7 bln. hrn. Imperfect budget planning on the central level led to significant local budget's deficit and deterioration of quality of public services, which local government provides.

So in 2014 the volume of financial recourses didn't reach its planned indexes. The highest performance level reach branch: culture and art (92.1%), education (89.1%), and the lowest – government management (44.6%).

In compare with European countries, in Ukraine the lowest part of expenses for own power performance was till 2014: 9.2% (to 85.5% delegated). In Poland this item of expenses reaches 26.6% (to 55.5% delegated), in Slovakia 31.6% (to 52.9%) and in Latvia 34.2% (to 55.6%). In 2014 level of supplying of 1 habitant for own power performance – for instance, for improvement infrastructure conditions – contained 28 dollars, in compare with Latvian habitant – 231 dollars, Poland – 305 dollars [7].

The attraction of cheap financial recourses from foreign creditors was almost impossible, as the result of volume and conditions of financial support needed to be considered on the level of Ministry of finance and only settlement with more than 300 thousands of people had opportunities for that.

According to EU experience where regional policy is executed often called as unity policy the factors of growth are not only metropolis. For overcoming economic and social gap, supporting territories with industrial and agricultural problems, the one third of EU budget is used. Experience of regional policy in Spain and other countries shows the importance of connections between small and middle towns (polycentric development), and also the role of local centers in villages. The role of middle towns concludes in joining large cities and distanced village territories; middle towns play an important role in integration assistance, connections and internal economies of scale. They also help in controlling of village territories depopulation [7].

In Europe (as in other regions) urban agglomerations (or big cities' territories) are considered as key factors of economic growth. European experience demonstrate mixed spatial influence of economic concentration. Europe, having relatively high density of population and high price level on land, meet with a problem of overpopulation, pollution and criminality. Especially in development economics economic benefits of urbanization should be considered as expenses of appropriate problems.

The same situation is in Ukraine. Development regional centers attract people more, than village centers, where the main expenses not infrastructure development or increasing employment level but disbursing salaries and pension.

Consequently, decentralization is systemic and logical power reform. Implementation of fiscal decentralization in Ukraine in the way extension power and financial base of local

authorities has been continued for a long time and every year declares in Fundamental orientations budgetary policy. However, the most sustainable impact for the last years in fiscal decentralization was the changes to Budgetary and Tax codex's of Ukraine accepted by the Verkhovna Rada in December 2014 [8].

Accordingly, local budgets are getting 60% of individual income tax, 25% of ecological tax, 5% of excise tax, 100% of single tax, 100% of tax on the profit of enterprises and financial public unity service organizations, 100% of property tax (immovable, land, transport) and others dues and fees.

According to date of January-October 2015, the general local budget fund (except transfers) got 80.0 bln. hrns., that is 95.5% of year budget volume, according to plan. Growth inpayment amounts 42.5% or 23.8 bln. hrns. in compare with January-October 2014 (in commensurable conditions and without taking uncontrolled territories by Ukrainian authorities) [10].

Since December 2014 medical, educational subsidies are allocated from state budget, and also base equalization subsidies are disbursed. So, according to September 2015 data, Ministry of finance ratified equalization subsidy in amount of 1 million hrns. from state to local budgets. The largest equalization subsidy was taken by Dnepropetrovsk region's budget – 2.5% (25134.6 hrns), Kharkiv region's budget – 2.09% (20951,4 hrns), Lviv region's budget – 1.94% (19467.1 hrns.). So, the largest amount of subsidies got big city centers, but not small towns for opportunity to economic growth.

According to prognostic Ministry of finances' calculations, the local budget recourses in 2016 should increase for 17.7% (to 48923.2 million hrns.) in compare to 2015 (325652.3 million hrns.). At the same time, prognostic income volume of local budgets (with equalization subsidies) will amount 118258.6 million hrns., that is more than prognostic calculations of 2014 on 17.3%. Also, the transfers from state to local budgets will be 207393.7 million grns., that is on 17.9% more than prognostic indexes for 2015 [11]. It should be taken in consideration, that growth of prognostic income calculations is influenced both decentralization of power process and economic inflation process. In such a way, the local budgets' deficit will be covered by subsidies, that still won't solve the problem of deficit formation. However, it's planned that its volume will be less in times.

In perspective, decentralization will allow habitant of local communities to get effective service: social (subsidies, social and employment grants and so on), administrative (access to property register, issuance of a passport and so on) and municipal allocated in place of habitation, and for communities – recourses for local authorities development.

Since decentralization in Ukraine is implemented in example of Poland experience, in the aim of compare the perspective of growth, budget of Kharkiv's and Lodz's regions were taken. These regions are similar by economic conditions, industrial specialization, shares and amounts in general economic system of countries. In Poland local authorities are divided on voivodships, poviats and gminas – as Ukrainian regions, districts and local communities accordingly.

On average in 2013 the local gmin's budget income for 1 habitant in Lodz's voivodship amounted 923\$ (3074.58 zlotych) or 1.8 of living wage of the same period (524\$ or 1750 zlotych) [12]. According to decision of Kharkiv region's Rada "About region budget for 2015" amount of local region's budget income for 1 habitant will be 128\$ (3184.4 hrns.) or 2.4 living wages of 2015 (1330 hrns or 53\$) (fig. 2) [13].

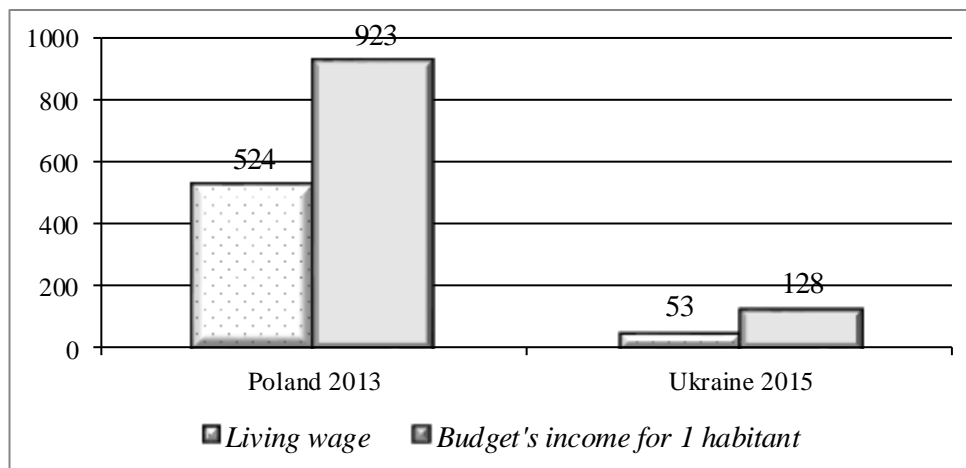


Fig. 2. Comparable budget's income for 1 habitant to living wage in Poland (2013) and Ukraine (2015), in dollars USA

It should be noted that in Lodz voivodship proper own income is 50.8% of total amount. The most profitable budget's item was subventions – 34% of total amount, individual income tax – 20%, real estate tax – 19% and subsidies – 16%. (fig.3) [13].

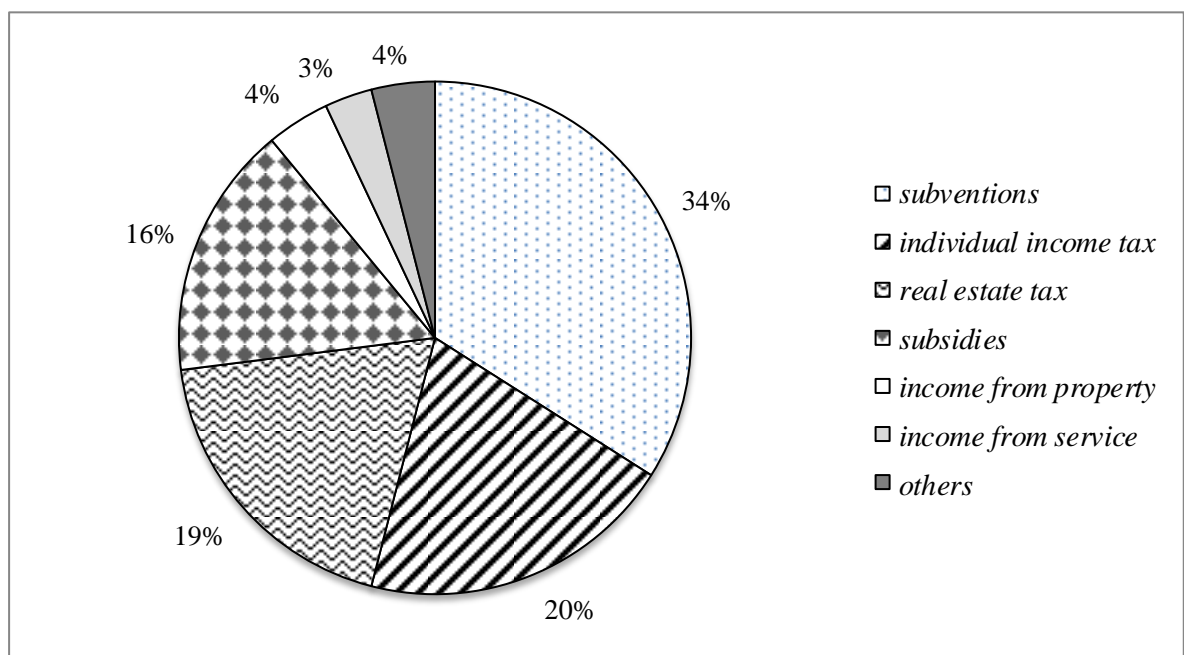


Fig. 3. Structure of budget's income of gmins in Lodz vovodship in 2013

From the material above, we can conclude that local budgets can cover the major part of expenses for own power. And deficit can be a solved problem.

Generally, the budget's deficit can be covered due to particular income items. According to Poland low "About state finances" it's taken to consideration that budget deficit of local authority unit can be covered by incomes from: 1) selling negotiable paper emitted by this unit; 2) credits taken in national banks; 3) loans; 4) privatization of property of this local community unit; 5) surplus of appropriate local budget for the last years [14].

The important income recourse of Ukrainian local budgets should be incomes that come from payment for local community services. In 2012 more than 9% local budget's expenses were covered due to such consumer's payments in Poland and Hungary, in the Slovak Republic and the Republic of Slovenia – approximately 14%, in Finland – 21%, in Greece – 30%. In many European countries additional financial recourses have been searching by local authorities, particularly in spheres like recycling household's wastes, building parking places, child caring, outdoors classes organization, more effective using of sport and cultural objects, using of municipal transport, providing medical services, caring people of pensioners and so on. Taking into consideration risks of injustice in providing educational, medical and social services it's worthwhile to determine legislative restrictions for the consumers' payment size. For example, government most of European countries forbid to determine educational fees for first and secondary school [15].

Conclusions World tendency of inclusive sustainable growth policy concludes balanced economic growth due to proportional incomes distribution. Concentration of middle class actually allows to reach the sustainable social growth, as a result of people's income growth. The same principle lay in the context of country economic development: inclusive growth aim to proportional growth of regions and country as a whole. In the context of conception of inclusive sustainable growth the decentralization policy is implemented in Ukraine, that allows to local authorities to regulate and form budget's incomes by their own.

Presupposition of decentralization process were imperfection in budget forming on the central authorities level, significant local budget's deficits and lack of its power.

Nowadays, there are range of problems that need to be solved in the context of decentralization process. One of such problems is deficit and subsidies needs. European countries have this problem too where deficit of local budgets is covered by particular expenses items.

According to experience of regional development EU, especially of Poland, the delegation of move power to local units leads to local budget's growth, also more effective distribution of them. The result of it is improve of local authorities' services, economical and social growth of regions. So, decentralizations facilitates shortening of unbalance of region's development.

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