

### **Секція 3. Фінансова політика забезпечення сталого розвитку** **Sections 3. Financial Policy for Sustainable Development**

**Viktoriia Bulavynets**

*Ternopil National Economic University*

#### **ALTERNATIVE SOURCES OF UNITED TERRITORIAL COMMUNITIES' BUDGETS REPLENISHING**

The ongoing decentralization process in Ukraine shows the positive developments in the territorial communities. However, not all newly formed united territorial communities are sufficiently funded today. Taking into account the limited budget, one of the tasks of the local self-governments is to find the additional sources of financial assets involvement.

The needs of territorial communities can be met by attracting both the budgetary and financial resources from other alternative sources. Inasmuch as the majority of the UTC in Ukraine is currently unable to fully finance their own social infrastructure renewal and development projects, it is advisable to attract the private sector investment resources through a public-private partnership mechanism. Partnerships between the territorial communities and the private sector are widespread in the world and are used in the developed countries to implement the infrastructure, humanitarian and environmental projects [1]. The use of a public-private partnership mechanism enables the local authorities to provide the community residents with the collective benefits at the expense of the investment while maintaining the control over the infrastructure. It should be noted that under the post-crisis development, the interest of the business to the state support increases significantly, which allows to reduce the risks of the private investment and increase the reliability of the investment projects. Within the period 1999-2018, 192 projects of the private partnership were initiated in Ukraine, 66 contracts (34%) were successful, which was largely due to the lack of the regulation of the legal environment. The world practice shows that it is advisable to implement only 10-15% of the most profitable projects on the basis of the public-private partnership, which allow to optimize the distribution of risks between the public and private partners [2]. Nowadays, the use of state-private partnership in the domestic practice is particularly appropriate in the field of the health care, which is in the process of reforming and requires the construction and equipment of the critical infrastructure (oncology, diagnostic, dialysis, perinatal centers, etc.), for which there is a solvent demand. from both the state and regular consumers.

However, the ability to plan and implement the state and private projects depends on the further improvement of the existing legislation and the training of qualified personnel who will have the necessary knowledge and skills to prepare and structure the state and private projects, to analyze the effectiveness of their implementation and to monitor the implementation of state and private projects contracts.

Attracted funds can be also the alternative source for the replenishing of budgets of financially disadvantaged territorial communities. The legislative acts of Ukraine provide the involvement of the loans from banking and other financial institutions by the local self-government bodies. However, now less than 5% of the local budget revenues are generated at the expense of this source in our country, whereas in the EU countries this indicator is about 10-15% [3]. Due to the high interest rates on loans from the domestic financial institutions, non-bonded loans are not in high demand in the territorial communities and are mainly used to finance the relatively inexpensive and short-term projects.

The limited financial resources of the local budgets and their use, first of all, for the current needs of the communities and social projects require a more active involvement of the additional funds through the emission and placement of the debt securities – the municipal bonds, the issue of which is exclusively urban UTC. Communities' infrastructure problems are the basis for a significant expansion of the municipal bond market over the coming years. However, due to the imperfection of the current legislation of Ukraine and its inconsistency with the European norms, there are problems with the emission of the municipal securities [4].

The united territorial communities may also be able to attract the loans from the international financial institutions that will be channeled to meet the needs of the local economic development. Such loans are granted at the reduced interest rates with a long maturity and with preferential repayment terms. In the economically developed countries, the local guarantees are widely used to support the urban development, as a mechanism for attracting the lending resources from the public or private entities to operate on a particular territory. It should be noted that nowadays in Ukraine the role of the lending resources as a reserve for the socio-economic development of UTC is insignificant, inasmuch as they account for only 0.5-0.8% of the total community resources [5].

One more important source of funding for the local needs is grant resources, which are crucial in the implementation of the infrastructure projects. However, for their effective involvement, specially trained specialists are needed, and there is a lack of them in the local self-government bodies today.

A specific reserve of the resource provision that directly affects the growth of the financial resources of territorial communities is a human capital. In general, there is an opinion in Ukraine that the development of a territorial

community is based only on the use of the land and financial resources of the local budgets. Therefore, in the vast majority of communities, there is no understanding of the value of human capital as a resource that ensures the economic development of a territory. At the same time, the very presence of the initiative residents, young people and skilled workers is the key to achieving the tasks that are facing the reform of decentralization. However, the situation is compounded by the fact that in many communities a large proportion of the working-age population prefers to work abroad rather than within their territorial community, which jeopardizes the achievement of the decentralization goals, the first of which depends on the level of the human capital development. Professionalism, considerable innovative potential, strategic thinking and creativity, knowledge in the field of organizational and financial management, communication skills of specialists in this field can become a defining intangible resource which is able to ensure a high level of the territorial community development.

The alternative resource for the territorial communities may also be the income from the disposal of the household waste, which is an inexhaustible reserve for the economic development. Each year, about 15 million tones of municipal solid waste are being exported to the countryside, causing problems with the storage sites and releasing dangerous toxic substances into the atmosphere. However, according to TIS Eco's Company estimates, 140-280 cubic meters of biogas can be generated per ton of the household waste. Under the preliminary estimates, all Ukrainian landfills and biogas farms will be enough to cover 10% of the country's annual gas demand. Ukraine now consumes 75 billion cubic meters of natural gas, 55 billion of which is an imported fuel. At the same time, the biogas production potential is 7 billion cubic meters per year [6]. However, Ukraine's biogas sector is developing at a slower pace than in Europe, since there is no demand for small installations that are expensive to maintain. According to the European Union Community-Based Local Development Program, the funds are allocated for the implementation of the energy-saving projects in Ukraine, in particular, the launching of the small biogas plants (one to two dozen homes, schools or other municipal institutions). However, no territorial community has been interested in the project so far, although in the next four years Ukraine could replace one billion cubic meters of imported blue gas through biogas.

Therefore, the territorial communities in Ukraine have many alternative sources of financial support. We believe that in order to improve their financial capacity, it would be advisable to:

- activate the potential of a public-private partnership mechanism at the local level and create a favorable environment for the private capital attracting;

- establish the effective cooperation with the foreign and national institutions (grantors) in order to gain the experience and skills in preparation of the project applications and necessary documents;
- develop your own positive image and attractive "credit" history;
- transform the municipal securities market into an instrument of resource provision for the territorial community, by increasing their profitability and liquidity level;
- to pay more attention to the human capital as a basis for the formation of management personnel of the territory, since it is a specific reserve of resource provision, which directly affects the growth of financial resources of the territorial communities;
- expand the sources of its financial resources by using such an inexhaustible resource as household waste disposal revenues.

### **Literature**

1. The hidden Klondike: unlocking the potential of the united territorial communities budgets. URL: <https://voxukraine.org/uk/prihovaniy-klondajk-yak-rozkriti-potentsial-byudzhetiv-ob-yednanih-teritorialnih-gromad>
2. Public-private partnership: time to learn from mistakes. URL: <https://dt.ua/gazeta/issue/1168>
3. Resource support for the united territorial community and its marketing. URL: <https://www.prostir.ua/?library=resursne-zabezpechennya-objednanoi-terytorialnoji-hromady-ta-jiji-marketynh>
4. Decentralization of power: how to stay successful in the face of new challenges? URL: <http://www.niss.gov.ua/articles/1131/>
5. United territorial communities. Decentralization. URL: <https://decentralization.gov.ua/gromada>
6. Last year, the number of bio power plants in Ukraine increased. URL: <https://glavcom.ua/economics/finances/-559102.html>

**Antonina Demianiuk**

*Ternopil National Economic University*

## **NEWEST PRACTICES FOR SUSTAINABLE DEVELOPMENT AT THE LOCAL LEVEL**

Ensuring Sustainable Development at the local level involves the implementation of a strategy of socio-economic development of the territories, taking into account environmental risks for their balanced development and meeting the social needs of the local population. The solution of the triple problem of economic, social and environmental character provides a comprehensive implementation of the territorial development strategy.