

DOI: <https://doi.org/10.34069/AI/2022.53.05.5>

How to Cite:

Gryshchenko, I., Bondar, Y., Serohina, S., Bodrova, I., & Stohova, O. (2022). Building the capacity of territorial communities by revealing their latent potential. *Amazonia Investiga*, 11(53), 45-58. <https://doi.org/10.34069/AI/2022.53.05.5>

Building the capacity of territorial communities by revealing their latent potential

Розвиток спроможності територіальних громад шляхом розкриття їх латентного потенціалу

Received: April 10, 2022

Accepted: May 9, 2022

Written by:

Iryna Gryshchenko²⁰<https://orcid.org/0000-0002-8191-1177>**Yurii Bondar**²¹<https://orcid.org/0000-0002-8430-8138>**Svitlana Serohina**²²<https://orcid.org/0000-0002-0107-834X>**Irina Bodrova**²³<https://orcid.org/0000-0002-4507-8544>**Olha Stohova**²⁴<https://orcid.org/0000-0001-7010-556X>

Abstract

Decentralization is a common component of public finance development and reform strategies through efficiency, better governance and accountability. It has become particularly important for the local governments to recognize and test policies and practices that promote building the capacity of local communities by revealing their latent potential. The aim of the article was to identify and describe the current state of the decentralization process in Ukraine and in the EU, the problems and achievements of local communities. Observation and comparison were the leading methodological tools. The research found that the effective development of territorial communities of Ukraine requires further implementation of the relevant regional strategic planning of the European Union.

The appropriateness and prospects of the LEADER/CLLD approach in the form of cooperation and partnership between urban and rural areas were established. Fiscal decentralization as a basic factor on the way to improving the level of regional development was determined through a comparative analysis of the

Анотація

Децентралізація є загальним компонентом розвитку державних фінансів і стратегій реформування завдяки ефективності, кращому управлінню та підзвітності. Для органів місцевого самоврядування стало особливо важливим визнати та випробувати політику та практику, які сприяють розбудові потенціалу місцевих громад шляхом виявлення їхнього прихованого потенціалу. Метою статті було виявити та описати сучасний стан процесу децентралізації в Україні та ЄС, проблеми та досягнення місцевих громад. Провідними методичними інструментами були спостереження і порівняння. Дослідженням встановлено, що ефективний розвиток територіальних громад України потребує подальшої реалізації відповідного регіонального стратегічного планування Європейського Союзу. Встановлено доцільність та перспективність підходу LEADER/CLLD у формі співпраці та партнерства між містом та сільською місцевістю. Фіскальна децентралізація як базовий чинник на шляху до підвищення рівня регіонального розвитку визначено шляхом порівняльного аналізу чинників позитивної динаміки розвитку територіальних громад в ЄС та Україні.

²⁰ Doctor of Public Administration Sciences, Associate Professor, of Department of Public Administration and Innovation Management, National University of Life and Environmental Sciences of Ukraine, Kyiv, Ukraine.

²¹ Post-graduate student, Professor, First Deputy Mayor for the work of executive bodies, Chabany Urban-type Council, Chabany, Ukraine.

²² Doctor of Law, Professor, Head of the Department of State building, Yaroslav Mudryi National Law University, Kharkiv, Ukraine.

²³ PhD in Law, Associate Professor of the Department of State Building, Yaroslav Mudryi National Law University, Kharkiv, Ukraine.

²⁴ PhD in Political Sciences, Associate Professor of the Department of Fundamental Jurisprudence and Constitutional Law, Academic and Research Institute of Law, Sumy State University, Sumy, Ukraine.

factors of positive dynamics of development of territorial communities in the EU and Ukraine. A comparative analysis of the practice of Ukraine and EU countries in the implementation of LEADER/CLLD projects in the context of building the capacity of local communities by revealing their latent potential is a promising vector of further research.

Keywords: decentralization, administrative territorial reform, regional competitiveness, human capital, infrastructure investment.

Introduction

Decreasing respect for human rights and democracy on a global scale and increasing autocracy pose a real threat to civil society, social space and civic engagement in general. Jämtin and da Silva (2021) indicate that 68% of the world's population currently lives in autocracies, compared to 48% in 2010. Some countries used the COVID-19 pandemic as a basis for disproportionate, excessively broad and potentially persistent civil space constraints. In modern conditions, a priority.

Improving the welfare of citizens is the priority for the development of democratic states in the current context. Knir and Budnyk (2020) emphasize that this goal can be achieved only through proper public administration and elimination of inequality in access to public goods. Decentralization has recently become more common in most countries around the world. Dick-Sago and Andraz (2020) establish that this procedure provides for the transfer of authority from the central government to local governments, and comprises fiscal, administrative and political decentralization. Lanzaro and Larraburu (2021) state that decentralization reform played a role of a political concession which included the features of pluralism. Closeness of local self-government to the population compared to the central government is the main reason for the implementation of decentralization. Canare (2021) believes that local authorities have the best opportunities for accessing primary information about the unique needs of the local population in this case. Local governments also have the best opportunities to determine economically viable areas in their region for tax purposes through proper fiscal decentralization. These benefits will allow local governments to invest their resources in services that directly meet local needs and provide the best utility to people, technically being known as distribution efficiency.

Перспективним вектором подальших досліджень є порівняльний аналіз практики України та країн ЄС щодо реалізації проєктів LEADER/CLLD у контексті розбудови спроможності місцевих громад шляхом виявлення їх латентного потенціалу.

Ключові слова: децентралізація, адміністративно-територіальна реформа, регіональна конкурентоспроможність, людський капітал, інвестиції в інфраструктуру.

Gong et al. (2021) provide an example of China, where administrative decentralization has significantly increased GDP per capita by about 3.3%, and where the positive impact on economic growth was achieved mainly through increased investment. According to the European Committee of the Regions (2021), the situations related to the COVID-19 pandemic have clearly shown the fact that the role of the EU subnational government has seriously increased as a result of the fact that it appeared to deal with the inevitable consequences of the corresponding crisis. European Committee of the Regions (2021) states that recovery from the economic effects of the pandemic while accelerating the transition to a green economy will require enormous collective efforts, with the local governments being the key to success.

Most decentralization programmes also provided for the transfer of some centralized responsibilities to the local level as a tool to increase both the distribution and technical efficiency of different public services. The introduction of new approaches to regional development made the issue of effective implementation of financial decentralization reform one of the basic conditions for independent and effective activities of local governments, as well as for extending the financial potential of regions and communities.

Changing the course in the field of state regulation of territorial organization towards administrative and financial decentralization underlie the improvement of the development of Ukraine in the current realities. Patytska (2019) writes that the main objective of the relevant reforms is to build the organizational and economic foundations for the development of territorial communities in Ukraine through the effective use of their financial and economic potential. Since independence that Ukraine gained in 1991, the decentralization reform in

Ukraine has being consistently introduced more local democratic accountability in local communities. 19. World Health Organization (2021) indicate that more direct and transparent fiscal relations, as well as clearly delineated responsibilities, more coordinated financing and accountability for performance have been established. Nevertheless, active state-building processes are not yet perfect and should be based on the most effective European practices in the context of Ukraine's European integration aspirations. In particular, effective means of building the capacity of territorial communities of EU member states which were not adapted by the state are becoming especially urgent.

In view of the foregoing, the aim of the article was to search for the main means of latent potential of territorial communities of EU member states in order to further adapt them to the realities of Ukraine. The aim involved the following research objectives:

- 1) analyse the current state of the decentralization process in Ukraine and in the EU, the problems and achievements of territorial communities;
- 2) identify adaptive examples of relevant initiatives aimed at building the capacity of territorial communities by revealing their hidden potential in the EU countries for further possible implementation of relevant achievements in the regulatory framework of Ukraine.

Literature Review

The chosen research topic correlates with modern vectors of scientific research of theorists in different countries. The work of Hrynchyshyn (2021) entitled *Budgetary Mechanisms to Ensure the Well-Being of Territorial Communities in the Context of Deepening Socio-Economic Differentiation* was the selected as the main tool and background for this article. In his study, the researcher generalized the grounds for defining the concept of territorial community that different scholars used and proposed his own definition. The monograph of H. Patytska (2019) entitled *Financial and Economic Potential of Territorial Communities: Mechanisms of Functioning and Activation* also had an impact on the author's position on the research topic. The groundwork of researchers allowed determining the vector of research on the transformation of strategies and policies of many countries in the field of building the capacity of local communities by

revealing their latent potential. In turn, Mihai and Iatu (2020) indicated to the author the need for further implementation of mechanisms to achieve sustainable development of rural areas.

The findings of Tolkki and Haveri (2020) on the dynamics between state control and the capacity of the capital's government were also taken into consideration in the research. The scientific works of Masot et al. (2019) on the analysis of the main components of the LEADER approach (2007–2013) in South-Western Europe and Novak (2022) on the peculiarities of the management of financial and economic security of the amalgamated territorial communities in Ukraine through tax administration are worth special attention.

In their work which was used in this paper, Dick-Sago and Andraz (2020) emphasize the importance of prospects and innovations in the development of local communities. This work was useful for tracking the transformation of the main features of the innovative approach to decentralization processes, which comprise fiscal, administrative and political components.

The relevant vectors such as innovation (novelty), objectivity, subjectivity, purposefulness, demand, implementation in practice, the effectiveness of territorial communities outlined by Park and Fowler (2021) were taken into account in the research. The results of the comparative analysis of the results of decentralization and development of territorial communities conducted by Canare (2021) were also taken into consideration. Dissertation for the degree of Doctor of Economics by Hrynchyshyn (2021) entitled *Budgetary Mechanisms to Ensure the Well-Being of Territorial Communities in the Context of Deepening Socio-Economic Differentiation* was of particular importance for making a comprehensive view of the subject of study.

Active research on this issue confirms that special attention should be paid to revealing the latent potential in all relevant activities (investment, economic, human, managerial, financial, civic engagement) in the process of building the capacity of territorial communities in order to ensure the well-being of the local community. Therefore, it is urgent to conduct research on new criteria of scientific research.

Methods

Testing of practical and methodological tools determines the effectiveness of scientific research, which is reflected in the following research design (Figure 1).

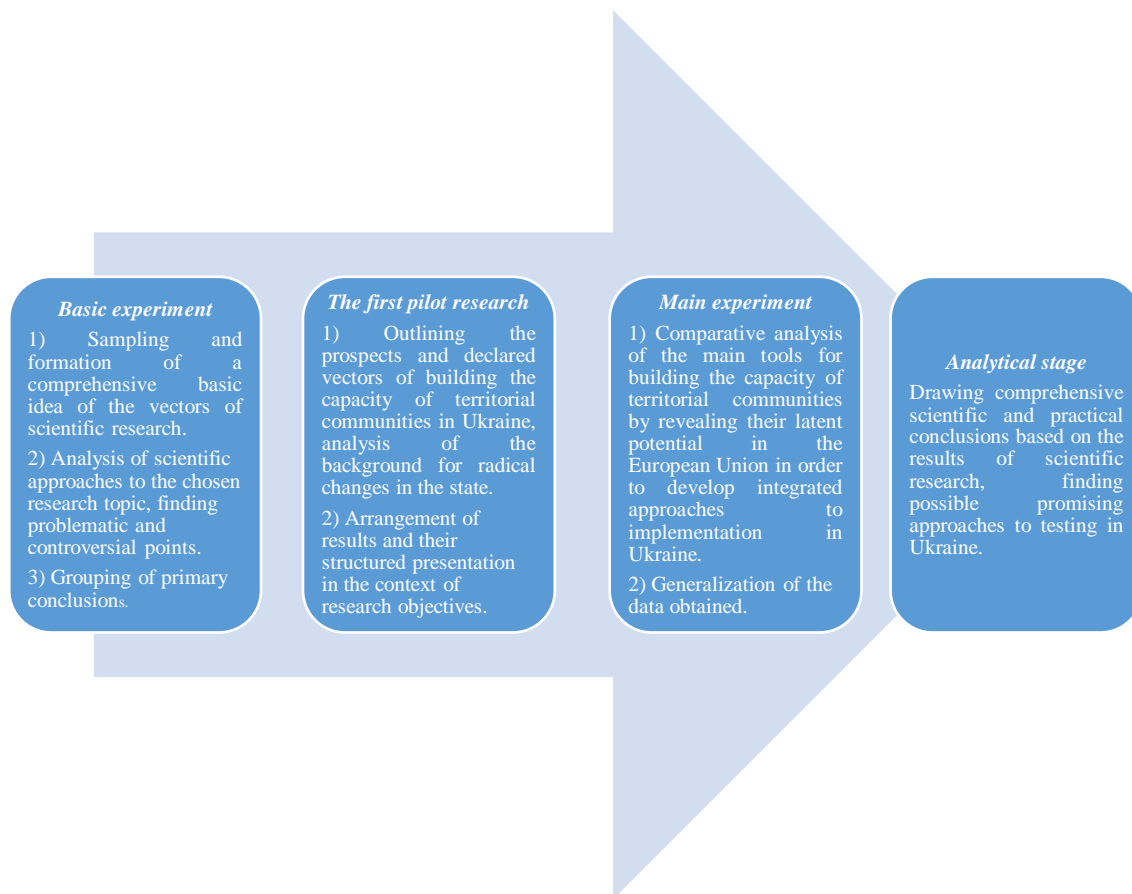


Figure 1. Research design (developed by the author)

The main hypothesis of the study is the concept of possible testing of the positive experience of the European Union in Ukraine in terms of restoring and building the capacity of territorial communities in the country.

The values of the approaches introduced in the EU were outlined through observation, which is considered the main method of scientific research. This method was tested during the sectoral analysis of the hidden potential of territorial communities in different jurisdictions and the disclosure of positive vector results of strengthening the efficiency of regions. This method was tested during the sectoral analysis of the latent potential of territorial communities in different jurisdictions and the coverage of positive vector results of enhancing the efficiency of regions. These tools allowed rendering the author's view on the possibility of implementing the LEADER approach in Ukraine, as well as predicting the prospects for such a positive experience for the territorial communities of Ukraine in the current realities. The observation became an effective tool in the research design to develop a stable author's position on the subject of the article. It will also

be useful in further research on this subject matter.

Comparison was also used for the analysis of the sample, which allowed identifying the distinction between the various means of latent potential of local communities, and projecting the most positive changes in the context of intensifying implementation of foreign experience in Ukraine.

The research also involved the following scientific methods: system analysis (to analyse the set of means of latent potential of territorial communities); structural-functional analysis (to determine the relationship and interdependence of fiscal and administrative decentralization of territorial communities); institutional method (to identify the competencies of the representatives of territorial communities and their relationship with the social groups of the region); formal-legal method (for a comprehensive study of legal texts, which are the key to reforming and building the capacity of territorial communities in different jurisdictions); modulation method (making a project idea of the prospects for updating the approaches to building the capacity

of territorial communities of Ukraine on the basis of positive results of EU member states).

A solid empirical background was analysed in the article, in particular, 43 references were reflected and analysed in the text. Coverage of the debatable aspects of the implementation of the latest practices of building the capacity of local communities and analysis of statistical information was of particular importance. The author's conclusions on the subject of the article were drawn on the basis of accurately selected references in combination with an effective methodological background.

Results

In the current realities, the development of territorial communities is mostly associated with decentralization. The United Nations Development Program (UNDP) describes decentralization as a restructuring of the competencies of state power, which should lead to an efficient structure of joint obligations between institutions of government at the central, regional and local levels. Moreover, this restructuring should be carried out in accordance with the norm of subsidiarity (UNDP, 2004). This principle refers to the process of transferring state obligations to a lower institutional or social platform that can implement them. The Organization for Economic Co-operation and Development (OECD) in this regard emphasizes the importance of the choice component as a principle of power at the subnational level (OECD, 2019).

Definitions such as "devolution", "delegation" and "deconcentration" are extensively used in the context of decentralization (The World Bank Group, 2001). At the same time, decentralization focuses on political, administrative and fiscal directions. The European Charter of Local Self-Government, adopted by the Council of Europe in 1985, requires signatories to adhere to the basic principles of appropriate local autonomy (Council of Europe, 1985). There were 47 countries, including all EU member states, which ratified the Charter. So, it is an important starting point for conceptualizing different aspects of decentralization.

The results of decentralization are particularly significant for the EU as a supranational structure with complicated formations for development, implementation and monitoring that comprise all levels of government. Local and Regional Authorities (LRAs) are taking an increasingly strong position in various policy areas, which

could have a significant impact on EU strategic goals such as the European Green Deal and climate neutrality. The EU law governs about 60% of all decisions made at the subnational level, and the LRA is responsible for about 70% of public sector investment in EU countries (CEMR, 2016). The Decentralization Index is an interactive tool with perspective on different dimensions of decentralisation (political, administrative and fiscal) in the 27 EU Member States (European Committee of the Regions, 2022). The Index allows tracking on an interactive map the level of decentralization within the country at the local and regional levels, as well as making comparisons between Member States. Indicators for determining the degree of decentralization were developed in a special study, which was based on existing data from the Distribution of Powers (DoP) Portal developed by the Committee of the Regions (CoR). The data included, among others, the legal framework for different governance structures in the Member States. The DoP Portal ensures particular data on the governance formations and competencies of various appropriate levels in the EU, candidate countries, the Eastern Partnership and Southern Neighbourhood countries. It gives data on the distribution of powers in different policy areas among government agencies. The Portal guarantees quality facts on such governance as subsidiarity and communication with EU formations. Ukraine is not included in the European Decentralization Index. The reasons are the vectors of political and legal transformations of Ukraine to match the EU standards and associate membership. This requires a thorough approach to intra-state changes in Ukraine.

So, the territorial community in Ukraine has the right to complete the missions of local importance (Document 254к/96-BP, 2020); it is a component of the system of local self-government, the primary subject of local self-government, is the performer of its functions and exerciser of its powers (Law of Ukraine № 280/97-VR, 2022).

The decentralization reform has been launched in Ukraine in 1997, when the Verkhovna Rada of Ukraine ratified the European Charter of Local Self-Government and strictly complied with the European principles and standards of governance (Council of Europe, 1985). In 2014, the Cabinet of Ministers of Ukraine adopted the concept of reforming local self-government and territorial organization of power (Order № 333-r, 2014). In 2015, Ukraine

adopted a law (Law of Ukraine № 157-VIII, 2020) to regulate direct inter-budgetary relations of the amalgamated territorial communities with the State Budget of Ukraine and to establish the principles and scope of financial support for the amalgamated territorial communities. The adopted methodology (Resolution № 214, 2015) regulated the procedure for the development of a long-term plan for the establishment of the community territory and determined the criteria for the establishment of a viable territorial community.

In 2015, 159 amalgamated territorial communities (ATCs) were established, there were 366 ATCs in 2016, 665 — in 2017, 874 — in 2018, while 924 ATCs were established in Ukraine as of July 2019, in which 29.1% of the population of the country lived (another approximately 42% lived in cities of regional significance with developed local self-government) (Ministry of Regional Development, Construction and Housing and Communal Economy of Ukraine, 2019). Financial decentralization resulted in increased revenues to local budgets from UAH 68.6 billion in 2015 to UAH 189.4 billion in 2019; the share of local budgets in the total budget of Ukraine increased from 45.6% in 2015 to 51.5% in 2019; the amount of financing of regional development from the state budget increased from UAH 0.5 billion in 2014 to UAH 19.3 billion in 2018 (Ministry of Regional Development, Construction and Housing and Communal Economy of Ukraine, 2019).

Ukraine entered the second phase of decentralization at the beginning of 2019, which provided for administrative and territorial reform at the district level, as well as redefining regional and higher subregional prerogatives. The ongoing unification of municipalities makes Ukraine more resilient to Russia's hybrid war and demonstrates adherence to the EU principles of democracy and subsidiarity. Ukraine aspires to become a new example of the political value and administrative usefulness of a non-federal two-tier national system of government. In 2020, those settlements that failed to establish a single territorial community were amalgamated on the basis of set criteria (Law of Ukraine № 562-IX,

2020; Resolution № 807-IX, 2020). This is how a new administrative-territorial system was approved, administrative centres were determined, and the territories of territorial communities were approved.

Since then, Ukraine has implemented a process of political decentralization in order to significantly restructure the centre-periphery relations. This reform of local government involved the transfer of powers from the national to the municipal level (and to a lesser extent to the regional and upper subregional levels). Decentralization is implemented not through federalization, but through the merging of small municipalities and the transfer of political, administrative and financial authority to these amalgamated local communities. One of the main objectives of local self-governments is the management of resource provision of local budgets.

ATCs acquire significant rights to collect taxes, self-government and public policy upon their recognition by the central government. The central government also provides ATC with funding for newly established institutions and the implementation of local development projects. The reform is accompanied by a parallel “sectoral decentralization”, primarily in health care and education. As of January 10, 2022, 1,470 communities, 136 districts, 119 district councils and 119 district state administrations were established in Ukraine (Ministry of Development communities and territories of Ukraine, 2022). A total of 296 territorial communities concluded 153 inter-municipal cooperation agreements.

There is a 349.0% increase in revenues of the general fund of budgets of territorial communities in January - November 2020-2021 — from UAH 48.6 milliard to UAH 218.2 milliard (see Figure 2). State financial support for community and infrastructure development in 2021 amounted to UAH 81.8 milliard, while UAH 131.8 milliard was provided for 2022. Figure 3 shows planning of financial transformations of territorial communities for building their capacity.

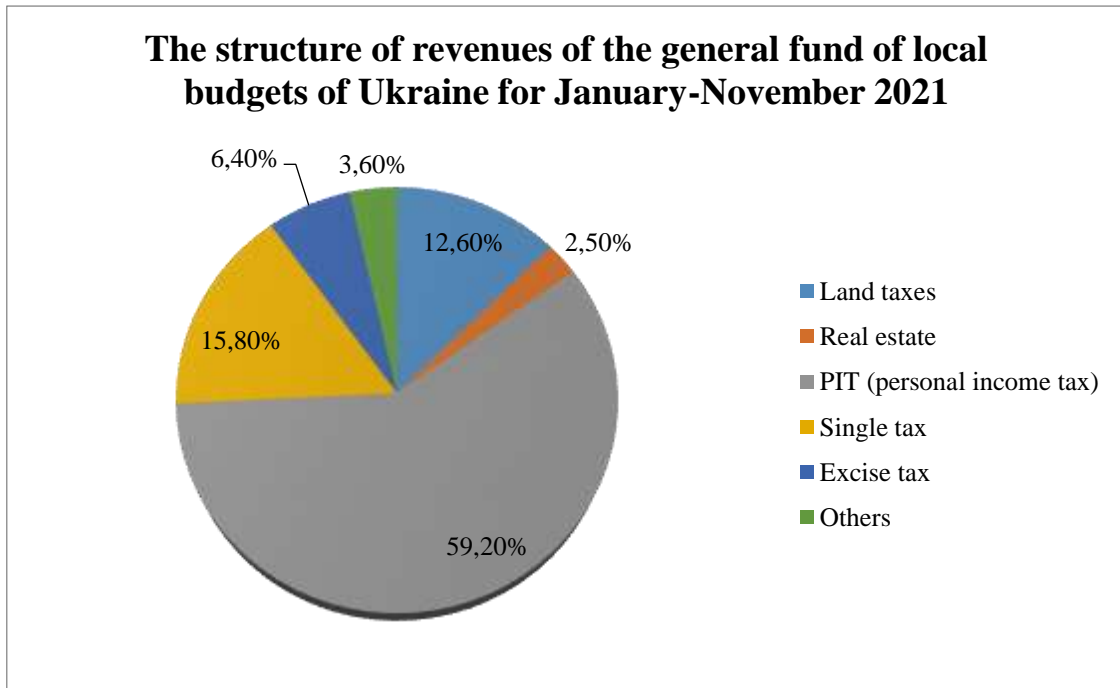


Figure 2. Revenue structure of the general fund of local budgets of Ukraine for January-November 2021 (excluding transfers from the state budget) by territorial communities (according to the Ministry for Communities and Territories Development of Ukraine)

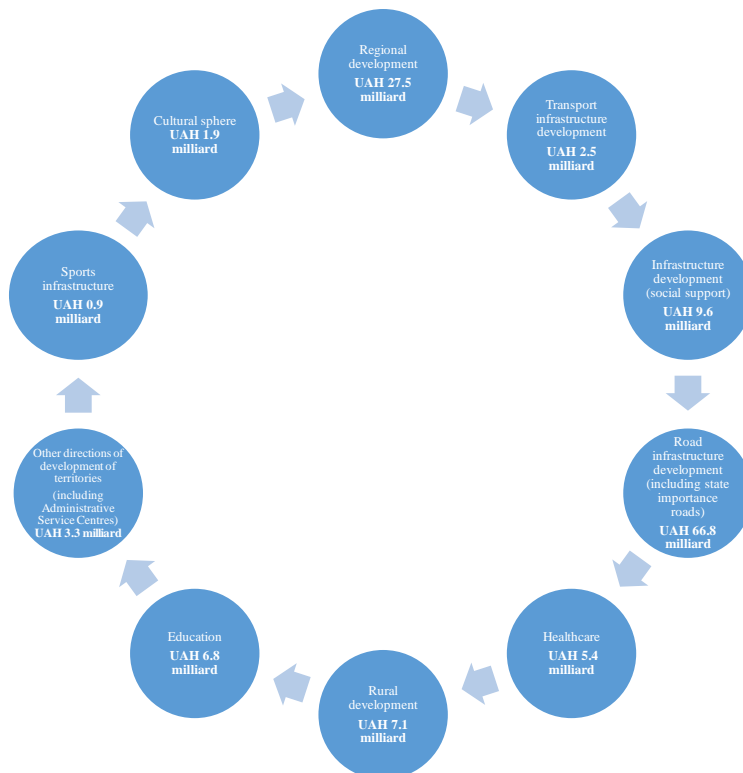


Figure 3. Planned financing of the development of territorial communities of Ukraine for 2022 (grouped by the author)

The share of local budget revenues (general fund excluding transfers) in GDP in 2021 was projected at 7.3%. The share of local budget

expenditures in GDP in 2021 was projected at 12.1% (Ministry of Development communities and territories of Ukraine, 2022). As regards

social investments in Ukraine in 2020, education was financed from three main sources: investments from state and local budgets (81.25%), own funds of companies and organizations (17.61%), other funds (1.1%) are bank loans, funds of investment companies, foundations, etc. (State Statistics Service of Ukraine, 2020). Healthcare and social support rank second among social areas in terms of the investment size. These areas involve the following sources of financing: funds from state and local budgets (70.69%), own funds of companies and organizations (23.17%), other sources are bank loans, funds of non-resident investors, etc. Arts, sports, entertainment and recreation are funded by state and local budgets (36.34%), from own funds of companies and organizations (63.58%) that have invested in this area, and other sources (State Statistics Service of Ukraine, 2020).

Capacity of the territorial community is the availability of financial resources, infrastructure and HR, which determine the territorial community's ability to provide public services, as well as the opportunity to use unemployed and latent potential (investment, economic, human, managerial, financial, civic engagement) to ensure the well-being of the territorial community. The activities of the territorial community involve coordination between residents and government agencies in solving major problems through participation in management decisions. This also requires a clear understanding of the overall responsibility for the well-being of residents. But residents of rural communities often do not take full responsibility for their own well-being and do not exercise full control over local government activities (17% of residents of large cities, 12% of small towns and only 9% of rural residents are ready for this position) (NISS, 2020).

The reflective rather than proactive established approaches to state regional policy indicate a serious need for the development and implementation of new regional (local) development policy. The approach to local development requires updating to be based on place (place-based theory) and socio-economic development of local communities on the basis of endogenous potential. The new vector of regional development considers low productivity (rates and growth) as a key problem; insufficient use of internal potential; lack of regional competitiveness; interregional and interpersonal inequality to be the key problems. It resulted in the movement towards latent potential, local knowledge, intensification of local development

and ensuring the well-being of community residents, regardless of place of residence. Consequently, this requires transformation of the goals of regional development policy as regards reorientation from making up for the shortcomings of the areas that lag behind in the regions in response to shocks (industry decline) to intensifying use of underutilized local potential of territorial communities based on their existing strengths and implementation of innovations. Accordingly, in addition to traditional subsidies and state aid, it is necessary to use other tools out of a wide range: targeted investment in human capital; infrastructure investment; business development support; support for research and innovation; coordination between non-governmental actors.

An example of effective assistance to build the capacity of territorial communities is the PLACED (2020) Project of dynamic digital services related to libraries. The PLACED Project supports the establishment of dynamic urban centres of innovation, citizens' activities to create knowledge and transform this knowledge into part of the general resources of the urban community. The partners of this project are Aarhus University, Denmark; LIRIS - CNRS, France; ENSSIB, France; Dokk1 - Aarhus Public Libraries, Denmark; Chalmers University of Technology, Sweden; Municipal Library of Lyon, France; Lundby Library, Gothenburg, Sweden; RISE Interactive, Sweden. The PLACED Project is a new type of digital library services focused on space and activities. PLACED services support library activities, while library services are typically focused on providing access to a collection of media files. An innovative aspect is that these services collect knowledge gained from these actions, make them part of the library collection and allow future library users to study and access them. So, PLACED (2020) services help to go beyond the institutional walls of the library and make it an integral part of urban life, creating a constantly evolving collection based on urban activities and knowledge accumulation.

Recently, in the EU countries in rural areas there has been a trend characterized by the presence of a certain type of problems. They were caused by the inability to solve the main problems in rural agglomerations using standard top-down policy approaches. The LEADER approach (European Network for Rural Development, 2018) set itself the task of correcting this situation. This initiative was based on the concept that it was possible to increase prosperity in rural agglomerations due to the activity of local

residents themselves. Moreover, special emphasis began to be placed on the formation of partnerships of local initiative groups (LAG), which in their composition began to include public, private and civil segments. These LAGs are the main tool for applying the LEADER approach to territorial development, directly involving local representatives in the development and implementation of local strategies, decision-making and resource

allocation (Figure 4). This approach has an added value, which is connected with the extended opportunities and rights at the local level through the development, implementation and allocation of resources at the local level. The LEADER approach has been further developed through extension. Community-led local development (CLLD) were formed in various agglomerations, as well as communities related to fishing. Financing was carried out during 2014-2020.

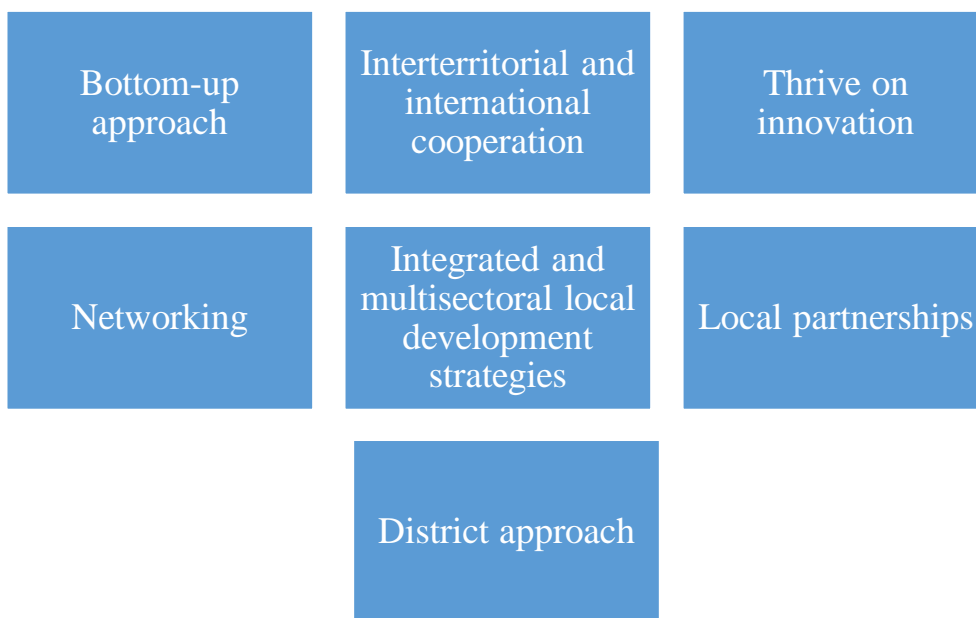


Figure 4. Main components of the LEADER approach for testing in Ukraine (identified by the author)

LEADER took as its basis the principle of the bottom-up approach and is based on that statement, that no one but the locals can know their own problems better. With the right active position, problems can be reduced. The corresponding “bottom-up” principle is reflected in the EU rules, which provide for a “bottom-up” approach. In this regard, it is important to ensure that there is no preponderance of different groups in decision-making.

District approach: LEADER and CLLD programs contain a variety of approaches based on the priorities of the local territory, the mandatory cooperation of neighboring agglomerations. More importantly, collaborative methodologies are being developed to help neighborhoods interact and develop each other. The LEADER approach has worked well in communities with between 10,000 and 150,000 inhabitants (European Union, 2013).

Regional cooperation for territorial growth uses a specific management system Local Action

Group (LAG). In the future, the population gets the opportunity to become active partners and initiators of the positive growth of the rural economy of their own agglomerations; this is the defining feature of CLLD, which is characterized by the presence of multi-sectoral local development strategies. With regard to the decision-making process, each respective segment is entitled to propose no more than 49% of the members of the local partnership (European Union, 2013).

In this regard, it is especially necessary to emphasize the role of networking and innovation, which lead to the establishment of a connection between the various participants in the working system. For the LEADER approach, along with inter-territorial and international cooperation in the field of agricultural development, it is also very important. An example of this development is the activities of various new LEADER groups, the European Structural Investment Fund (ESIF). The LEADER project “At home in Emlichheim” (Germany) (European Network for Rural

Development, 2020) was implemented to enable the elderly to maintain their independence for longer through regular preventive home visits. The proposed recommendations were used at a high level in this project: the service provider with a well-developed network has in-depth knowledge of the provision of services at the local level; acts as an early warning system. The LEADER Gratiud Pallars (Spain) (European Network for Rural Development, 2020) was an integrated and innovative project aimed at supporting landscape conservation, climate change mitigation and the development of smart sustainable tourism. The project achieved obvious success of intersectoral cooperation between government agencies, businesses, landowners, local people and newcomers; an integrated approach to environment and nature protection, green tourism and a healthy lifestyle was implemented.

The microproject LEADER "Sozialwerkstat" (Luxembourg), which put an innovative component at its core, and which devoted its activities to youth issues, received special recognition. The activities of this project included volunteering, holding consultative meetings related to employment and professional development (European Network for Rural Development, 2022). The result was the employment of young people in the region.

The activity of the LEADER project in Biertan (Romania) was also indicative. The problem was the poor quality of medical care, which had been declining since the nineties. The poor were especially hard hit. The purpose of this project was to help the population who did not have the opportunity to receive quality medical care, as well as to build trust and further constructive dialogue between residents and local authorities. The result of this project was the operation of a multidisciplinary health center that could provide appropriate assistance to 40 older people with disabilities and another 65 people at home (European Network for Rural Development, 2021). In addition, a significant increase in the professionalism of the local administration and social workers, as well as the level of provision of relevant medical services, has become a positive moment.

A well-known Waterford Project was created and funded in Ireland by the Waterford LEADER Local Action Group jointly with public organizations, charities and other organizations engaged in development. This is one of the elements of a broader strategy aimed at creating a single economic zone, which is used by many

Blackwater Valley villages in West Waterford (Ireland) to establish an economic union pursuing a collective goal and vision (European Network for Rural Development, 2021a). In particular, the aim of this Project was to create and maintain ICT-based jobs at the local level through smart jobs strategy that includes animation, research, training, networking, marketing and investment. It is consistent with a number of other measures for the improvement and protection of the environment, and complements them. This Project provided support for the rural development programme, which attracted significant additional capital of EUR 2 million used to start and complete all capital improvements by 2022. Of this amount, EUR 1.2 million came from charities, and EUR 800,000 came from the communities themselves.

We can establish that the human potential influence the development of territorial communities and their self-sustainment through the use of nonmaterial added value in the cultural, educational and medical fields. In this regard, the territorial community should reorient the necessary areas through the development of relevant skills and attraction of innovation in order to build its capacity. Mobilization of untapped capacity requires collecting data on the success of communities and identifying opportunities that have contributed to success. It also requires the organization of a core group to promote the process, fully map the opportunities and assets of individuals, associations and local institutions. Building relationships between local assets for mutually beneficial solutions to the problems that exist in the community is of particular notice. In this regard, it is very important to fully mobilize the EU expert resources for economic development and information exchange, and to gather the widest possible representative group to form a vision and elaborate a community development plan.

Discussion

Relying on Dick-Sagoie and Andraz (2020), the conclusion was drawn that a proper design of decentralization requires excluding the discrepancy between the distribution of costs and revenues and the uneven formula of vertical distribution in favour of the central government. It is, however, appropriate to combat ineffective control and ensure transparency of public spending for the local population. Researchers recommend project-based spending at the community level and extending the rights and opportunities of communities to ensure

accountability of local self-governments for costs and revenues.

Sustainable district development is still the subject of research in many countries. According to Mihai and Iatu (2020), the interregional economic and social gaps manifested on all scales underlie such scientific interest. The European Union aspires to address these issues by promoting sustainable development. Mihai and Iatu (2020) emphasize that these development goals are intended to reduce poverty, inequality, unemployment, meet the basic needs of the disadvantaged people and expand community participation in rural development processes, but especially reduce development gaps, including through latent potential.

Masot et al. (2019) confirm that studies dealing with the evaluation of the contribution of the European financial instruments to rural development often prove the significant contributions of the LEADER Programme to the community development. At the same time, Opria et al. (2021) indicate that LEADER produces lower contribution to rather disadvantaged areas. The benefits for isolated, depopulated and underdeveloped areas were minimal. This means that the development gap between EU countries will increase over time, which will have an impact on the effectiveness of the management of European funds (Opria et al., 2021).

According to Tolkki and Haveri (2020), contextual reasons are the main factor that explains why different forms of control can strengthen or weaken governance in different metropolises. In one agglomeration, the governance can be ensured through direct public administration, and in another one — through indirect control, for example, by financing a politically decentralized mechanism. Beeri and Magnússon (2019) maintain that the complete absence of governance by the state is problematic. State control creates a platform for the development of management potential.

Park and Fowler (2021) state that despite the advantages and disadvantages typical for decentralization, the COVID-19 pandemic revealed the institutional limitations of decentralization and the benefits that centralized administrative coordination creates during crises. Researchers believe that one of the most important defining factors of national pandemic response is the degree of balancing the political

and administrative aspects of centralization/decentralization.

Lanzaro and Larraburu (2021) indicate that in addition to technical needs, administrative decentralization as a component of public sector development is a response to political games and the result of long-term political systems. According to Hrynchyshyn (2021), businesses as institutional units of the economy are mostly considered separately from the public sector, while civil society is traditionally positioned as untapped potential. Hrynchyshyn (2021) also maintains that the new regional development policy should help integrate their interaction through public-private partnerships, while civil society is one of the important stakeholders in shaping and implementing this policy. Novak (2022) contends that tax administration is a tool to increase revenues to the general budget, and thus to provide expenditures on subsidized establishments and activities as a guarantee of further financial and economic security, socio-economic development of ATCs.

Grillos et al. (2021) notes that teams of civil servants in decentralized and comparable public healthcare systems with centralized governance are often less effective in joint work. The reason is the adverse implications of the reform for the existing employees: new pairs of employees are relatively efficient, while existing employees do not work that well with each other in mixed teams. Researchers conclude that policymakers need to take steps to ensure that the effectiveness of existing employees stays unimpaired by governance reforms.

Conclusions

Decentralization can make public decision-making more efficient and fairer by internalizing the external factors, using all available information, and better matching services provided to the needs. The important elements of a framework for evaluation of the effectiveness of decentralization are participants, authority and accountability.

All communities must have a certain demographic, territorial and productive potential to be financially, professionally and institutionally able to perform their functions and tasks. Decentralization reform is directly related to the development and optimal use of the resource potential of territorial communities. The voluntary amalgamation of territorial communities in Ukraine has created the grounds for the transformation of the territorial structure

and subregional level. The amalgamated territorial communities received additional financial resources, expanded their powers and established direct inter-budgetary relations with the state budget. The exercise of these powers through the use of appropriate resources is the background for the formation of the integral potential of the territory and for ensuring its use for the development of the territory.

EU countries strive for building community capacity and stimulate innovation (including social innovation), entrepreneurship and the capacity for changes, encouraging the development and revealing latent potential within communities and territories. The relationship between state control and the opportunities of urban governance in the EU countries indicates the complex relations between the state and agglomerations: even the relationship of control is interdependent rather than hierarchical.

The LEADER Project can be used in Ukraine, especially in promoting new forms of cooperation and partnership between urban and rural areas. Closer cooperation at the local level in urban areas can be promoted through different tools: approaches based on small areas, which may include disadvantaged urban areas, industrial areas, deserted areas, suburbs, etc., small towns and surrounding rural areas. The LEADER project implements subject-related approaches to solving specific urban problems, such as unemployment and the labour market, social isolation, urban mobility or local energy efficiency plans. Approaches to target groups are concentrated on particular groups, for example, youth. This project contributes to the extension of the rights of local communities, including disadvantaged groups, as a tool to address unemployment and social inclusion issues. The analysis of possible implementation of the LEADER Project in Ukraine upon the end of martial law in the country will be the vector of further scientific research in this context.

Bibliographic references

- Beeri, I., & Magnússon, M. A. S. (2019). Governance Relations in Small Nations: Competition vs. Cooperation and the Triple Role of Big Cities. *Lex localis - Journal of Local Self-Government*, 17(2). [https://doi.org/10.4335/17.2.267-284\(2019\)](https://doi.org/10.4335/17.2.267-284(2019))
- Canare, T. (2021). Decentralization and Development Outcomes: What Does the Empirical Literature Really Say? *Hacienda Pública Española: Review of Public Economics*, 237(2), 111-151. Retrieved from <https://archium.ateneo.edu/economics-faculty-pubs/155/>
- CEMR. (2016). Local and Regional Governments in Europe: Structures and Competences. Retrieved from https://www.ccre.org/img/uploads/piecesjointe/filename/CEMR_structures_and_competences_2016_EN.pdf
- Council of Europe. (1985). European Charter of Local Self-Government. Strasbourg. Retrieved from <https://rm.coe.int/168007a088>
- Dick-Sagoe, C., & Andraz, J. M. (2020). Decentralization for improving the provision of public services in developing countries: A critical review. *Cogent Economics & Finance*, 8(1). <https://doi.org/10.1080/23322039.2020.1804036>
- Document 254к/96-BP “The Constitution of Ukraine”. Revision on January 1, 2020. Retrieved from <https://zakon.rada.gov.ua/laws/show/254%D0%BA/96-%D0%B2%D1%80#Text>
- European Committee of the Regions. (2021). Developing a Decentralisation Index for the Committee of the Regions Division of Powers Portal. Retrieved from https://cor.europa.eu/en/engage/studies/Documents/Developing%20a%20Decentralisation%20Index%20for%20the%20Committee%20of%20the%20Regions%20Division%20of%20Powers%20Portal/study_green%20deal.pdf
- European Committee of the Regions. (2022). Division of Powers. Decentralization Index. Retrieved from <https://portal.cor.europa.eu/divisionpowers/Pages/Decentralization-Index.aspx#>
- European Network for Rural Development. (2018). LEADER/CLLD explained. Retrieved from https://enrd.ec.europa.eu/leader-clld/leader-toolkit/leaderclld-explained_en
- European Network for Rural Development. (2020). LEADER case study – Connected in the local community. Retrieved from https://enrd.ec.europa.eu/projects-practice/leader-case-study-connected-local-community_en
- European Network for Rural Development. (2021). Equipping the healthcare centre in Biertan, Sibiu County, Romania. Retrieved from https://enrd.ec.europa.eu/projects-practice/equipping-healthcare-centre-biertan-sibiu-county-romania_en
- European Network for Rural Development. (2021a). Work West Waterford. Retrieved

- from https://enrd.ec.europa.eu/projects-practice/work-west-waterford_en
- European Network for Rural Development. (2022). Empowering young people – micro-project under the LEADER umbrella project “Sozialwierkstat”. Retrieved from https://enrd.ec.europa.eu/projects-practice/empowering-young-people-micro-project-under-leader-umbrella-project_en
- European Union. (2013). Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006. Retrieved from <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32013R1303>
- Gong, Q., Liu, C., & Wu, M. (2021). Does administrative decentralization enhance economic growth? Evidence from a quasi-natural experiment in China. *Economic Modelling*, 94, 945-952. <https://doi.org/10.1016/j.econmod.2020.02.035>
- Grillos, T., Zarychta, A., & Andersson, K. (2021). Governance Reform, Decentralization, and Teamwork in Public Service Delivery: Evidence from the Honduran Health Sector. *Public Administration*, 99(4), 832-858. <https://doi.org/10.1111/padm.12722>
- Hrynchyshyn, I. M. (2021). Budget Mechanisms for Well-Being Territorial Communities in the Conditions of Deepening Socio-Economic Differentiation. (Doctoral dissertation). National Academy of Sciences of Ukraine, SI "Institute of Regional Studies named after M.I. Dolisniy of NAS of Ukraine, Lviv. Retrieved from https://ird.gov.ua/irdd/d20210416_a805_HrynchyshynIM.pdf
- Jämtin, C., & da Silva, M. J. (2021). Enabling Civil Society is a Development Priority. *OECD Forum*. Retrieved from <https://www.oecd-forum.org/posts/enabling-civil-society-is-a-development-priority>
- Knir, M., & Budnyk, N. (2020). Decentralization of budgeting processes: the case of Ukraine. *RFI Scientific Papers*, 2, 63-75.
- Lanzaro, J., & Larraburu, C. R. (2021). Decentralization and Co-participation in the Public Sector: A Historical Feature of Uruguayan Pluralist Democracy. *International Journal of Public Administration*, 44(1), 14-29. <https://doi.org/10.1080/01900692.2020.1750029>
- Law of Ukraine № 562-IX "On Amendments to Certain Laws of Ukraine Concerning the Definition of Territories and Administrative Centers of Territorial Communities" of April 16, 2020. Revision on July 23, 2020. Retrieved from <https://zakon.rada.gov.ua/laws/show/562-20#Text>
- Law of Ukraine № 157-VIII "On Voluntary Association of Territorial Communities" of February 5, 2015. Revision on May 14, 2020. Retrieved from <https://zakon.rada.gov.ua/laws/show/157-19#Text>
- Law of Ukraine № 280/97-VR "On Local Self-Government in Ukraine" of May 21, 1997. Revision on February 13, 2022. Retrieved from <https://zakon.rada.gov.ua/laws/show/280/97-%D0%B2%D1%80#Text>
- Masot, A. N., Alonso, G. C., & Costa Moreno, L.M. (2019). Principal Component Analysis of the LEADER Approach (2007–2013) in South Western Europe (Extremadura and Alentejo). *Sustainability*, 11(15), 4034. <https://doi.org/10.3390/su11154034>
- Mihai, F.-C., & Iatu, C. (2020). Sustainable Rural Development under Agenda 2030. In M. J. Bastante-Ceca, J. L. Fuentes-Bargues, L. Hufnagel, F.-C. Mihai, & C. Iatu (Eds.), *Sustainability Assessment at the 21st century*. IntechOpen Book Series. Retrieved from <https://www.intechopen.com/chapters/69950>
- Ministry of Development communities and territories of Ukraine. (2022). Monitoring the reform of local self-government and territorial organization of power. Retrieved from <https://decentralization.gov.ua/uploads/library/file/800/10.01.2022.pdf>
- Ministry of Regional Development, Construction and Housing and Communal Economy of Ukraine. (2019). Monitoring of the Process of Decentralization of Power and Reform of Local Government. Retrieved from <https://decentralization.gov.ua/mainmonitoring>
- NISS. (2020). NISS hosted a professional discussion and presentation of the scientific report "Decentralization and policy

- development of regional development in Ukraine". Retrieved from <https://niss.gov.ua/en/node/3767>
- Novak, N. P. (2022). Management of financial and economic security of united territorial communities in Ukraine on the basis of tax administration. *Agrosvit*, 3, 3-9. <https://doi.org/10.32702/2306-6792.2022.3.3>
- OECD. (2019). Making Decentralisation Work. Retrieved from <https://www.oecd.org/cfe/making-decentralisation-work-g2g9faa7-en.htm>
- Opria, A.-M., Roşu, L., & Iaşu. C. (2021). LEADER Program—An Inclusive or Selective Instrument for the Development of Rural Space in Romania? *Sustainability*, 13(21), 12187. <https://doi.org/10.3390/su132112187>
- Order № 333-r "On approval of the Concept of reforming local self-government and territorial organization of power in Ukraine" of the Cabinet of Ministers of Ukraine of April 1, 2014. Revision on April 1, 2014. Retrieved from <https://zakon.rada.gov.ua/laws/show/333-2014-%D1%80#Text>
- Park, S., & Fowler, R. (2021). Political and administrative decentralization and responses to COVID-19: comparison of the United States and South Korea. *International Journal of Organization Theory & Behavior*, 24(4). Retrieved from <https://www.emerald.com/insight/content/doi/10.1108/IJOTB-02-2021-0022/full/html>
- Patytska, Kh. (2019). Financial and economic potential of territorial communities: mechanisms of functioning and activation: monograph. Lviv: State Institution "Institute of Regional Studies named after M.I. Dolishny National Academy of Sciences of Ukraine". Retrieved from <http://ird.gov.ua/irdp/p20190007.pdf>
- PLACED. (2020). About PLACED. Retrieved from <https://placedproject.eu/about-placed>
- Resolution № 214 "On approval of the Methodology for the formation of viable territorial communities" of the Cabinet of Ministers of Ukraine of April 8, 2015. Revision on January 31, 2020. Retrieved from <https://zakon.rada.gov.ua/laws/show/214-2015-%D0%BF#Text>
- Resolution № 807-IX "On the formation and liquidation of districts" of the Verkhovna Rada of Ukraine of July 17, 2020. Revision on July 17, 2020. Retrieved from <https://zakon.rada.gov.ua/laws/show/807-20#Text>
- State Statistics Service of Ukraine. (2020). Economic statistics. Economic activity. Capital Investments. Retrieved from http://www.ukrstat.gov.ua/operativ/menu/menu_u/ioz_19.htm
- The World Bank Group. (2001). Administrative Decentralization. Retrieved from <http://www1.worldbank.org/publicsector/decentralization/admin.htm>
- Tolkki, H., & Haveri, A. (2020). The Dynamics between State Control and Metropolitan Governance Capacity. *Administrative Sciences*, 10(2), 26. <https://doi.org/10.3390/admsci10020026>
- United Nations Development Programme (UNDP). (2004). Decentralised Governance for Development: A Combined Practice Note on Decentralisation, Local Governance and Urban/Rural Development. Retrieved from <https://gsdrc.org/document-library/decentralised-governance-for-development-a-combined-practice-note-on-decentralisation-local-governance-and-urbanrural-development/>
- World Health Organization. (2021). Aligning health and decentralization reform in Ukraine. Retrieved from <https://apps.who.int/iris/bitstream/handle/10665/341533/WHO-EURO-2021-2593-42349-58635-eng.pdf>