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**PROBLEMS OF FINANCIAL SUPPORT FOR  
SOCIAL AND ECONOMIC DEVELOPMENT  
IN THE CONTEXT OF CONTEMPORARY  
CHALLENGES AND THREATS**

Collective monograph

**Edited by Maksym Slatvinskyi**

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**P93 Problems of Financial Support for Social and Economic Development in the Context of Contemporary Challenges and Threats = Проблеми фінансового забезпечення соціально-економічного розвитку в контексті сучасних викликів і загроз : collective monograph / Mykola Biloshkurskyi, Liudmyla Chvertko et al. ; MES Ukraine, Pavlo Tychyna Uman State Pedagogical University, Department of Finance, Accounting and Economic Security, Public Organisation “Association of Ukrainian Educators and Researchers” ; edited by Maksym Slatvinskyi. – Praha : OKTAN PRINT, 2022. – 152 p.**

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The monograph represents the results of research of the scientific and pedagogical staff of the Department of Finance, Accounting and Economic Security of Pavlo Tychyna Uman State Pedagogical University on the research topic “Problems of financial support of economic and social sphere” (state registration number 0116U000117).

Ukraine’s financial security in the context of global transformation, formation of local budgets in the context of modern challenges and threats, the role and place of communities in the management of sustainable development in a region under institutional change, financial instruments of social protection of internally displaced persons in Ukraine, management of agricultural enterprise economic security are given in the monograph.

Recommended for readers interested in economic issues, academics, professionals, postgraduates, educators and students.

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## PREFACE

Under the conditions of economic transformations, the issue of determining the methods and institutional mechanisms for increasing the effectiveness of financial support for the country's economic development is being brought up to date. It is important to establish optimal relationships between the components of financial architecture, which will ensure a sufficient number of financial resources to achieve sustainable economic development of the country.

The need to modernize the system of financial regulation is due to the public need for the formation of a comprehensive long-term concept of the development of the financial and economic system. Institutions of state and local self-government should perform complementary functions, the system of state financial regulation should complement the market mechanism, improve the forms and methods of influencing economic processes. It is expedient to implement systemic measures in the field of budget and tax regulation, taking into account the principles of subsidiarity, transparency and control, which will contribute to increasing the efficiency of the use of budget funds.

Carrying out a balanced financial policy of the country requires the application of scientifically based approaches to budget regulation in the field of public debt and budget deficit. At the same time, at the current stage, there is a need to develop a strategy of financial regulation taking into account the cyclical dynamics of the development of institutional sectors of the economy.

It is important to strengthen the coordination of the use of mechanisms and levers in the process of forming and implementing the country's financial policy. It is appropriate to deepen the approaches to the management of the discount rate, currency regulation and control, ensuring the transparency of the financial market. The issues of improving the quality level of functioning of financial institutions and improving the provisions on the management of budgetary relations are gaining particular importance. It is important to determine the priorities of the budget, tax and monetary policy for the activation of investment processes, increasing the influence of endogenous factors on the processes of social reproduction.

The monograph includes five chapters, which are structured so that each of them contains the results of scientific and practical research on certain

aspects of financial support for economic and social development under martial law.

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# Chapter I

## UKRAINE'S FINANCIAL SECURITY IN THE CONTEXT OF GLOBAL TRANSFORMATION

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**Introduction.** Given the current situation of the global financial and economic crisis, the ability of the Ukrainian state to protect national economic interests from existing and possible external and internal threats and thereby strengthen its national security is relevant. In the leading countries of the world (the United States, European countries, Japan), national security concepts are being developed and implemented taking into account their own economic interests, which Ukraine should pay special attention to, given the great interest in itself from near and far abroad, as well as the presence of a powerful strategic potential.

**Literature review.** Recent studies and publications, which the author relies on, highlighting the unresolved parts of the general problem, which this article is devoted to. The topic of economic security of national economies in the context of the formation of the global economic system is the subject of many scientific works. The main theoretical approaches to the essence of economic security and the mechanism of its institutional support are reflected in the scientific works of such leading domestic scientists as A. Galchinsky, P. Yeshchenko, Yu. Palkin, V. Geets, S. Kireeva, Yu. Zaitsev, V. Andriychuk, V. Muntiyany, I. Protsenko and others.

**Results.** The connection of the Ukrainian economy with the world economy, its export orientation and negative balance of payments create significant dangers for the domestic financial sphere. In the conditions of the financial and economic crisis, the priority direction of the state and business is the implementation of a coordinated policy and the development of a strategy to reduce the impact of crisis phenomena in the financial sector. Taking into account the scale, depth and duration of the crisis phenomena in the specified sector, as well as the degree of their negative impact on the processes taking place in the Ukrainian economy, it is necessary to develop

new approaches to the construction of the system of financial security of our state. The special urgency of researching this issue is determined by the complex military and political situation of our country's development, because financial security is an integral attribute of a sovereign state.

In order to create a reliable system for ensuring the economic security of the state, an effective mechanism for identifying threats to national interests that pose an immediate danger to the economic system, thus disrupting the process of social reproduction, is needed. Constant monitoring and identification of the main threats to economic security greatly facilitates its maintenance at the proper level, and also makes it possible to timely develop and implement practical measures to reduce the negative impact of threats or their complete elimination. Undoubtedly, the coordinating and leading role in the process of ensuring the economic security of the country should belong to the state, whose actions in this case include a certain denial of the interests of its own economic security. However, such a contradiction is objectively caused by the function of the state as a guarantor of national interests. However, economic security should be understood more broadly as a progressive and dynamic phenomenon, since the economy cannot be considered as something static. If there is development and economic growth in the state, then economic security is strengthened and consolidated, and its threshold values are shifted towards higher values, or new indicators are introduced that reflect a new level and a new qualitative state of the economic system. In the system of economic security, its financial component plays an important role, the level of which depends on the realization of national interests and stable economic development. Ensuring financial security becomes especially relevant in the period of the financial and economic crisis, which is accompanied by a partial loss of internal and external solvency, instability of the exchange rate of the national monetary unit, a decrease in the level of income of the population, inflation, a reduction in revenues to the budgets of all levels and special funds, etc. At the current stage of the functioning of any state, there is a deepening of the globalization process and its significant impact on the economy, which consists not only in new opportunities for the country's development, but also in the strengthening of risks and threats. There are also a number of negative changes in the financial system, which have been manifested in most countries in recent years and are characterized by a disorder in the implementation of budgets, loss of creditworthiness, aggravation of the financial crisis associated not only with economic, but

also with political cycles. On this path, the activity of financial security of the state, which is one of the main components of economic security, plays an important role. The modern development of economic relations promotes an early and quick response to socio-economic changes taking place in the financial market. At this stage, there is a deepening of the economic and political crisis and its significant impact on the country's economy, which requires the formation of quick and coordinated actions, effective mechanisms and tools for the use of state financial resources. Therefore, an important role is played by the activity of the country's financial security, which consists in protecting the financial interests of the subjects of the monetary and credit sphere and the balance of its main indicators, which quantitatively reflect the existing threats and risks, as well as directions for their rapid overcoming.

Financial security is an extremely complex multi-level system, which is formed by a number of subsystems, each of which has its own structure and logic of development. Therefore, such components of the financial security of the state are distinguished as: budgetary, tax, debt, financial security of the banking system, currency, monetary security, investment security, financial security of the insurance and stock market [4]. Each of the components is characterized by certain indicators, which are used in the assessment of the state of security of the corresponding sector and make it possible to adequately perceive the economic situation, as well as the nature of economic processes at the macro level and through the prism of their compliance with national interests and national security requirements.

The most important indicator of the state's budgetary security is the level of the budget deficit, and therefore one of the main threats is the excess of the actual budget deficit over the planned one, which calls into question the efficiency of the state administration bodies and may cause difficulties in cooperation with international financial organizations.

Having assessed the ratio of the deficit/surplus of the state budget to GDP, it can be observed that the change in the values of the indicator indicates positive results in the field of budget deficit management, as this indicator is gradually decreasing and is within the normal range. This was achieved thanks to taking measures to create an optimal structure of budget expenditures, creating an effective system of control over the rational and effective use of budget funds. However, it is worth remembering that the existence of a deficit remains a negative phenomenon in the field of financial security of the country, since this phenomenon increases the



impact of other threats on the economy of Ukraine, worsening its stability.

In the current era of globalization, no country can do without additional sources of funds in the form of borrowing, and Ukraine is no exception, for the entire time of its existence, the amount of public debt is constantly increasing, therefore, debt security plays an important role, because with its help, the state sets itself the task achieve the solvency of the country, and ensure such a level of debt that will be sufficient to solve current socio-economic problems and, in general, so that it does not affect the financial stability of the state and its sovereignty. To analyse the country's indebtedness, the ratio of the total state debt to GDP is used. Considering the unsatisfactory level of financial security and the strengthening of globalization processes, there is a great need to improve its main indicators.

For this, it is necessary to constantly monitor the size of the budget deficit, to pay more attention to the increase of cash income by overcoming poverty, to improve the tax payment system, to improve the financial condition of economic entities, to form an integrated system of legislative support for the regulation of expenses for maintenance and debt settlement, and to carry out a balanced policy optimization of money market, insurance and stock market instruments.

The main necessity of a developed society and any democratic state is the need for security, protection from unwanted external influences and various internal threats. The rule of law, stable power, effective social, political and economic growth factors, a high level of culture and an increase in the education of citizens act as a guarantor of economic security as an important element of the national security of any country. Given this, the socio-economic and socio-political situation of Ukraine at the present stage predetermines the scientific study of national security problems, including economic the security of the regions of Ukraine Objective factors that also actualize the need to study the problems of institutional support for the economic security of the regions of Ukraine is the growth of its role and importance in the national security system of the country. The development of conceptual provisions, methodological and practical recommendations for the institutional provision of economic security of the regions of Ukraine expresses not only the request of economic theory, but also the needs of economic practice. The essence of economic security is that it is the basis for any other directions, manifestations and branches of state security, thanks to the knowledge of this branch, it is also possible to foresee the

consequences of external or internal actions in order to reduce their possible negative or increase their positive impact on the development of the state. It is important to note that the economic security of the state is a complex system, which itself also has many branches (directions): raw materials, energy, financial, technological, food, social, demographic, environmental, etc. The stimulating role of the budget deficit is that the return on the effective use of borrowed funds may exceed the cost of increasing them. That is why the dynamics of this indicator is presented in the graph (Table 1.1).

**Table 1.1.** Indicators of the effectiveness of budgetary regulation in Ukraine according to the data of 2006–2021

<b>Year</b>	<b>Volume of local budget revenues, % of GDP</b>	<b>The volume of transfers from the state budget to the local budget, % of GDP</b>	<b>The level of redistribution of GDP through the consolidated budget, %</b>	<b>Consolidated budget deficit, % of GDP</b>
2006	5.9	4.9	29.3	3.4
2007	6.2	5.3	32.1	1.8
2008	6.8	6.3	32.2	0.7
2009	7.6	6.2	31.4	1.1
2010	7.1	6.2	32.6	1.5
2011	6.9	6.8	33.6	2.4
2012	6.6	7.2	34.9	6.0
2013	5.8	7.2	31.7	1.8
2014	6.3	8.8	35.0	3.6
2015	6.3	8.0	34.8	4.4
2016	5.7	8.3	33.4	4.6
2017	6.1	8.8	34.3	1.6
2018	7.2	6.3	35.1	2.3
2019	7.7	9.1	35.4	1.4
2020	7.4	8.6	35.1	3.9
2021	7.6	6.6	34.5	2.1

*Source:* The State Statistics Service of Ukraine.

In world practice, the acceptable level of budget deficit is 2–3% of GDP. As you can see, in 2017–2020. Ukraine almost met these restrictions. However, in 2021, the consolidated budget deficit was equal to the highest level since 2006 – 8.4%. The inefficient use of borrowed funds leads to the problem of public debt [1].

Despite taking into account the key trends in global development and

compliance with international standards of legal and regulatory support for economic security, the national system of planning and programming for strengthening economic security requires improvement in certain areas. The strengthening of the institutional vector in ensuring economic security should take place primarily through the modernization of existing and the creation of new economic and social institutions that will ensure an increase in labour productivity on a qualitatively new basis and economic growth. Otherwise, the economic backwardness of the country will become irreversible and it will threaten the existence of the nation and the state. The addition requires the formation of an institutional and legal basis at different levels of the hierarchy of economic management, which is ensured by the performance of decision-making, informing and motivating functions by institutions.

According to this approach, it is necessary to form the institutional foundations for improving the system for ensuring the economic security of the state.

The creation of an integral system requires the development of a unified policy based on the improvement of each of the subsystems: the decision-making subsystem – through a set of institutional and legal principles for the distribution of powers of subjects of different levels of the system, information – through the creation of institutions for monitoring state policy in the field of economic security, motivational – through the development of rules and mechanisms for implementing decisions.

The deployment of global processes of technological change, which are increasingly coming to the fore of world economic discussions, including those held at the world's leading economic forums such as the World Economic Forum (WEF), various discussion forums within the G20 and the OECD. not only exacerbated the problem of structural inadequacy of the Ukrainian economy. In essence, this makes this question existential: to be or not to be. The time factor is beginning to play a decisive role in an environment where mainly new production and business technologies are likely to dramatically change the global economic landscape over the next two to three decades. The passive behaviour of the state and the national business elite under such circumstances can lead to death, while the leading players in the world market may lose interest in Ukraine, and the country's products are gradually falling out of new world markets. Ukrainian businessmen face (even if they don't see it) the real threat of depreciation of their capital as a result of archaic technologies and organizational regimes

and structural backwardness, which looks like a direct result of long periods of a slowed down and even degraded culture of innovation. Therefore, Ukraine urgently requires a real revolution in its attitude to the issues of economic development and the outgrowth of the mentality of civil servants involved in economic regulation, the main decision-making criterion of which should be real structural changes aimed at the priority development of modern technologies and related economic activity [2].

Thus, based on the results of the analysis, below are practical recommendations on the budgetary policy of Ukraine as a factor of financial and economic security:

1. Against the background of the growing social burden on the budget, it is necessary to maintain the level of state redistribution of the gross domestic product at the expense of its expenditures.

2. It is necessary to continue the redistribution of budget funds in favour of the regions, which will increase the level of their financial autonomy and reduce the amount of transfer payments.

3. To pursue a strict restrictive policy in order to avoid the growth of the state budget deficit and the uncontrolled increase in debt.

4. The problem of pension provision increases the burden on the state budget every year. It is necessary to take measures to create a cumulative system of state and non-state pension insurance [3].

Economic growth will help alleviate these fiscal problems and their impact on the country's financial security. So, the analysis of the components of the budgetary system of Ukraine as factors of financial and economic security, which, unlike the existing ones, proceeds from the need for further implementation of the decentralization reform and allows the development of practical recommendations on budgetary regulation.

Law No. 3087–d defines the legal basis for the organization and activities of the Bureau of Economic Security of Ukraine. According to the Law, the Bureau of Economic Security of Ukraine is the central body of executive power, which is entrusted with the task of countering offenses that encroach on the functioning of the state economy [2]. The law defines the tasks, functions and powers of the Bureau of Economic Security of Ukraine, control over its activities, legal status, duties and responsibilities of employees of the Bureau of Economic Security of Ukraine, interaction with state bodies, enterprises, institutions and organizations, competent authorities of other states. The law provides that the Bureau of Economic Security of Ukraine has direct, including automated, access to automated

information and reference systems, registers and banks (databases), the owner (administrator) of which is state bodies or local governments. The Bureau uses public, including state means of communication, special communication networks and other technical means.

The importance of economic security lies in the fact that when it is achieved, the stability of the state and the welfare of society. Ensuring economic security is a complex and at the same time multidimensional goal that requires the development of an effective system of legal regulation. That is why the economic security of Ukraine is a matter of ensuring security, identifying threats and risks, which is of great scientific interest to legal scholars. There are many topical issues of legal support for the state of protection of the economic system. This updated the definition of key areas for effective economic development and stimulation of national priorities in the long-term strategy for socio-economic development of Ukraine until 2021. A special role in the system of ensuring economic security is assigned to the stability and sustainability of the state system. It becomes more and more obvious that this is the financial sector, which in the modern context reacts to any negative economic processes. The events that have taken place on the world stage in recent years, associated with the deterioration of relations between different countries, the slowdown in global economic growth and the complication of economic growth, which entailed new threats and risks, are required from the actions of the world community to protect financial interests. Financial security is one of the most important factors in ensuring the economic security of any country [1].

The relevance of the issues of legal regulation of ensuring economic security and its components is determined, on the one hand, by the understanding of the importance of national security in the system of communication with national interests and, on the other hand, by the fact that threats and risks negatively affect the security object and require their identification within the framework of the mechanism for applying regulatory and other means of ensuring economic security is being studied scientifically.

One of the fundamental issues of the essence of economic security and its parts is their definition. According to the definitions proposed by experts, it can be concluded that the phenomenon under study is multidimensional and asserts a systemic relationship of such a phenomenon, such categories as “security”, “threat”, “risks”, “danger”, “damage”, etc.

First, let's turn to the study of the term “security” using the general

scientific method of deduction, the existing definitions of security, as a rule, include a description of security objects and their method should be protected from internal and external threats. At the same time, all these definitions of security do not have a certain degree of specificity. They lack an understanding of the state and level of protection, security subjects, and specific features of security objects. Therefore, these definitions require clarification. A. I. Stakhov was one of the first to turn to security as a legal category. In his opinion, security as a legal category can be defined as a legislatively regulated state for the protection of the constitutionally legal interests of individuals, society, the state and the nation, which excludes threats to security. At the same time, the analysis of several definitions helped us to identify the most significant or, more precisely, the main elements. First of all, most authors consider security as the state of a potential victim, a threatened object. Secondly, security is quite clearly seen as the ability of an object, phenomenon or process to retain its essence and main characteristic, when challenged by targeted harm from external or internal influences. Thirdly, security is a system category, a characteristic of a system based on the principles of stability, self-regulation and integrity. Security must protect all the properties of the system, since an impact that damages any of these properties will lead to the destruction of the entire system. Fourthly, security is considered a decisive condition (guarantee) for the vital activity of individuals, society and the state. This allows them to preserve and multiply their material and cultural significance. Fifthly, security in its absolute terms is the absence of material and mental danger and threat. Sixth, an important element of all definitions is a threat as a real sign of danger [4].

Based on the analysis of all approaches and the interpretation of the concept of security, we can conclude that the threat and the fight against it represent the essence, the primary element of security. Therefore, security is the protection of ensuring the vital interests of people, society and the state against internal and external threats, guaranteed by constitutional, legal and practical measures. Vital interests include economic independence, legal and social well-being, structural integrity, stable and efficient operation.

The category of economic security is interpreted differently in the scientific literature. For example, according to V. Tambovtsev, "...the economic safety of the system should be considered as a combination of the characteristics of the state of its own production subsystem, which ensures

the achievement of the whole goal-system” L. I. Abalkin considers economic security to be the state of the economic system, which allows it to develop dynamically, effectively and solve social challenges in such a way that the state is able to develop and implement an independent economic policy [5].

This means that, in general, economic security is a key qualitative characteristic of the economic system, which determines its ability to maintain normal conditions for the daily activities of the population, sustainable maintenance of continuous and efficient production, exchange, distribution and consumption of tangible and intangible assets in the interests of individuals, society and the state. In the sphere of public money, the state of preservation is characterized by the stability and sustainability of the monetary system. Based on several definitions, opinions of researchers on the category of financial security and its essence, it can be concluded that financial security is the state of protection of all parts of the state system from various threats. The financial system is a common object of monetary security. The “life activity” of all social institutions of the state and its international image depend on their stable functioning. That is why the protection of the financial interests of the state is a priority goal of ensuring economic security. Another important theoretical issue of the topic under study is the definition and essence of threats [6].

The following types of threats are distinguished in the scientific literature: direct, indirect, internal, external, long-term, etc. Threats are also highlighted with the help of a protected object: environmental, military, technical, informational, etc. The main thing that unites these types of threats is that each of them in one way or another negatively affects the protected object, making it weak, unstable, unable to satisfy the needs and interests.

There is no definition of a threat that describes the signs of danger and what should be prevented in the current legislation. At the same time, differentiated threats are associated with the danger of sources (as it turned out from the Law itself). The theoretical foundations for improving the legal regulation of economic security and the possibility of using them are obtained as a result of improving the current legislation and established legal practice, determine the practical relevance of issues of ensuring economic security. Without a doubt, legislation is the main element of the economic security of the modern state.

The level of applied legal instruments from laws to regulations meets

the needs and interests of society and their effectiveness in terms of influencing people's behaviour determines the achievements and goals, both immediate and long-term, to which these instruments are directed. Reasonable legal regulation of financial and economic relations developing in Ukraine is a necessary condition for ensuring economic security. This should be understood here, their legal basis should take into account the processes currently taking place in the financial sector. The main conditions for the effective use of state mechanisms of action are the correct assessment and adequate analysis of the economic situation, and, first of all, the trends in determining the interaction of the main elements of the economic system [7].

Legal regulation as one of the means of ensuring economic security should be based on a deep financial and economic analysis, take into account the dynamics of key economic indicators, and respond quickly to ongoing changes in the financial and economic sphere. The legal framework governing the provision of economic security of Ukraine is characterized by incompleteness, that is, there are no regulatory definitions of both economic security itself and the economic threat to security, indicators and thresholds. It should be recognized that legal regulation lies behind modern development. The development of law programs covers only the main areas of ensuring economic security, while a systematic approach to the development of a complex legal framework is challenged by various objective and subjective complications. Along with the need to create an effective legal framework, there is a constructive mechanism, control of the process of development, implementation and control of practical measures of the economy should be organized to ensure security.

The National Security Strategy of Ukraine provides for the legal starting points for the regulation of economic security and defines the organizational, legal and informational foundations for implementation. However, it should be noted that the legal mechanism of economic security – confidence – is far from perfect. For example, to support financial security, measures are aimed at strengthening the financial system and minimizing risks and threats, including the stability of the hryvnia exchange rate, lowering inflation and optimizing financial control. The above information leads us to the conclusion that in order to maintain financial resources and economic independence, Ukraine needs an economic security strategy that meets the current external (geopolitical) and internal (socio-economic) factors. Ensuring economic security is one of the priority areas of state



policy. Issues of legal regulation of Ukraine, ensuring economic security becomes relevant during and after crises. Modern events convincingly prove the need for an approach to economic threats and risks, which, in turn, justifies the need to find the most optimal and rational ways to improve the legal norms for regulating social relations related to ensuring economic security in one way or another.

In the context of the functioning of economic relations that arise between the subjects of the financial system of Ukraine, the issue of creating a safe environment for their activities is increasingly being raised. The globalization of the world financial system has a significant impact on the state of financial security of individual countries, especially transitional economies are significantly dependent on the international level of public and private capital. Financial security as an integral part of economic security has a significant impact on the level of economic growth in the country. The key to financial security is the transparency of what is happening in the public finances and banking sectors. The traditionally low transparency of the Ukrainian economy according to most international ratings, the high level of bureaucratic corruption and political instability create the basis for applied research aimed at increasing the level of the country's financial security, especially in terms of its budgetary and monetary components.

The financial security of the country is a multifaceted phenomenon: firstly, it is a component of economic security and, secondly, it is a subsystem of national security. At the same time, financial security is a complex multi-level system, which is formed by several subsystems, each of which has its own structure and development logic. At the present level of development of market relations, an appropriate level of financial security is a guarantee of the sustainable development of any country. In the economic literature, financial security is viewed as a complex phenomenon influenced by several factors. This is a key component not only of the economic, but also of the national security of each person. The study, based on data available at the NUTS level, proves the existence of a relationship between the level of economic development of national economies and the state of an individual economic entity. These relationships describe the state of health of society in the state and regions, which is directly related to economic security in the country.

Along with the existing Methodology for assessing the level of economic security of Ukraine, developed in 2015 at the initiative of the

President of Ukraine, the sustainable development strategy “Ukraine 2020” was adopted as part of the National Security Strategy. Analysis of the intermediate results of the economy part of this strategy was explored in a project based on mathematical forecasting models and professional peer review of Ukrainian and international scientists, namely NATO, the EU and the USA [34].

Recently, scientists in Ukraine are increasingly trying to activate the methodological foundations for ensuring the level of financial and economic security, but it was found that in Ukrainian practice, assessments of the country’s financial security are not complete, since financial security is a complex multidimensional category characterized by close interdependence and interaction its components. Consequently, inaccuracies and errors in the assessment of some indicators occur immediately reflects on others. Today in Ukraine, the Ministry of Economy and Trade has developed a methodology for assessing the level of financial and economic security in the country, including the components of banking, non-banking, debt, budgetary, currency and monetary security. Thus, the modern banking segment in Ukraine activates European integration and at the same time provides for additional risks in the context of security in all areas.

Fiscal security is the state of ensuring the solvency and financial stability of public finances, which allows public authorities to perform their functions as efficiently as possible (Ministry of Economic Development and Trade of Ukraine, 2013). According to the results of calculations, the fiscal security of Ukraine is not only in a threatening, but also in a pre-crisis state. There is a discrepancy between the balance of revenues and expenditures of the state and local budgets, and public funds are used inefficiently. The main problem in this context is the inappropriate nature of the use of budgetary funds, inefficient distribution, theft, inefficiency of the state control mechanism, and in fact its absence.

An important component of financial security is currency security, the level of stability of which is one of the important characteristics of any developed country. The analysis of Ukraine’s currency security shows that its state is also not optimal and there are certain imbalances and problems, since the exchange rate plays an important role in ensuring the stability of the foreign exchange market [8].

Therefore, special attention is paid for its change. The hryvnia exchange rate official index against the US dollar, although within acceptable limits, is increasingly close to the critical threshold and has low

values, that is, over the past five years, there has been a decrease in the hryvnia against the world currency and, accordingly, a decrease in its purchasing power in the foreign market during trade in goods, services and in the process of capital and credit movement. Considering the security currency, we should mention the foreign cryptocurrency, which today is not officially recognized as a means of payment in Ukraine and different states treat it differently, but the speed of its circulation is gaining momentum not only in Ukraine. If specific requirements are met, the cryptocurrency can become the new global currency of the world. However, there are still many questions regarding the real nature of the cryptocurrency and its place in the monetary system, therefore, given the development process of the cryptocurrency, the security of the state's foreign exchange market should include all threats to the stable economy of the state's development.

Along with this, financial security is inextricably linked with investment processes, which also requires the development of methods aimed at creating effective tools for identifying risk factors and monitoring the effectiveness of investment projects. In this context, the effectiveness of investment funds should be emphasized, since investment funds are financial intermediaries between depositors and debtors, which generate demand for financial trading instruments in financial markets. But the Ukrainian methodology for assessing the financial and economic security of the state does not take into account the aspects of investment, innovation, the customs tariff of the system and the tax burden in the country; there is no account of the activities of non-financial organizations, which are now becoming more and more and already occupy a significant position in the financial processes of the state [9].

Modern Ukrainian approaches to assessing the country's security level are based on integral assessments and the use of quantitative indicators. In foreign practice, management criteria have been developed based on a comprehensive analysis of ensuring an appropriate level of financial security (canons of security), which are effective and can be used in Ukraine. Mention should be made of the papers by Chihak, Munoz, TehSharifuddin, and Tintchev (2012), Demirguk-Kunt, Detragia, and Tressel (2006), Edwards (2007), where, in addition to the problem of financial instability, the role of international organizations in the development of financial security indicators is also evidenced. that can be used in Ukrainian practice. However, despite the large number of scientific papers in the field of assessing the level of financial security of the country,

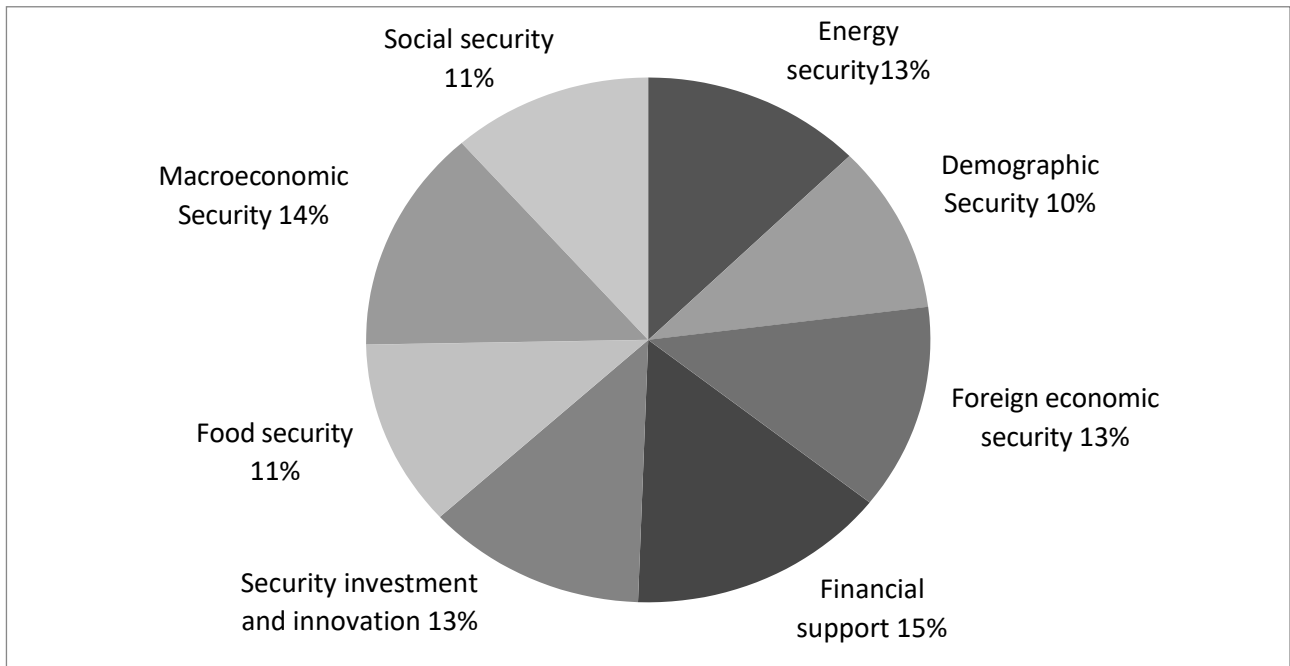
the issues of its qualitative and mathematically significant forecast for subsequent periods remain open and require further development of the study. The article uses statistical information and statistical analysis data to summarize studies, analysis and synthesis material used to select estimated indicators, a calculation and analytical method for determining individual values of security indicators and the overall level of financial security, a comparison method for analysing financial security indicators in dynamics and for comparison of rating methods for assessing the level of financial security, economics and mathematical methods, namely regression analysis, made it possible to determine the dependencies of indicators that affect financial security [10].

Today in Ukraine, at the legislative level, the methodology for assessing financial and economic security is based on the “Methodological Recommendation for calculating the level of economic security of Ukraine”, approved by order of the Ministry of Economy, Development and Trade of Ukraine dated October 29, 2013 No. 1277, in terms of quantitative indicators, the study of indicators characterizing the level of economic security of the country and its main components, by calculating the integral of the security index in each area. In accordance with this methodology, financial security is the state of the country’s financial system, which creates the necessary financial conditions for the country’s stable socio-economic development, ensures its resistance to financial shocks and imbalances, and creates conditions for maintaining the integrity and unity of the country’s financial system [4].

The financial security of Ukraine contains the following components: banking security, security of the non-banking financial sector (represented by the stock and insurance market), debt security, fiscal security, currency security and monetary security. To assess the overall level of monetary safety, it is so recommended to evaluate the safety of its components, which include several characteristics [11].

According to the approved methodology, it is advisable to use a system of indicators with the definition of their acceptable boundary levels. The deviation of the actual levels from the boundary values indicates a discrepancy to the optimal value. Standardization of integral indicators characterizing the state of safety is carried out by measuring them on a scale from 0 to 1, or as a percentage from 0% to 100%. It is important to determine the integral indicator of the level of security of each sector and the overall value of the country’s security using weighting coefficients that determine

the degree of contribution of each indicator to the integral security of the index. The important role of the financial component in ensuring economic security is confirmed by the value of the weighting coefficients of the economic security component, determined by expert assessment. And financial security has the highest weight coefficient among all (0.1294) on other components of economic security (Fig. 1.1).



**Figure 1.1.** Coefficients of the components of economic security

*Source:* Formed by the author on the basis of methodological recommendations for calculating the level of economic security of Ukraine.

According to methodological recommendations for assessing the level of economic security, security indicators of the non-banking financial market are indicators of insurance and the stock market. The investigation showed that this security component is characterized by a very low level of penetration of insurance into the country. The stock market experienced a significant reduction in the level of capitalization of listed companies over the past 2 years. Firstly, it concerns the introduction of amendments to the “Regulations on the functioning of stock exchanges”, which the National Commission on Securities and the Stock Market has significantly increased the requirements for issuers to the list of trade organizers. It should be noted that the indicators of debt security are characterized by an appropriate level of household and external debt, taking into account the cost of its services and the efficiency of using domestic and external borrowings.

One of the most important factors that have affected the level of financial security of this sector in recent years is the increase in the amount of debt in the population. However, the results of the calculations show that the indicators of debt security determined by the Ministry of Economic Development and Trade demonstrate an adequate level of satisfaction of urgent socio-economic needs and, on average, the entire period is at the level of more than 40%.

**Table 1.2.** Indicators of banking security of the financial market of Ukraine in the period 2017–2021

<b>Indicators and meaning of security</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
1. The share of debt on loans in the total volume of loans granted banks resident in Ukraine, %	13.4	18.5	31.6	41.8	49.1
2. The ratio of bank loans and foreign currency deposits, %	135.9	151.1	136.9	125.8	113.1
3. Share of foreign capital in the authorized capital of banks, %	35.4	32.5	43.3	56.2	40.8
4. The ratio of long-term (more than 1 year) loans and deposits	1.7	2.8	3.8	4.1	3.2
5. Return on assets, %	0.1	–3.9	–6.2	–15.5	–1.9
6. The ratio of liquid assets to short-term liabilities, %	89.1	86.1	92.8	92.0	97.4
7. Share of assets of the five largest banks in the total assets of the bank's securities, %	40.0	43.4	53.6	55.6	59.7

*Source:* Methodological recommendations for calculating the level of economic security of Ukraine.

Gross international reserves for the entire period also show rather small volumes of foreign trade and capital flows of Ukraine. The balance of

household sales of foreign currency has a negative trend. In countries with developed economies, the volume of sales of foreign currencies should be approximately the same, and in Ukraine there is a sharp deviation first in favour of the sale of foreign currency, and then in favour of the purchase of foreign currency by banks from the population, which leads to a high level of dollarization of the money supply in the country [13].

The total value of Ukraine's foreign exchange security for the entire period under review decreased by more than 10 points, which indicates that its condition is worse than in the banking and non-banking markets, but better than in the public sector. According to the results of calculations, the situation with the monetary and financial security of Ukraine is much better than budgetary security, but worse compared to foreign currency. The main factor that negatively affected the overall level of monetary and financial security of Ukraine is the excessively high share of this cash outside banks in the total amount of money, for example, in the period 2017–2021. This figure ranges from 26.16% to 27.51%. In general, the optimal value of this indicator should exceed 20% [2]. The money supply in Ukraine is characterized by high growth rates and an excessively large share of funds. In recent years, the process of lending to households in the national currency is gaining momentum. In the period 2016–2020 The share of consumers of loans provided to households, in general, the structure of loans provided to residents is high, but there is a gradual downward trend. The optimal value of this indicator is the share of 5–9%, but its excess can be considered positive, since the indicator is a stimulator of the country's monetary and credit provision and security.

The results of the assessment of the financial security of Ukraine show that the security of all components is below the average level of the optimal value, as a result, the level of overall security of Ukraine can be assessed as low. The situation has not changed over the past five years, and the national economy is only protected by a third from financial threats, that is, only a minimum level of security for the financial sector of the economy is provided. The greatest threats were expressed in external debt, inefficient use of budget funds, the high cost of bank loans and a significant level of dollarization of the economy. The economy of Ukraine is not unstable to financial shocks and imbalances. However, after conducting a study using only this methodology, it cannot be argued that the result is a final and valid reflection of the real situation with the financial sector in the country as a certain methodology of shortcomings. Namely, there is no orientation

towards a long-term financial forecast; it is not clear how the weighting factors involved in the calculations (determined by expert assessments) are not clear, which leads to an increase in the level of subjectivity and a decrease in the practical and scientific value of the results. Also, the methodology is aimed at quantitative analysis and includes only a certain number of indicators, ignoring other equally important indicators and the quality of statistical information and its impact on the level of security of individual components and financial security [14].

Therefore, today in Ukraine an urgent task is to improve the mechanism for assessing financial activity and economic security, which can be implemented by developing an additional system of indicators of all financial components that would complement the methodology for calculating the level of economic security and make it possible to comprehensively assess the level of financial security activity and realistically assess the situation in the country.

One of the best-known ratings today is the World Bank's Doing Business, or business conduct rating. This is an exhaustive ranking of countries with 190 positions and above the position of the country in the ranking, the more favourable the environment for business in the country. The position of each country in this ranking is determined by ordering the total score obtained in ten areas. In accordance with the results of 2020, Ukraine has the following positions:

- business registration – 20th place in the world;
- work with building permits – 140th place;
- connection to the power supply system – 130th place;
- property registration – 63rd place;
- obtaining loans – 20th place;
- protection of minority investors – 70th place;
- taxation – 84th place;
- international trade – 115th place;
- fulfilment of contracts – 81 places;
- resolution of insolvency – 150th place [15].

Overall, Ukraine ranks 76th in the world, which is better than the previous year, with only four of them having ten of the indicators considered in the study.

The Global Peace Index also examines countries comprehensively and provides a comprehensive analysis of the state of peace in a country. He points out that now, in the conditions of unchanged social and political



upheaval, the world continues to expend enormous resources to create and spread violence, and the key to restoring peace is the creation of a peaceful world, an essential foundation of the key attitudes, institutions and structures that create peace in the long term. Every country in the whole world can build and develop peace. Ukraine also occupies 154 positions in this rating.

Journal “Economics”, published by an international organization of an expert group from the Sydney Institute. The Economy and the World notes that a regional deterioration in the rate occurred in Ukraine, which ultimately affected the average rate in the world. Due to the deterioration of relations with the Russian Federation, the growth of corruption in the political sphere has a traditionally high level of income inequality.

Considering that it is impossible to determine the place of Ukraine on a global scale using the national methodology among other countries, there is a need for a qualitative interpretation of the results in order to conduct a comparative analysis of the international security rating of Ukraine with the calculated values of the integral assessment of financial security. Based on international standards for assessing the country’s financial security performance, the distribution of indicators describing the total cost of Ukraine’s financial security was divided into four groups:

- A – 81–100;
- B – 61–80;
- C – 31–60;
- D – 0–30 [15].

The level of financial security and the rating of Ukraine are presented according to the results of calculations in Table 1.3.

Thus, the results obtained in the Ukrainian methodologies for assessing financial and economic security are fully consistent with international ratings, that Ukraine was assigned to the “C” rating. However, when analysing it, it was revealed that the Ukrainian methodology for determining the country’s financial security has several shortcomings that give rise to certain problems during settlement.

Consequently, the technique does not take into account many aspects, both quantitative calculations and qualitative characteristics, and the criteria chosen by the method characterizing the economy in different directions, forming a single integral assessment, but not reflecting the real state of financial security. Therefore, it is necessary to make certain adjustments to the mechanism of the methodology, which will bring the value of the integral indicator in accordance with the actual state of financial security in

the country.

**Table 1.3.** Financial security rating of Ukraine according to the methodology for assessing financial and economic security

<b>Year</b>	<b>The Importance of Financial Security</b>	<b>Rating</b>
2017	29.24	D
2018	33.22	C
2019	31.17	C
2020	30.86	C
2021	30.29	C

*Source:* State Statistics Service of Ukraine.

As a direction for improving the methodology, this can be used as an additional regression analysis of most of the influential indicators used to calculate the level of a country's financial security. The proposed regression analysis will provide an opportunity evaluate the impact of individual components on the integral safety indicator and determine ways to improve the level of safety by improving the corresponding indicators. The perfect methodology is to determine the economic and mathematical tools of the influence of factors on the result, taking into account the coefficients of determination and the results of the multifactorial multivariate regression of the model, that is, the indicators that determine the most integral indicator of the country's financial security are determined the most.

The COVID–19 pandemic is the biggest test of the post-crisis financial system to date. The pandemic is an unprecedented global macroeconomic shock, pushing the global economy into a recession of uncertain magnitude and duration. The global financial system is faced with a double problem – to maintain the flow of loans in conditions of reduced growth rates and to manage their increased risks. This exogenous shock put the financial system under stress. Downgraded and expected economic activity, increased risk aversion led to significant revaluation and repositioning in global financial markets. On the one hand, funding providers have an increasing preference for short-term safe assets. On the other hand, credit risks are growing sharply. As a result, capital and liquidity requirements of the financial system rose. Increased operational risks add to vulnerabilities.

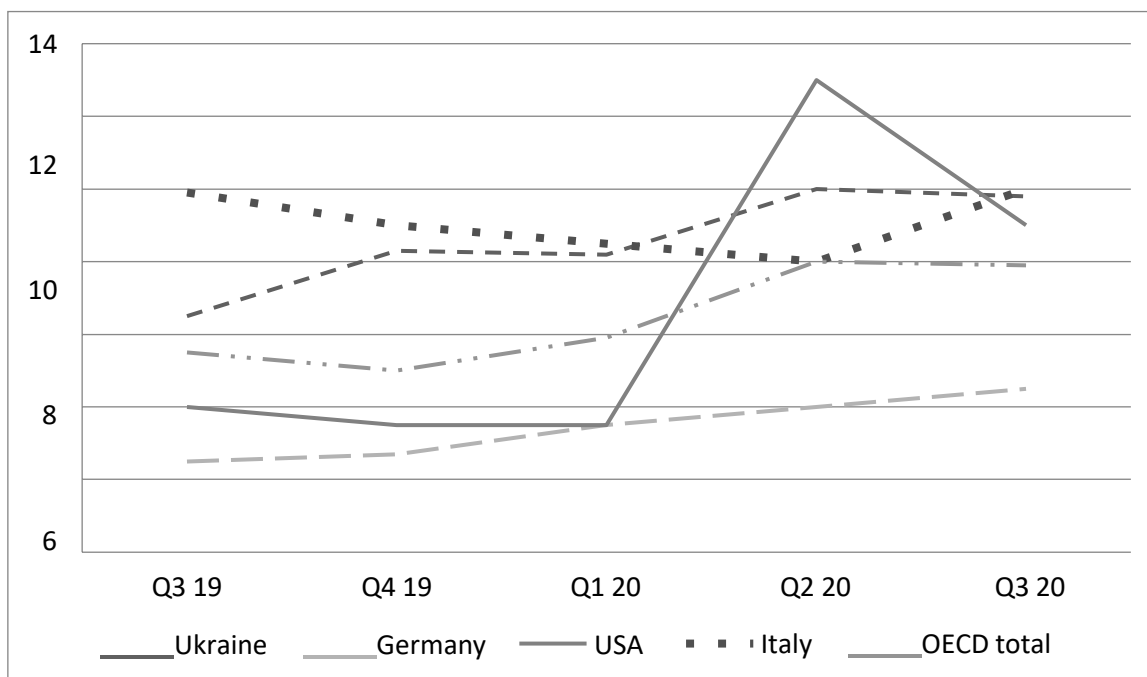
The country still faces shortages of emergency medical supplies such as masks, protective suits and ventilators. Until November 29, 2020 37,789 medical workers in Ukraine fell ill with COVID–19. At the beginning of the

crisis, there were more than 3,500 ventilators in Ukraine. This was approximately 83 ventilators per million inhabitants, compared to 302 per million in Germany. The total number of intensive care units in the country was 1716.6. The onset of the COVID–19 epidemic coincided with a government reshuffle in early March and the start of the second phase of health care reforms (which began on April 1). Amid fears that the reform in its current form could lead to the dismissal of 50,000 doctors and the closure of 332 hospitals in Ukraine, the President called for changes to its design and to resolve these issues. From July 1, 2020 the law was amended to ensure that hospitals receive at least as much money as last year, and to protect medical workers from dismissal [6].

The economic outlook was stable prior to the onset of COVID–19, with steady growth, moderate public debt, and relative price and currency stability. However, the change of government in early March caused some political upheaval and reorganization that may have slowed the initial response. Ukraine already faced large foreign debt payments in 2020, and talks with the IMF stalled on issues such as banking and land reform. Without an agreement with the IMF, the risk of sovereign default has increased. The unemployment rate in 2019 was over 9% of the workforce, the share of informal workers in the economy remains very high (up to 30%), and social security is weak. The increase in the unemployment rate to date has not been as sharp in Ukraine as in many OECD countries, although the unemployment rate reached 9.9% in the second quarter of 2020, before falling again to 9.4% in the third quarter. The National Bank of Ukraine assumes that the lower increase in unemployment may be partially due to informal employment, as well as the strong spread of remote work in Ukraine, especially among large companies. Low domestic savings and limited fiscal space further limit the ability of households or public authorities to absorb exogenous shocks [16].

From January to September 2020, the deficit of the national budget of Ukraine amounted to UAH 81.725 billion, which is four times higher than the deficit for the same period last year. On September 24, the National Bank of Ukraine (NBU) increased the budget deficit forecast for 2020 (from 7.5% to 6.0–6.5% of GDP). The forecast was modified by “severe underfunding” of existing government spending in 2020 to date. On October 13, the IMF published the “World Economic Situation” forecast, according to which a decrease of –7.2% of GDP in Ukraine is predicted in 2020. The Ministry of Economic Development, Trade and Agriculture announced that it estimates

a decrease in the gross domestic product of Ukraine (GDP). in January-October this year at the level of 5.2%, and it is predicted that the annual GDP in 2020 will decrease by 5%. According to NBU estimates, the three-week blocking regime, which was planned for January 2021, will lead to a decrease of  $-0.2\%$  of the annual GDP of Ukraine next year [17].



**Figure 1.2.** Unemployment rate: Ukraine and selected OECD countries  
*Source:* OECD, Ukrstat.

At the beginning of the crisis, the yield of long-term (2028) Eurobonds of Ukraine jumped by 150 basis points, effectively removing the country from international debt markets. By mid-May, the hryvnia (UAH) had fallen by 12% against the dollar (USD) since the beginning of the year. In May, the hryvnia rebounded somewhat and at the beginning of July traded at the level of UAH 26.7–27.0/USD. On July 2, after Smoliya’s resignation, the National Bank of Ukraine sold 150 million dollars on the interbank foreign exchange market to mitigate excessive exchange rate fluctuations. On July 23, according to the confirmation of the Governor of the National Bank of Ukraine Kyryl Shevchenko, Ukraine returned to the international debt markets with the successful sale of Eurobonds worth 2 billion USD.

On August 28, the National Bank of Ukraine removed barriers for foreign investors to enter the securities market of Ukraine, namely direct access to the purchase and sale of government bonds. September 15, 2020 The NBU set the official dollar exchange rate at UAH 28/USD, after a month of growth of the dollar against the local currency. On September 24,

Morgan Stanley expressed doubts about the government's plans to finance the UAH 208 billion deficit provided for in the draft state budget for 2021 on the domestic market through the placement of government bonds, suggesting that this increases the likelihood of an unplanned placement of Eurobonds. November 6, 2020 The NBU reported that international reserves fell by 1.5% monthly, or by \$0.4 billion, to \$26.1 billion. In October 2020, after falling 8.7% m/m in September. If this year Ukraine does not receive the second planned tranche of the IMF in the amount of 700 million dollars, some analysts assume that the only viable way to fill the budget deficit will be a mass issue of international Eurobonds [18].

**Table 1.4.** Main economic forecasts for Ukraine on 2021  
(before and after COVID–19)

<b>Economic prospects 2021</b>	<b>Projections to COVID–19</b>	<b>Projections after COVID–19</b>
1. Inflation, %	5.5	8.7
2. Exchange rate UAH / USD	27.0	29.5
3. GDP, %	3.7	–7.2
4. Unemployment, %	8.1	9.5
5. Average monthly salary, UAH	12.5 thousand	10.7 thousand
6. Current account balance, % of GDP	n.a.	–2.0
7. Net government lending / loans, % of GDP	n.a.	–8.2
8. Forex reserves, USD	29.3 billion	

*Source:* Compiled by the author based on data from the Ministry of Economic Development, Trade and Agriculture.

The global financial system is more stable and has better opportunities to support real financing of the economy as a result of the G20 regulatory reform after the 2008 global financial crisis. In particular, the greater stability of the main banks, which are the basis of the financial system, allowed the system to mainly absorb, rather than strengthen, the current macroeconomic situation. Those forms of market financing that contributed to the financial crisis of 2008 are positioned at a much lower risk of financial stability. The infrastructure of the financial market, in particular the Central Bank, functioned well despite the difficult external financial and operational

conditions. Nevertheless, given the unprecedented scale of the shock, key funding markets experienced acute stress and the authorities had to take a wide range of measures to support the supply of credit to the real economy and support financial intermediation. The measures taken were decisive and bold, including massive central bank liquidity support. However, continued uncertainty about the scale and duration of the economic impact of the pandemic continues to create stress on the financial system. Internationally coordinated action to support a well-functioning, sustainable financial system and well-functioning and open markets remains a priority.

The FSB closely monitors the stability of the financial system, in particular the key nodes in the system, which are critically important for financial stability. These include: the ability of financial institutions and markets to channel funds into the real economy; the ability of market participants around the world to obtain dollar financing, particularly in emerging markets; the ability of financial intermediaries, such as investment funds, to effectively manage liquidity risk; and the ability of market participants and financial market infrastructure (including central banks) to manage the evolution of counterparty risks. Weaknesses in these nodes and their interactions can exacerbate financial conditions and can affect the provision of financial services and possibly the stability of the financial system [17].

1. The formal sector community provides a rapid and coordinated response to support the real economy, support financial stability and minimize the risk of market fragmentation. This answer is supported by the following principles:

1. Authorities will, individually and collectively through the FSB and standard setting bodies (SSB), monitor and share information in a timely manner to assess and address financial stability risks from COVID–19 to maximize global policy benefits.

3. Authorities will recognize and use the flexibility built into existing financial systems standards – including through the use of firm-specific and macroprudential buffers – to support the supply of funding to the real economy, support market functioning and ensure sound business continuity planning.

4. The FSB, SSS and authorities will continue to temporarily seek opportunities to reduce the operational burden on firms and authorities to help them focus on the response to COVID–19. This includes, for example, delaying the implementation of deadlines, rescheduling initiatives in other

policy areas or providing flexibility in technical compliance rules.

5. Actions of the authorities will be consistent with the maintenance of a common international level of standards, given that they provide the stability necessary to maintain real lending to the economy and preserve the international level playing field. Such actions do not roll back regulatory reforms or compromise the main goals of existing international standards.

6. The authorities will coordinate through the FSB and SSBs the future timely unwinding of temporary measures taken to facilitate the return of financial conditions and operations to normal, smooth and consistent operation, as well as to maintain financial stability in the long term [19].

On this basis, the FSB supports international cooperation and coordination on the COVID–19 response in three ways. First, the FSB regularly exchanges information between financial authorities on the development of threats to financial stability, on political measures that the authorities finance, adopt or consider the consequences of such policies. Second, the FSB is conducting an assessment of potential vulnerabilities, including the key nodes described above, to better understand the impact of COVID–19 on financial markets in individual jurisdictions and around the world and to inform policy discussions. Third, FSB members coordinate their activities on their responses to policy issues, including measures taken by the FSB and national authorities to provide flexibility within international standards or to reduce operational burden.

The COVID–19 pandemic has led to a significant revaluation and repositioning of financial markets on a global scale. Continued downward revision of expected economic growth rates and increased risk aversion, combined with high uncertainty about future developments, the pandemic led to extreme volatility in equity and other risk asset markets, capital outflows from EMDEs and sharp changes in foreign exchange rates. A number of stress metrics have reached historically high levels. Funding markets have been strained by the extraordinary demand for cash and near-cash assets, and there has been disruption in activity and price discovery, including in some markets that are normally highly liquid. Since late March, some market stress has eased in response to unprecedented fiscal policy measures and central bank actions to support financial markets. Unlike in 2008, the core banking system has remained resilient amid these stresses. The pandemic is an unprecedented global macroeconomic shock of uncertain magnitude and duration. Activity in a number of sectors – including tourism, transport, automotive and services – has collapsed in the

economies hardest hit by the pandemic and is spreading to other parts of the economy as demand falls. The depth of the recession and the timing and shape of the recovery remain uncertain. A global recession seems inevitable, with the potential to create lasting damage to global growth. The impact on firms will vary depending on their sector, size, leverage, funding sources and credit quality. Some sectors of the real economy may also face reductions in their activity that cannot be recouped (for example, those engaged in services or the production of non-durable goods) or may be permanent in nature [20].

Knowledge about the virus and the resulting pandemic dynamics remains incomplete and appears to be largely dependent on the effectiveness of the policy response. The pandemic and the containment measures that have followed it are affecting both supply and demand in the highly interconnected global economy. The economic consequences of past epidemics therefore provide little guidance on the impact of COVID-19. All this increases uncertainty and makes the confidence of investors and consumers more fragile.

Pressure on lending to the real economy has become a major problem. As the pandemic continues, non-financial corporations face increasing funding shortfalls as cash flows from operations dwindle or dry up. Demand for bank credit – including through existing lines of credit used by corporations – has increased significantly and is likely to remain elevated in the short term. At the same time, the strengthening of credit supply, especially in the non-banking sector, can significantly increase the tension in the financing of the corporate sector. Indeed, credit spreads have widened dramatically for riskier borrowers, including those borrowing in the credit and high-yield bond markets and those operating in sectors particularly affected by the pandemic. The financial system is more stable and better able to support real financing of the economy as a result of G20 regulatory reforms after the financial crisis.

These reforms improved the stability of the core financial system. Big banks are better capitalized, attract less and hold more liquidity and remain sustainable until the end of the market. Over-the-counter (OTC) derivatives markets are simpler and more transparent. The use of central clearing has increased and collateral is more widespread [16].

Non-banking financial intermediation (NBFI) grew, diversifying sources of capital. Those aspects of NBFIs that contributed to the 2008 financial crisis, including certain forms of structured finance, have



diminished and pose a much lower risk to financial stability. However, financial intermediaries and markets face growing challenges in lending and financing. Bank and non-bank financing providers must deal with increasing credit risks. Credit quality will deteriorate when the global economy enters recession, affecting the already high proportion of low investment grade or high yield corporate bonds. Credit rating agencies began downgrading corporations, pushing some of them to high segment profits, and revised the outlook for other firms to negative, with a potential pro-cyclical effect. At the same time, growing risk aversion and increasing demand for cash, including to meet growing margin requirements on derivative positions, has forced investors to move to cash and cash securities [21].

Along with this, the reduction in intermediation has caused some markets to begin the transition to illiquidity, including those normally considered highly liquid. Some market economies have also already seen large capital outflows. The preference for liquidity and safety is reflected in significant outflows from investment funds that invest in less liquid fixed income assets such as corporate and emerging market bond funds, corporate bond exchange-traded funds (ETFs), debt funds, and certain money market funds. Some large corporations have increased their cash reserves, which may have strained funding markets. These strains can impair the ability of some parts of the market-based financing system to serve the real economy. Contingency operations of financial firms can increase vulnerabilities. Blocking precautions are testing contingency plans of financial institutions, the infrastructure market and market participants. Remote and cross-site work and limited staffing can negate complex market operations and centralized functions, e.g., market creation may be less efficient and lending may be more difficult.

Disruptions to telecommunications services or third-party service providers may also affect financial institutions. The stability of key hubs in the global financial system is critical to financial stability. The effective provision of financial services to the real economy – including the provision of credit to borrowers in need, as well as the provision of liquidity and safe assets for investors – depends on the existence and functioning of key nodes in the global financial systems. Several such nodes have gained importance after the global financial crisis and are associated with increased participation of NBFIs in credit markets and strengthening of connections between banks, non-banking and financial markets.

The ability of financial institutions and markets to channel funds into

the real economy. The resilience built over the past decade has enabled the banking sector to meet the demand for corporate use of existing lines. But the liquidity strain has increased. A key challenge in the near term is to keep credit flowing in the face of deteriorating credit quality and rising defaults, and this may require further government action. It is critically important to support this activity – this is the ability of banks to attract funds and the willingness to provide credit, which, in turn, will depend on the market’s perception of the solvency of their and their borrowers. Similarly, the ability of non-bank financial intermediaries to continue lending to the real economy – or intermediation in credit markets – will depend on their ability to raise funds or divert funds to these markets, which may be particularly difficult to finance riskier borrowers (high yield bonds and leveraged loans). As the supply of loans by certain non-bank banks increases, the ability of banks to act as a “spare tire” and the entry of other non-banks to expand their activities in these markets becomes critical [22].

The ability of market participants worldwide to obtain US dollar financing, particularly in emerging market economies (EMEs). Observed capital outflows from EMEs at the end of March were much larger than during 2008 during the financial crisis or during 2013 during the tightening hysteria. These larger outflows reflect a shift in US dollar funding deficits over the past decade from advanced economies to EMEs, and from banks to non-financial corporations. On the supply side, non-bank financial intermediaries now provide a larger share of US dollar financing to foreign borrowers.

Central bank measures have resolved the acute situation of funding tensions, but the stability of complex dollar funding chains and the ability to go the “last mile” and direct US dollar liquidity to the foreign exchange market is important to prevent default. The availability of financing depends on a functioning intermediary chain, in particular the currency swap markets and the channelling of funds to end consumers.

The ability of financial intermediaries, such as certain investment funds, to effectively manage liquidity risk. Increased risk aversion, along with growing demand for safe assets, has been reflected in outflows from a subset of open-ended funds, including ETFs investing in less liquid assets, major US institutional money market funds (MMFs) and similar non-US MMFs investing in instruments, which are usually highly liquid. A large amount of central bank support is needed to improve liquidity in these markets. However, overall market uncertainty remains, and expected

materialization of economic risk reductions due to credit downgrades, defaults and declining market values could potentially increase buyout pressure on the investment funds sector. Crucial for this activity is the liquidity of funds, underlying assets and the ability of fund managers to assess their value, as well as liquidity risk management practices [21].

The FSB is supporting international cooperation and coordination on the COVID–19 response in three ways. First, the FSB will continue to regularly share information with financial authorities on developing threats to financial stability and on policy measures those financial authorities are taking or considering. Second, the FSB conducts vulnerability assessments and provides risk assessments in key areas that deserve special attention. Third, the FSB is a coordination for responding to policy issues, including measures SSBs may take to provide or give guidance on the flexibility available to authorities and firms within existing international financial standards.

Ukraine has made the European choice as the main direction of its state policy, both domestic and foreign, the ultimate goal of which should be full membership in the European Union. However, it should be taken into account that access to world markets and the formation of an open economy also mean the internal stability of the economy and the financial system of the state.

Consequently, a regression analysis was carried out for those components, the calculations of which revealed some difficulties, indicators of debt, budget and currency security, the indicators of which are important not to reflect the real situation in the country. As a result, the most important components of the financial security of the country during the analysed period were banking security, the security of the non-banking financial sector, i.e., insurance and stock markets and monetary value. This is confirmed by the system of indicators of the model, namely: the coefficient of multiple correlation, equal to 0.99, indicates a very high correlation between dependent and independent variables. The resolution coefficient is 0.98, i.e., financial security has a strong relationship with the selected factors and 98.7% is explained by the change in the selected variables. The uncorrected factor of the multiple determination of  $R^2$  in this case is close to 1, that is, the model explains almost all variations of the corresponding variables. Adjusted multiple determination coefficient  $R^2 = 0.94$ , which indicates a high determinism of the result of the model with factors. The resulting multiple regression model, which describes the dependence of the

overall importance of the country's financial security in banking, non-banking and monetary security, looks like this:

$$Y = 39.78 - 0.04 x_1 + 0.07 x_2 - 0.51 x_6 + \varepsilon$$

where Y is an integral indicator of financial security;

$x_1$  is the security of the banking sector;

$x_2$  is the security of the non-banking financial market;

$x_6$  is the monetary safety.

The problems of assessing and qualitatively forecasting the level of financial security of the country are becoming increasingly relevant. The existing regulatory and methodological support of Ukraine in this area is more theoretical and advisory. The application of the methodology for calculating the level of financial security as a component of the country's economic security, approved by the Ministry of Economic Development and Trade, found that Ukraine's banking security indicators in 2017–2021 tend to improve somewhat. In turn, the assessment of the state of monetary and financial security of Ukraine pointed to an excessively large share of the share of cash outside banks in the total money supply – at the level of 26–27%. According to the results of calculations, we can assert that debt security indicators are adequate to meet socio-economic needs, which is erroneous and indicates the need for a more responsible determination of indicators that reflect the real situation with the debt situation in the country. Namely, we can state that the budgetary security of Ukraine is not only in a threatening, but in a pre-crisis state. There is a discrepancy between the balance of income and expenditure of the state and local budgets, and municipal funds are used inefficiently. The overall level of financial security in Ukraine was recognized as unsatisfactory and, in accordance with international standards, it was proposed to distribute indicators describing the overall financial security of Ukraine into four types on a scale: A, B, C and D, according to which Ukraine has a C rating. This corresponds ratings of Ukraine issued by international rating agencies. The proposed method for predicting the level of financial security of the country is to determine the indicators that most affect the integral indicator of financial security. Regression analysis made it possible to determine the most significant indicators that best determine financial security and eliminate significant shortcomings of the Methodology – an extremely wide list of indicators (important components are checked less) and the impossibility of

forecasting for future periods. As a result of the analysis, it was found that the financial security of Ukraine mainly depends on banking security, security of the non-banking financial sector and monetary security.

The security of these segments has the greatest impact on the overall financial security of the country and is the most significant and estimated level of Ukraine's financial security by 2021 is 40%. The investigation provides a basis for further scientific developments in assessing the level of the country's security finances and ensuring the transparency of public finances.

**Conclusion.** Therefore, the creation of a large-scale mechanism for ensuring the financial security of the state involves, first of all, solving a wide range of issues related to the formulation of criteria and principles for ensuring financial security, as well as the determination of priority national interests in the financial system of the state, the use of measures to prevent and overcome factors that threaten financial security state. In addition, in order to create a mechanism for ensuring the financial security of the state, it is necessary to solve a whole set of legal, structural and organizational, procedural, personnel, technological and resource tasks. As for the systems of legislative provision of financial security, the system of relevant institutions and management structures that should deal with this problem, the concept of their prospective development, remains unclear. Also, difficulties arise in the process of implementing the system of financial security of Ukraine, which are associated with the absence of a coordinating centre in the state, which, receiving information on this issue from various state authorities, would be able to summarize it and make appropriate official decisions.

Financial security of the state has both internal and external aspects. As for the external, it is, first of all, the financial sovereignty of the country, the independence of the national financial system from the influence of international financial and credit organizations and transnational capital. However, it is not correct to talk about absolute financial independence in the conditions of globalization. After all, the financial security of Ukraine is affected by the processes of financial globalization, which are intensifying in the world community. Therefore, the problem of financial security today goes beyond national borders. The level of integration and consolidation of financial markets is increasing, the scale of capital mobility is increasing, and the intensity of its circulation is increasing. According to experts, "in the world, huge flows of "world money" have formed, which are not subject

to national governments or any other political institutions. They were not formed as a manifestation of the needs of production, trade, investment or consumption. Their main source is mainly money trade. Therefore, when developing a strategy for financial security of the state, it is important to scrupulously analyse and take into account the current and likely future situation on the world currency and capital markets. The security of the domestic financial sphere of Ukraine is determined by the perfection of the legal, organizational and institutional framework; as well as political stability, the level of market risks, the scale of the shadow economy and the level of corruption in the state.

To improve and strengthen the financial security of Ukraine, I propose to take the following measures:

- intensify work in the direction of strengthening the banks' own capital base;
- to develop measures to prevent the outflow of deposits of individuals,
- to restore the trust of the population regarding the placement of funds on a long-term basis;
- reduce rates on credit resources, bringing them closer to the level of European countries;
- an even combination of internal and external sources of financing the budget deficit;
- improvement of tools for attracting personal savings of the private sector and income of the country's population to the investment sphere.
- increase the level of gold and currency reserves;
- the use of loan funds from international organizations to stimulate the country's economic development, rather than repaying the government's debts.
- establishment of a "floating" exchange rate of the national currency by the NBU in order to stop devaluation processes;
- directing IMF credit resources not to "artificial" support of the hryvnia, but to structural investment shifts and reforming the economy, strict control of the expediency of using such funds;
- balancing of money and commodity markets, i.e., reduction of inflation.

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## Chapter II

# FORMATION OF LOCAL BUDGETS IN THE CONTEXT OF MODERN CHALLENGES AND THREATS

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**Introduction.** The basis of developed local self-government is an effective local budget. The advantages of decentralized budget management are mainly explained by the same arguments that reveal the feasibility of decentralization in public administration. When deciding on the provision of public services at the expense of budgetary funds, it should be borne in mind that with a decentralized approach, it is possible to better take into account the interests of consumers, and when moving to centralized provision, the cost of services may decrease. There are other benefits of decentralized budget management.

Satisfying the collective needs of the population at the expense of the local budget, it is possible to more fully take into account the needs of citizens, since local authorities are in close proximity to consumers of goods. Thus, the possession of more complete and truthful information about the preferences of people in the region creates the necessary conditions for providing citizens with the most necessary public and private benefits.

The privilege of providing services at the expense of local budgets is that the regions compete with each other, offering their residents various public goods. The desire to provide better living conditions in each region leads to a general improvement in the economic and social situation of the country. The preferences of the population are expressed in the choice of place of residence.

As the experience of European countries shows, the success of local self-government contributes to the overall progress of the country, enhances the processes of democratization, and improves the efficiency of public finance management. Local budgets are the only effective tool for local self-government to meet the needs and interests of local communities. Given

this, the effectiveness of local self-government directly depends on the system of formation of the local budget and the efficiency of using its funds.

The practice of managing local budgets indicates the presence of a number of systemic shortcomings that lead to the impossibility of meeting the needs of the territorial society and business structures in public services. Unresolved systemic problems have created a situation in which the mechanical expansion of local budget revenues will not lead to the expected increase in social security.

**Literature review.** The problems of formation of local budgets have been studied in many scientific publications in the economic field, among which the works of scientists such as: T. Bondaruk [7], A. Dvignun [29], V. Dmytrovska [6], O. Kirylenko [9], O. Kocherga [23], V. Martynenko [22], O. Petrenko [27], M. Pukhtynskyi [26], I. Storonyanska [30], M. Treshchev [19], L. Chupryna [16]. At the same time, many issues in the field of financing and formation of local budgets still remain unresolved. The absence of a separate legislative act on local budgets and constant changes in tax and budget legislation lead to constant disagreements, which requires further in-depth fundamental research.

**Results.** Local self-government bodies play an important role in the socio-economic development of administrative-territorial entities and the provision of public services to the population. However, the implementation of the delegated state and own powers of local governments at a high level is possible only when adequate financial support is provided, where the main source is local budget revenues [1].

The reform of local self-government and territorial organization of power in Ukraine was developed and implemented in 2014. The main objective of this reform is based on the principle of creating a modern system of local self-government in Ukraine, which will meet democratic principles and provide local communities with new powers and resources.

The implementation of the reform of local self-government and the territorial organization of power based on decentralization began in 2015. In September 2016, the Cabinet of Ministers of Ukraine by its order approved a new version of the plan of measures for the implementation of the Concept of reforming local self-government and territorial organization of power in Ukraine.

The decentralization reform made it possible to significantly increase the share of local budget revenues. However, the financing of most of the

expenses associated with the life of territorial communities is now realized at the expense of their budgets.

An important goal of the state budget policy is to create conditions for economic stability and sustainable long-term growth, and reduce interregional imbalances. Among the main instruments for achieving these goals are the revenues and expenditures of local budgets. The basis of the financial base of local governments is the income of local budgets, which embody the economic independence of local authorities, contribute to the development of local infrastructure.

Revenues of local budgets are economic relations that arise in the process of formation of financial resources at the regional level and are intended for the implementation of the functions and tasks of local governments [2].

The legal essence of the local budget is that its amount is approved by the meeting of the local council, which is part of a normative legal act with high legal effect that regulates budgetary relations by establishing generally binding rules and ensuring their implementation within a certain range. Consequences of total loss or loss of local budget revenues are more serious, that is, the needs of the economy, education, medicine, social security cannot be met. Local budgets should provide settlements with legal, sufficient and stable financial resources necessary for the full implementation of constitutional functions [3].

The European Charter of Local Self-Government, signed and ratified by Ukraine, notes that local self-government bodies have the right and opportunity to regulate and manage a significant part of state affairs belonging to their competence in the interests of the local population. The Law of Ukraine on Local Self-Government in Ukraine determines that the financial basis of local self-government is the income of local budgets [4].

The necessary process of strengthening the revenue side of local budgets by increasing their own and part of the taxes, fees and charges assigned to them, the establishment of stable and long-term deductions from national taxes and fees, which will ensure the ability of local government to function effectively and fulfil its powers [5].

The legal basis for the formation of the revenue side of the local budgets of Ukraine are:

- regulatory and legislative regulation of the formation of financial flows of local budgets;

– powers of governing bodies in the field of formation of the relevant budgets;

– the main approaches to the fiscal regulation of local budgets at the stages: the process of consideration, approval and execution of budgets.

Compliance with legal norms and financial discipline in this area means timely and complete fulfilment by all subjects of budget legal relations of property, primarily monetary obligations [6, p. 351].

In the formation of local budget revenues in world practice, preference is given to two alternative principles. This, in particular, is the principle of budgetary equivalence, which contains the idea of fairness of taxation in relation to citizens, enterprises and residents of the regions as a whole. According to this principle, local budget revenues should correspond to the tax burden on the inhabitants of the regions, which means that the opportunities for them to receive public goods and services at the expense of local budgets should grow with an increase in taxes on a certain territory. The second principle is based on an understanding of civil solidarity, as well as on a number of economic arguments, respectively, on which the state will try to equalize the financial capabilities of the regions [7, p. 11].

The Law of Ukraine on Local Self-Government in Ukraine determines that the revenues of local budgets are formed from their own sources, determined by law and fixed in the prescribed manner, national taxes, fees and other obligatory payments. That is, in the revenue part of the local budget, the revenues necessary to fulfil their powers and the revenues necessary to ensure the implementation of the delegated powers of the authorities are separately allocated [4].

The composition of local budget revenues is determined by the Budget Code of Ukraine (Articles 64, 66, 69 of the Code) and the Law on the State Budget of Ukraine. Local budget revenues are referred to a general or special fund. The income of the development budget is allocated as part of the income of the special fund. The funds of the state budget, which are transferred in the form of grants and subventions, are approved by the Law on the State Budget for each relevant local budget.

Given the above, the most common classification criterion, recognized by all scientists in the study of local budget revenues, is the division of revenues according to the method of formation into their own and fixed. However, for a long time, the conclusions of scientists about the content and purpose of these types of income differ significantly [8].

The allocation of local self-government's own revenues as a separate source of budgetary potential formation occurred with the adoption of the European Charter of Local Self-Government, which states that local authorities have the right, within the framework of national economic policy, to appropriate financial resources, which they can freely dispose of within their powers.

Exploring his own income, A. P. Kirilenko argues that their formation occurs as a result of the actions and decisions of local governments [9, p. 36]. At the same time, V. I. Kravchenko, A. V. Luchko determine the territorial localization of their own sources of filling the budget, that is, these revenues are collected in the territory covered by the jurisdiction of the respective local council. Own revenues relate exclusively to local budgets, the independence of local governments in the use of these revenues is not limited by the authorities.

Based on the generalization of the opinions of scientists, it can be argued that the main sign of one's own income is their direct subordination to local authorities.

The revenues of local budgets are conditionally divided into their own (those that local governments (hereinafter referred to as CHI) can "earn") and transferred (those that are transferred to local budgets from the state budget on an irrevocable basis. They are also called interbudgetary transfers).

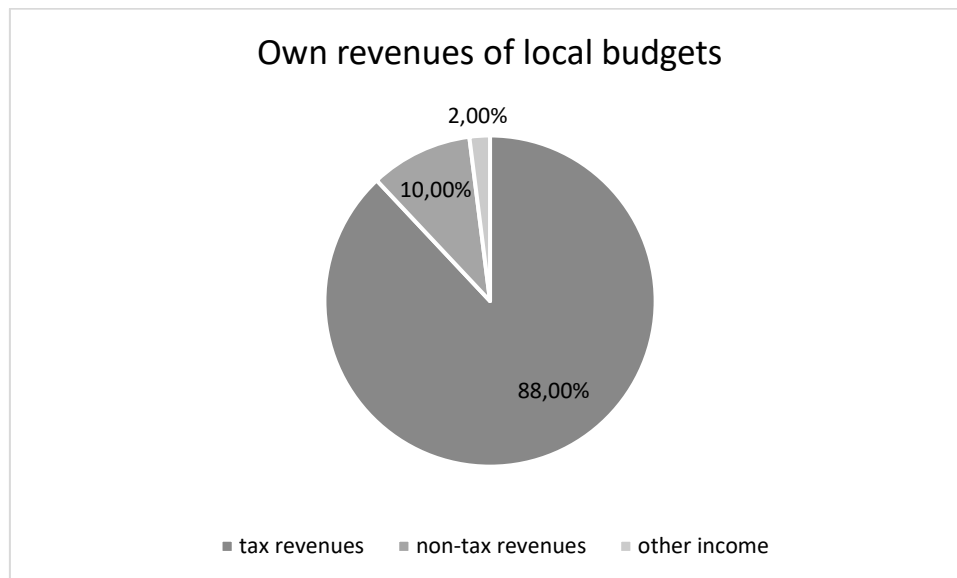
Own revenues of local budgets form 3 main sources (Table 2.1).

**Table 2.1.** Own revenues of the local budget

<b>Source of formation</b>	<b>Content</b>
tax revenues	part of national taxes and fees (tax on personal income, income tax, rent (for the use of subsoil, mining, etc.), excise tax on fuel, etc.), local taxes and fees (property tax, single tax, tourist tax, etc.)
non-tax revenues	fee for issuing licenses and permits, rent, state duty, fines
other income	proceeds from the sale of fixed capital, trust funds, donor funds received from the EU and international organizations

*Source:* Compiled by the author based on the source [9].

The significance of one or another source of income in the structure of a particular local budget is due to the specifics of the distribution of taxes and fees between local budgets of different levels in the Budget Code (Fig. 2.1). For example, personal income tax (PIT) goes to the budgets of united territorial communities (UTC), cities of regional significance, district and regional budgets, but not to rural, settlement and district budgets. The latter “live” mainly at the expense of local taxes.



**Figure. 2.1.** Distribution of local budget revenues

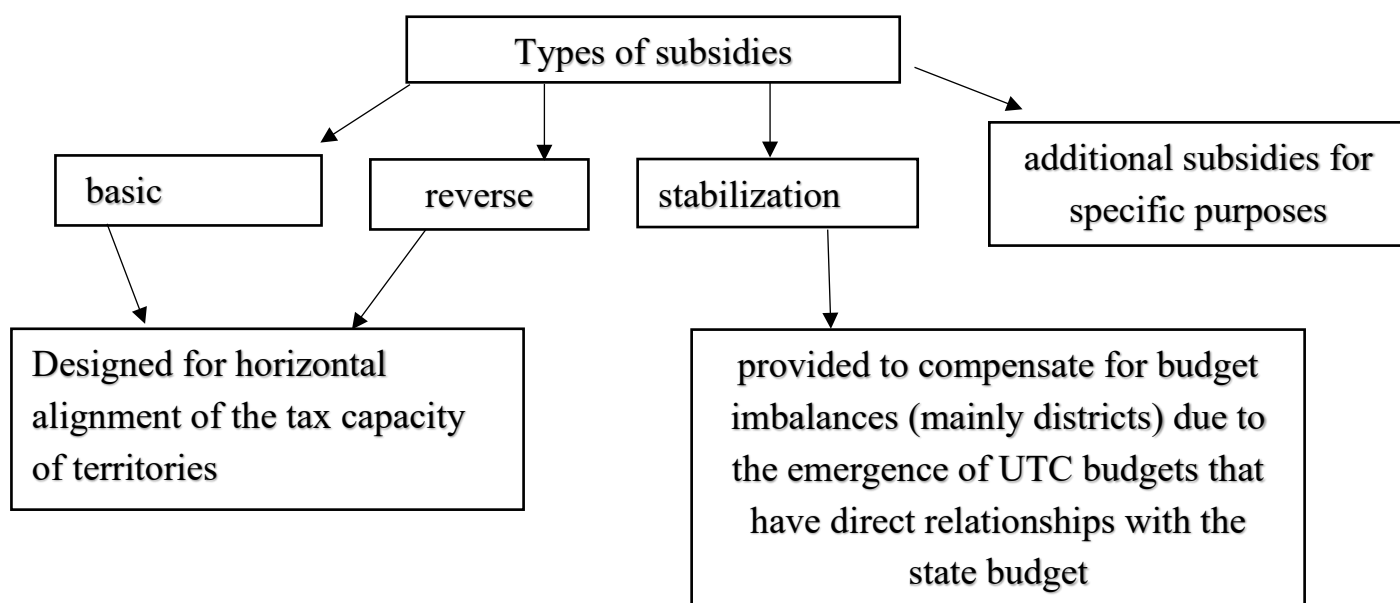
*Source:* Compiled by the author based on the source [10].

The second part of local budget revenues includes funds transferred from the state budget (or other local budget) through grants and subventions (ie, interbudgetary transfers). These funds are not charged (as, for example, for the use of a loan) and do not need to be repaid (as a loan or credit). The need to “roll over” funds from the state budget to the locals is due to the inability of local governments to finance the fulfillment of all the powers assigned to them only from their own income (hold schools, hospitals, housing and communal services, etc.).

The main difference between grants and subventions is that they have unlimited areas of use. Grants are usually directed to finance the current needs of the local community. However, it should be noted that for the effective use of funds, government officials “tie” some grants to specific areas of use. For example, an additional subsidy for the implementation of expenditures transferred from the state budget for the maintenance of educational institutions and health care is intended to cover current expenses

in schools, including the salaries of non-teaching staff, and to pay for energy carriers in hospitals, outpatient clinics and other health care institutions.

In general, there are relatively few subsidies (Fig. 2.2).



**Figure. 2.2.** Types of subsidies

*Source:* Compiled by the author based on the source [11].

Subventions received from the state budget to local budgets are characterized by a specific purpose and the procedure for use established by the Cabinet of Ministers (for example, the purchase of medicines, the formation of infrastructure for the UTC, etc.). But the narrow circle of use of subventions is compensated by their quantity.

Due to the funds accumulated in the revenue side of local budgets (their own revenues and funds transferred from the state budget), CHI are able to carry out expenses for the social and economic development of the respective territorial communities, in particular: kindergartens and schools, hospitals and outpatient clinics, social benefits and subsidies to the population, preferential certain categories of citizens, fire protection and municipal formations for the protection of public order, the development of housing and communal services and the construction of roads, etc.

According to the analysis of the institution of local budgets in Ukraine as the main financial institution of local self-government, on the basis of which all financial resources are formed, during the implementation of the reform of local self-government and the territorial organization of power [10], there is a tendency to increase own revenues of the general fund of local budgets. So, Table 2.2 shows data on the own revenues of the local

budget fund and transfers from the state to local budgets, as well as the share of transfers in own incomes of the general fund of local budgets for the period 2016–2021.

**Table 2.2.** Income indicators of the general fund of local budgets for the period 2016–2021

<b>Indicators</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
1. Own revenues of the general fund of local budgets (excluding transfers), UAH billion	99.8	146.6	191.9	233.9	275.0	290.1
2. Transfers from the state budget to local budgets, UAH billion	174.2	196.0	272.9	285.5	245.5	135.8
3. Total revenues of the general fund of local budgets, UAH billion	274.0	342.6	464.8	519.4	520.5	426.0
4. Share of transfers from the state budget to local budgets in the revenues of the general fund of local budgets, %	63.6	57.2	58.7	55.0	47.2	31.9

*Source:* Compiled by the author according to [10].

Thus, during the period of decentralization of public administration in Ukraine, there is a constant trend towards the growth of own revenues of the general fund of local budgets – the average annual growth rate of the indicator during 2016–2021 is 24.55%.

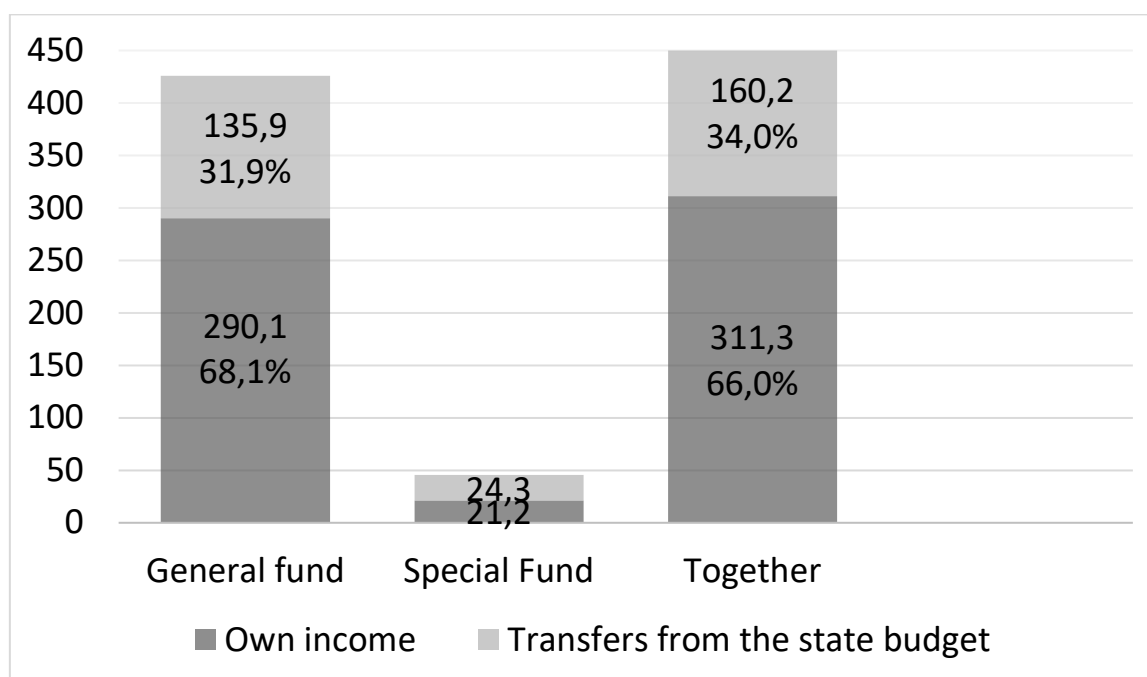
At the end of 2021, revenues to the general fund of local budgets of Ukraine (excluding interbudgetary transfers) amounted to UAH 290.1 billion, which is 99.0% of the approved annual plan, taking into account changes (UAH 29.320 billion). Compared to the plan without changes (which was determined when approving local budgets – UAH 291.1 billion), the level of implementation is 99.6%. Compared to 2020, the nominal income growth is UAH 14.9 billion, or +5.4%. It should be noted that at the end of 2020, the increase in income compared to 2019 amounted to 17.5% (UAH 41.1 billion) [10; 13].

Revenues to local budgets in 2021 were significantly affected by quarantine measures introduced in connection with the coronavirus pandemic. In April-May there was a significant decrease in income, after which in June-July the positive dynamics gradually resumed and during October-December the average income growth rate was 10.7%.

In 2021, the local budgets of Ukraine received UAH 471.5 billion, including: the income of the general fund amounted to UAH 426.0 billion;



special – UAH 45.5 billion (Fig. 2.3).



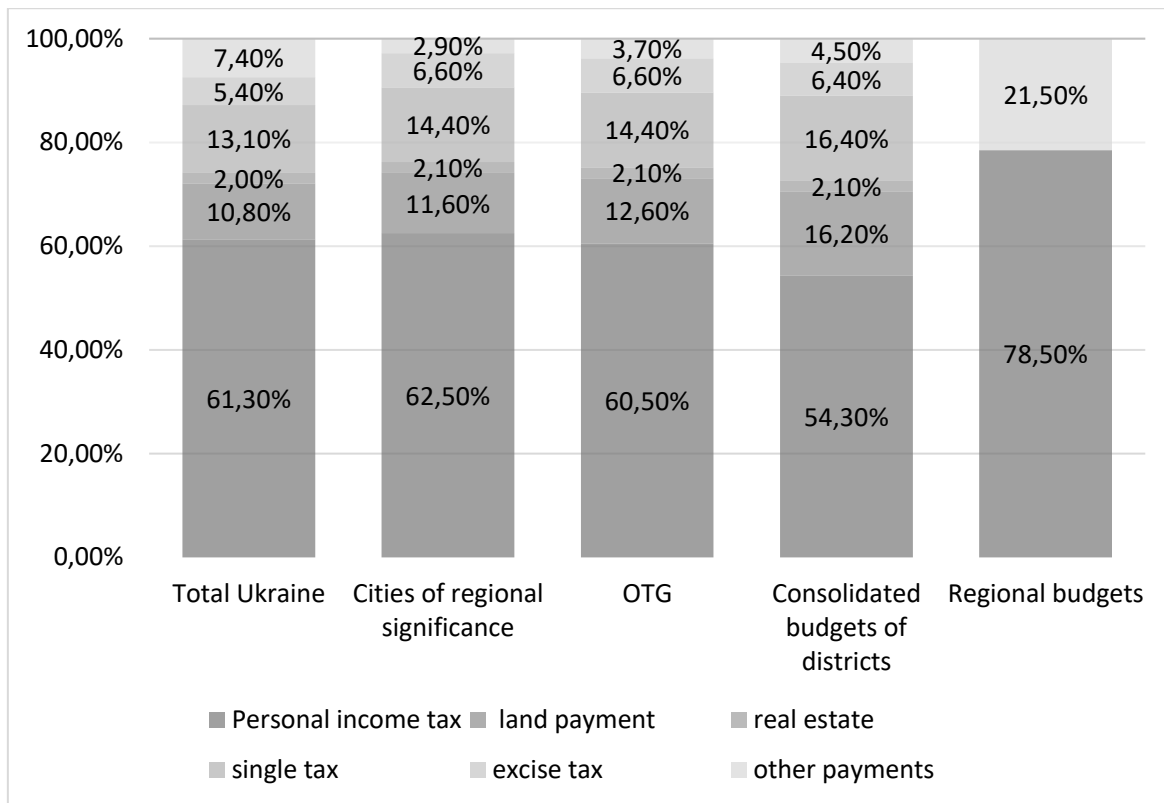
**Figure. 2.3.** Income of local budgets of Ukraine for 2021

Source: [10].

In 2021, the share of local budget revenues in the revenues of the consolidated budget of Ukraine amounted to 34.2%, and in 2020 the same figure was 43.5%. Excluding transfers from the state budget, the volume of revenues to local budgets amounted to UAH 311.1 billion, which is 22.6% of the consolidated budget revenues. In 2020, the same figure was 23.3%. The share of local budgets in the revenues of the consolidated budget in 2021 compared to 2020 has significantly decreased (by 9.3%), which indicates an increase in the concentration of financial resources at the central level [13].

In the revenues of local budgets, the largest share is occupied by income from the payment of personal income tax – UAH 177.8 billion or 61.3% of the total revenues of the general fund of local budgets. Compared to 2020, tax revenues increased by UAH 12.3 billion, or 7.4%.

Another important source of income for local budgets is the payment for land, property tax and is an integral part of local taxes. In 2021, local budgets received payments for land (land tax and rent) UAH 31.5 billion, which is 4.2% (UAH 1.4 billion) less than the revenue received at the end of 2020 (in 2020 according to compared to 2019, revenues increased by 20.2%). In the structure of revenues of the general fund of local budgets, the payment for land is 10.8% (Fig. 2.4).



**Figure. 2.4.** The structure of revenues of local budgets of Ukraine for 2021

A significant part in the structure of local budgets is associated with the receipt of a single tax. Its amount amounted to UAH 38 billion, which is 7.8% (by UAH 2.8 billion) more than last year's revenues and accounts for 13.1% of the total revenues of the general fund of local budgets.

It should be noted that individual entrepreneurs transferred UAH 27.6 billion to local budgets. single tax (or 72.6% of the total), legal entities transferred UAH 5.1 billion (or 13.4%). The amount of the single tax paid by agricultural producers amounted to UAH 5.3 billion. (14.0% of the total volume).

Average annual growth rate of transfers from the state budget to local residents during 2016–2021 is 99.5%. However, during 2016–2019 the growth in the amount of interbudgetary transfers (from the state budget to the local ones) averaged 118.8% annually (Table 2.2). In 2021, the general fund of local budgets received UAH 135.9 billion of transfers, which is UAH 108.4 billion (44.4%) less than in 2020. In particular, this is due to the fact that in 2021 separate expenses related to the implementation of state social protection programs were not made from local budgets, the volume of which in 2020 amounted to UAH 7.83 billion.

In 2021, local budgets received 53 types of subventions from the state budget, in 2020 – 42 types of subventions. It should be noted that in 2019, local budgets received 34 types of subventions, and in 2018 – 27. Thus, there is a tendency for a constant increase in the number of subventions coming from the state budget to local ones [10]. This trend indicates a significant volatility of the state transfer policy in relation to local budgets and prevents the formation of a high-quality and expected budget policy, the impossibility of implementing medium-term planning for the socio-economic development of territories and reducing the efficiency of using funds.

Consequently, according to the results of the analysis of the revenue side of local budgets, it was determined that local budgets in Ukraine lack revenues to effectively solve the problems facing society in the current conditions of financial decentralization. A significant part of budgetary resources is concentrated in the local budgets of Ukraine. Most of the budget resources are accumulated in the State Budget of Ukraine, which indicates a high degree of centralization of the budget system. In the structure of local budget revenues during the period under review, a significant part is stably occupied by tax revenues.

Decentralization, first of all, affects the financial support of local governments, because it is they who have a great responsibility to create conditions for the development of economic, social and cultural activities, improve the living standards of territorial communities, which is possible if there is a strong financial base of local authorities and with effective management. One of the most important problems in the context of decentralization is the low financial capacity of not only rural but also urban communities. Local budgets, including the budgets of the united territorial communities, are a significant factor in economic growth, the main problems of functioning are the formation of a sufficient financial base through both their own revenues and interbudgetary transfers [14].

Strong and wealthy territorial communities should be a demonstration of the success of decentralization reform in Ukraine. It is these societies that, at the expense of their own resources, can ensure the socio-economic development of the territories and provide quality services to their residents. Communities with a high level of budget income can implement social and infrastructure projects, create conditions for the development of entrepreneurship and attract investment, as well as finance various local development programs [15].

In 2015, Ukraine established a legislative framework to encourage territorial communities to unite and move towards direct inter-budgetary relations. Communities gradually united, and in 2020, 872 ATCs had such relations with the state.

The coronavirus pandemic, which began in early 2020, has had a significant impact on all spheres of life of people around the world. It is still difficult to calculate fully material and non-material losses, because the pandemic is still far from over. However, even today it is possible to identify such main consequences of the pandemic as a significant reduction in the global economy, rising unemployment, the decline of many industries, culture and art, tourism, reformatting the educational process, etc.

Public finance has become one of the areas that have been most affected by the pandemic, and the Ukrainian economy, like the global economy as a whole, has suffered significant economic losses.

In the early waves of the pandemic, CHIs had a significant responsibility to finance the containment of COVID-19 and mitigate its socio-economic impacts. Despite the “traditional” distribution of responsibility between different levels of government, during this period, local governments had to complement the efforts of governments and take on a significant part of health care costs. Although in most countries, CHIs have little decision-making power in the health sector, they have taken on the dominant responsibility for the delivery of health services in the field. In addition to financing measures for medical care and strengthening the health care system, support for the economy, social protection, public order, etc. was also required.

Although the extent to which local governments covered these costs depended on the level of decentralization of the country, most municipalities experienced an increase in spending. The need to finance emergency costs has led to cutbacks and delays in capital spending by municipalities. Wage spending has been less flexible, but the pandemic has forced cuts. The practice of sending some employees on forced leave without pay for an indefinite period has spread [5].

Revenues to local budgets are growing every year, but quarantine measures have affected their dynamics. According to the study, the nominal growth of revenues to local budgets in 2020 amounted to UAH 14.9 billion, which is 5.4% more compared to 2019. This indicates a slowdown in the growth dynamics of local budgets, which gradually increased as part of the decentralization reform (in particular, revenue growth in 2019 compared to

2018 amounted to 17.5% (plus UAH 41.1 billion). Experts note that the dynamics of revenues to local budgets in 2020 was significantly affected by quarantine measures introduced in connection with the coronavirus pandemic. As you know, quarantine in 2020 significantly reduced business activity around the world [15]. Coronavirus, that is, the budgets of communities had almost double losses – lost income and additional expenses.

Over the four years of the decentralization reform, the volume of local budget revenues from the single tax increased by 2.7 times, and in 2018 amounted to UAH 29.6 billion. Its weight in the total tax revenues of local budgets increased from 11.2% in 2015 to 12.7% in 2018. The largest volumes of single tax revenues (67% of the total volume) were provided by individuals, entrepreneurs of groups I, II and III of payers. The legal entities-payers of the single tax and the agricultural producers-payers of the single tax accounted for 15% and 18% of the total revenues of the single tax, respectively. The bulk of single tax revenues came from cities of regional significance (43% of all single tax revenues). The unified tax is the second source of financial resources for the UTC budgets in terms of tax revenues (the first is the personal income tax). In 2019, its weight in the structure of all tax revenues of UTC budgets increased to almost 17%.

Quarantine measures have a serious impact on the reduction of these revenues. According to the Association of Ukrainian Cities, quarantine will lead to a reduction in revenues to the budgets of all levels by 20%. Real estate and land taxes are only a small part of what quarantine measures can affect. There are taxes on which the impact will be indirect. This is an income tax. It makes up about 50-60% of budget revenues, with the exception of those communities where the industry is very developed. There, this tax can be 60-70%. This means that due to the decline in business activity, layoffs, and the reduction in the number of individual entrepreneurs, local budgets will lose significantly. And there are very few compensatory mechanisms at the community level.

For Ukrainian businesses, this event has complicated the already difficult economic situation since March 2020. As a result of severe restrictions, which lasted more than three months, many entrepreneurs were on the verge of survival. The state was forced to reduce the tax burden. This directly affected the budgets of the communities. According to the study, in 2020, the average per capita income in Ukraine in local budgets amounted to UAH 7.3 thousand. However, within Ukraine, the differentiation of

incomes was quite significant – in Kyiv it was almost UAH 15,000 per capita, in Chernivtsi, Luhansk and Transcarpathian regions – within the limits of UAH 4,000 [15].

According to the study, it was found that 872 ATCs had significant differences in indicators of financial ability. The difference between high and low incomes per inhabitant in different communities with a population of up to 10,000 reaches 40 times, while in urban communities of regional significance they differ only by 3.9 times.

The indicator of expenditure per capita in 872 ATCs is about UAH 7,000. At the same time, 62.8% of Ukrainian communities have higher than average per capita spending. High differentiation is observed in communities with a population of up to 5,000 people, where the maximum indicator is 13.2 times higher than the minimum. In communities with a population of 5–10 thousand – 8.5 times. The smallest gap among the united communes-cities of regional significance is 3.2 times. Thus, in the context of limited financial resources, the main task remains to streamline regulatory measures. The use of systematized mechanisms for influencing the state of financial stability of the UTC guarantees the sustainable development of economically prosperous regions and the guarantee of improving the quality of life within the territorial units [16].

A sharp drop in the indicator of payment for public utilities and an increase in the level of unprofitability of public utilities also has a negative impact on the formation of local budgets. quarantine conditions According to the State Employment Service, in March the number of registered unemployed in Ukraine increased by 22% compared to the same period in 2019. According to VoxUkraine experts, during the quarantine, there has been a gradual drop in the number of both vacancies and resumes. Since the number of vacancies is declining faster, the average number of resumes per vacancy has now increased from two to three. A drop in the number of vacancies is observed throughout the quarantine weeks in all cities and industries.

The continuation of the quarantine could lead to a further reduction in new vacancies in all business sectors remaining within the quarantine, the release of people instead of temporary holidays and a further reduction in business.

In addition, it should be taken into account that the pandemic and quarantine measures have become the main challenge to complete decentralization processes [6].

Among the sectors of the economy that have suffered the most losses under the influence of the COVID–19 pandemic, there are industries built on social interaction, namely, the tourism sector and related industries (passenger transportation, restaurants, hotels, cultural institutions, entertainment venues, attractions, etc). This is a serious problem for the country, because in general, the service sector accounts for more than 60% of the Ukrainian economy. The quarantine measures have had a significant negative impact on the economies of Ivano-Frankivsk, Lvov, Odessa, Zakarpattia and Kyiv regions.

Gradually overcoming the negative impact of quarantine on the economy will help increase the government’s budget spending to overcome the crisis and the National Bank’s measures to support the banking system. Thus, from March 2020 to April 2020, no land tax was levied, as well as rent for state and municipal property. The land tax, land rent and real estate tax played a key role in filling local budgets.

Given decentralization, the main costs of anti-epidemic measures fall on the shoulders of local communities. However, super-profitable business areas that continue their economic activities are exempt from taxes. Cities, towns, villages, united territorial communities allocate hundreds of millions of hryvnias to fight the pandemic (increased salaries for doctors, purchase of medicines, masks, tests, equipment), which will lead to losses of local budgets of more than 15.6 billion, or 5.3% per annum receipts (without official transfers). Also, local budgets will receive less money for objective reasons: from the tourist tax due to the lack of travellers, the single tax due to the freezing of business activity and the temporary closure of enterprises, the largest share of which falls on representatives of small and medium-sized businesses [11].

The current crisis has exacerbated some of the existing decentralization risks or added new ones. The most important of them are:

- the dominance of local interests over national interests, which in a crisis can complicate the implementation by the state of such a function as stabilization;

- the existence of “small communities” in the absence of a clearly defined centre (city or village) creates a high probability of inability to create proper living conditions for residents of such communities under quarantine;

– LSG incompetence/ignorance in determining the strategic vectors of necessary responses to the epidemic, which may be reflected in the ineffective implementation of financial mechanisms;

– social risks – the emergence of situations that may pose a threat to social well-being, and then to the further development of communities.

Quarantine significantly slows down and complicates the main processes associated with the implementation of important reforms that require systemic communication and broad discussions in society at the national and regional levels.

Such data indicate the need for a certain correction of the state regional and budgetary policy regarding the diversification of revenues to communities with different financial situations, as well as the improvement of the system of financial equalization of local budgets. This will reduce the gap between the highest and lowest per capita income and expenditure in Ukrainian communities. This is important for ensuring equal opportunities for the socio-economic development of communities.

Positive consequences. Local government leaders are implementing systems work mechanisms to protect, support and accompany their communities through overcoming the COVID–19 pandemic. This emergency effort is bringing communities and their residents together to keep health and community facilities running properly for uninterrupted water, heat, garbage collection, cleaning and disinfection, and social services to support vulnerable and quarantined people.

The capabilities and desires of local governments during the quarantine period made it possible to implement local measures to counter the pandemic in a large number of communities:

– the creation of crisis headquarters in each municipality, ensuring the vital activity of their communities;

– installation of innovative disinfecting equipment;

– production of protective masks;

– additional payments to salaries and material assistance to physicians from city budgets;

– allocation of budgetary funds to social protection programs to provide assistance to the most vulnerable segments of the population in quarantine;

– purchase of devices for ventilation of the lungs and the purchase of tests for the detection of viruses at the expense of local budgets;

– production of antiseptics;



- creation of mobile platforms to combat the corona virus, containing information on the work of city services, institutions and enterprises, information on quarantine measures, support phone numbers, opportunities for obtaining administrative or volunteer services, as well as other activities related to the pandemic;
- repair and arrangement of new infectious departments;
- additional financing of the medical industry from the local budget, aimed at improving the material and technical base of healthcare institutions and overcoming COVID–19;
- organization of work of checkpoints;
- production of protective screens;
- creation of oxygen stations, etc [17].

The reform of local self-government in Ukraine is based on the condition that local self-government bodies should have not only rights, but also wide opportunities for financial support of their functions. Local budget policy in the context of decentralization of power should unite the interests of local governments on the possibility of expanding the resource base of local budgets, businesses and citizens to increase their income. Based on the needs of the development of society in the formation of economic and social infrastructure, creating a favourable business climate, increasing competitiveness and attracting additional sources of filling the local budget, strategic policy priorities are determined.

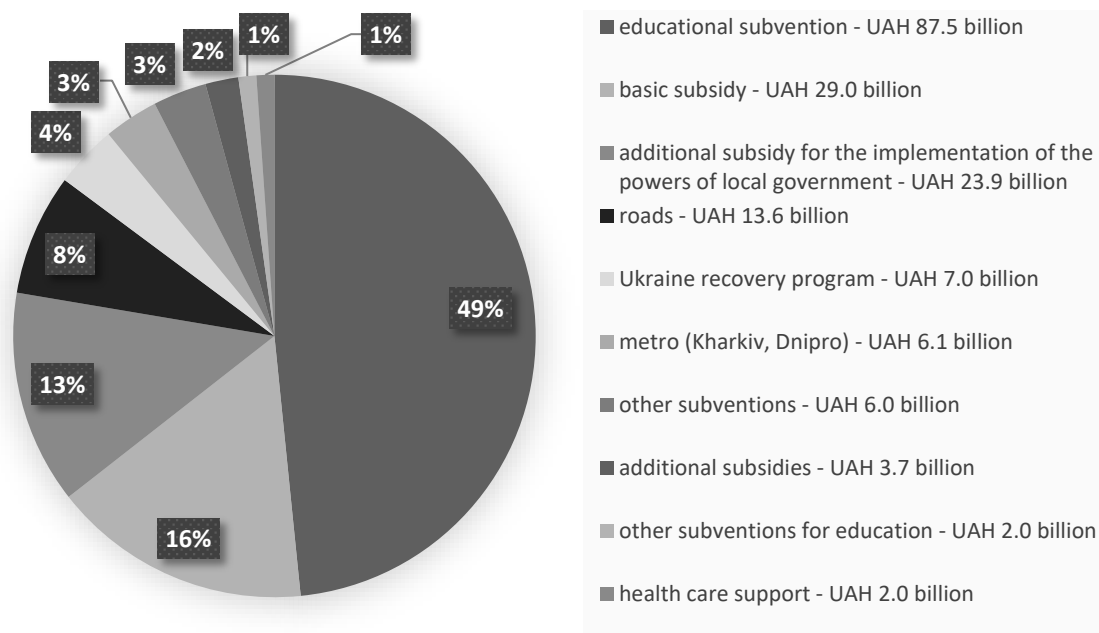
The significance of one or another source of income in the structure of a particular local budget is due to the specifics of the distribution of taxes and fees between local budgets of different levels in the Budget Code.

Thus, according to the Ministry of Finance of Ukraine, the resource of local budgets in 2023 will amount to UAH 571,266.9 million, including UAH 520,789.4 million for the general fund, and UAH 50,477.5 million for the special fund. The total indicator of own revenues of local budgets for 2023 is calculated in the amount of UAH 389.6 billion, including the general fund – UAH 366.2 billion, the special fund – UAH 23.4 billion [22].

Consider the structure of transfers from the state budget to local budgets according to the draft budget for 2023 (Fig. 2.5).

The main difference between grants and subventions is the absence of restrictions on the areas of their use. Grants are usually directed to finance the current needs of the local community. Although it is worth noting that for the effective use of funds, government officials “tie” some grants to specific areas of use. For example, an additional subsidy for the

implementation of the expenses transferred from the state budget for the maintenance of educational institutions is intended to cover current expenses in schools, including the salaries of non-teaching staff, and to pay for energy carriers in hospitals, outpatient clinics and other health care institutions [17].



**Figure. 2.5.** Structure of transfers from the state budget to local budgets in the draft budget for 2023

*Source:* Built by the author based on data [22].

Consequently, the budgets of the united territorial communities are formed through tax, non-tax revenues, transfers and income from capital transactions.

A significant advantage of decentralization is that local authorities independently distribute costs, build or repair something if necessary. In this way, the standard of living in the communities improves.

It should be noted that now the function of direct operational management of cash flows of local budgets remains at the central level of state power, namely, the competence of the central executive body that implements state policy in the field of treasury servicing of budgetary funds – the State Treasury Service of Ukraine (hereinafter – SCSU) implements its implementation within the framework of the ECR concept.

Local self-government bodies received the right to independently choose an institution (in the SCSU or bank institutions) to service the

development budget and own revenues of budgetary institutions, but in practice more than 90% of local budget funds remain in the operational management of the SCSU. This creates barriers to improving the process of operational management of cash flows of local budgets and indicates the still high level of dependence of local governments on the decisions of central government bodies, making it impossible to fully implement the decentralization of power [18].

An important aspect of state policy in such conditions is the formation of a balanced relationship between the state and local budgets. Well-known Ukrainian scientists note that the COVID–19 pandemic has caused radical transformations in all areas of life. A mechanism of anti-crisis actions aimed at overcoming the pandemic and its consequences has been developed at the state and local levels.

At the same time, quite pessimistic views are being expressed about how this situation will affect local budgets, because economic levers were mostly decentralized and it was these budgets that were significantly affected by quarantine measures. It was predicted that the changes made to the budget and tax legislation during 2020 would lead to significant losses in local budgets and their imbalance. According to preliminary calculations, the number of losses of local budgets from these taxes should be at least UAH 6.3 billion. It was assumed that, taking into account the measures introduced to combat COVID–19, the losses of local budgets could reach UAH 15.6 billion, or 5.3% of the annual revenues of their total fund (without official transfers). At the same time, a report prepared by the expert community with the support of EU structures indicates that, despite negative forecasts and uncertain prospects, the situation with local finances is not critical, but is rather characterized by contradictory trends. Thus, UAH 10.3 billion, or 2.1% of their spending, was spent from local budgets on activities directly related to the coronavirus pandemic. Local councils almost did not adopt separate (special) targeted programs aimed at financing measures related to counteracting the spread of COVID–19. Such expenses (in particular, the purchase of protective equipment and disinfectants, medicines, etc.) were mainly carried out at the expense of funds for the implementation of the relevant budget or targeted programs. At the same time, compared to 2019, revenues to the general fund of local budgets increased by 5.4%, including income from personal income tax – by 7.4%. Their growth is due to the increase in the average annual minimum wage in 2020 and the average monthly wage, which to a certain extent compensated

for the losses from the decline in the number of employed people. Overall, the rate of revenue growth for 2020 (5.4%) was almost equal to the rate of inflation (5.0%).

Despite the high losses of own revenues of the general fund of local budgets in 2020 as a result of the pandemic (UAH 28.3 billion, including: UAH 5.4 billion for the budgets of the ATC; UAH 3.8 billion for the regional budgets; cities of regional significance – UAH 9.8 billion, according to the budgets of districts – UAH 4.1 billion), which almost doubled the forecast, it is worth noting that the plans for local budget revenues were fulfilled by 105.3%, the general fund's own revenues – by 99.0%.

The foregoing indicates that the local finances of Ukraine withstood the impact of the pandemic, although they suffered heavy losses. Therefore, balancing their relationship with the state budget requires improvement, in particular, by optimizing the regulatory framework, taking into account the consequences of the legislative acts adopted in 2020. In addition, in our opinion, in the current circumstances, strengthening the revenue base of local government budgets by maintaining stable sources of their filling and deepening the diversification of such sources, spending on improving the socio-economic infrastructure of communities can be considered as an important task of budget policy in relation to local finance [19].

It should be noted that today in Ukraine the law provides not only universal fundamental approaches to the “vertical” dispersal of state power, but also special principles of decentralization, identified taking into account the peculiarities of the territorial organization. So, special principles are addressed to the delimitation of opportunities between state authorities of individual territorial units of the country [20, p. 69].

Decentralization reform is a key aspect of the transformation of public relations. Decentralization of power in Ukraine is a fundamental principle of the state policy of regional development, creates the possibility of effective implementation of institutional reforms. This reform has a direct impact on the residents of territorial communities [21]. Today, the issues of decentralization, autonomy of local self-government, trust in the population of the territories and UTCs are being resolved, since this is what forms trust in the opposite direction. Such trust has already been formed; it is now creating a powerful basis for the unity of the regions of our state before the invasion of Russian fascists.

According to Ukrainian legislation, local self-government bodies were

transformed into authorities of territorial communities, which were formed on the basis of voluntary association of the population – united territorial communities (hereinafter – UTC). So, the main mechanism for the formation of capable territorial communities of Ukraine is their voluntary association, the process of which is regulated at the legislative level.

An important factor in the reform itself is the change in the principles of local government, and the main stage of the reform was the unification of territorial communities, which led to a change in the principles and approaches to the policy of regional development in Ukraine.

The creation of new territorial communities should be based on certain tasks of the decentralization reform, in particular: the establishment of an administrative-territorial structure of the base level for the formation of effective regional power on a new territorial basis; determination of the administrative-territorial structure of the sub-regional (district) level as the territorial basis for the activities of the Government; establishing the principles of the administrative-territorial structure of Ukraine, the procedure for establishing, liquidating, establishing and changing the boundaries of administrative-territorial units and settlements according to European standards; creation and management of the State Register of administrative-territorial units and settlements of Ukraine [22, p. 247]. But, along with these tasks, it is necessary to determine others that will be top-priority after the glorious victory of our country over the Russian fascists. In our opinion, these tasks should include: consistency and organizational validity, administrative processes of decentralization; harmonic distribution of opportunities and resources; mutual support and assistance in the restoration and development of UTCs; purposefulness in achieving economic results and efficiency; priority of the human factor and values.

One of the key documents for the development of UTCs is the State Strategy for Regional Development for 2021–2027, the strategic goal of which is human-oriented development and unity – a decent life in a cohesive, decentralized, competitive and democratic Ukraine. The strategic goal of the state regional policy by 2027 is achieved on the basis of three strategic goals:

- 1) the formation of a cohesive state in the social, humanitarian, economic, environmental, security and spatial dimensions;
- 2) increasing the level of competitiveness of regions;
- 3) development of effective multilevel management [23].

At this stage, when the war has made its own adjustments to all

territorial units, the formation and discussion of new regulatory and legislative acts of Ukraine is underway, some of them relate to local self-government, UTC. Thus, amendments were made to a number of laws regulating the taxation of business, the use of subsoil, the natural environment, etc. Ukraine forms four special funds for the reconstruction of the country: a fund for the restoration of destroyed property and infrastructure of Ukraine, a fund for the restoration and transformation of the economy, a fund for servicing and repaying the public debt, and a fund for supporting small and medium-sized businesses [24].

At the same time, one should not forget about the main provisions of the updated laws on the development of the UTC, adopted in the pre-war period. We believe that they are important, since they will allow us to speed up the streamlining of individual processes in the development of ATCs. Thus, legislative novels of pre-war legislative acts provide:

- communities must necessarily adopt a charter, which will become a local regulatory legal act that establishes the procedure for exercising the right of local self-government;
- own and delegated powers of local self-government bodies of the base level will be distributed;
- an exclusive list of state powers on the ground was provided – radiation safety, chemical safety, border protection;
- the emergence of a new department, which will be subordinate to the secretary of the council – the Secretariat of the community council. The main tasks of the department will include the organizational work of the activities of the council and standing committees, now the secretary of the council is doing this.

Determination of the correlation between the competence of local and central authorities also depends on other components of decentralization, in particular, the mechanism of interaction between state authorities and local governments. Therefore, the determining factor is both the horizontal coordination of the territorial influence of state authorities on social processes, and the introduction of multi-level management, designed to synchronize the actions of central and local authorities, local self-government in the social development of individual territories.

The domestic practice of regional development, and this is supported by the realities of martial law, requires, first of all, a wider application of contracts / agreements between the central and regional / local authorities regarding general obligations to solve social problems of the development

of the region, the introduction of a mechanism for their implementation; improvement of the practice of functioning of regional development agencies; creation of common multi-level groups for programming the social development of territories, etc.

At the same time, the key areas that determine the prospects for the development of UTCs in Ukraine can be the following:

- institutional (expanding the range of forms for increasing the institutional capacity of territorial communities, developing partnerships between local authorities and non-governmental organizations);

- functional (legislative definition of the functions and powers of all subjects of management on the principles of subsidiarity, development of mechanisms for interaction between state authorities and local self-government at each level);

- organizational (creation of a new network of social institutions capable of ensuring the availability and quality of socially important services);

- financial (introduction of new instruments of financial support for the social sphere of the regions).

The most important features of local self-government, which must be observed when transforming the procedure for managing UTCs, are the following:

- 1) legal provisions that should protect the right of the local population (territorial society or local self-government body) to manage their own affairs;

- 2) the local territorial community takes part in the mandatory exercise of self-government on the basis of the law – the territorial community and local self-government bodies perform public tasks related to their competence;

- 3) management takes place according to the principles of independence (decentralization) of government bodies;

- 4) the introduction of a form of supervision in the activities of self-government bodies is possible only and exclusively in the forms provided for by law, thus does not violate the independence in decision-making by local self-government bodies.

Also, an important prospect for the development of UTCs in Ukraine is budgetary decentralization, which will be extremely relevant after the victory of Ukraine and the return to a peaceful state, which depends on three key components:

1) decentralization of revenues – assigning to the local government a list of their own revenues and the right to independently establish and regulate their amounts; 2) decentralization of costs – assigning to local self-government the fulfilment of the tasks and functions established for their respective level;

3) procedural and organizational independence – the right to independently approve, implement financial plans, estimates, budgets, and provide reporting [25].

A decentralized budget system, in which decisions are made at different levels, is more efficient. In such a system, the ratio between the level of taxation, as well as between the quality and quantity of public services provided, “adjusts” to the interests and preferences of the population of various administrative-territorial units, as a result of which each hryvnia that comes in the form of taxes begins to bring great benefits to society and citizens.

Increasing the budgetary independence of local budgets UTC provides for: independent approval of local budgets, regardless of the timing of the adoption of the State budget; independent preparation and implementation of local budgets by abolishing indicative planning, which is carried out centrally. The patriotic unity of the population of our country during the war fully demonstrated its readiness for independence, administrative units, their responsibility and gives confidence in their effectiveness. A rational approach to spending budget funds helps to minimize the budget deficit. Therefore, a successful budgetary decentralization will contribute to building up the financial potential of the territory, intensifying investment activity, stimulating entrepreneurial activity, which as a result will strengthen the economic potential and provide a basis for growth and development. Decentralization opens up prospects for ATCs to independently resolve issues at the local level.

To date, thanks to changes in the budget and tax legislation, the transfer of additional budgetary powers to local self-government bodies has been ensured, stable sources of income for their implementation will be established in peacetime, a new budgetary regulation mechanism will be introduced, the spending autonomy of local budgets will be increased, new subventions will be introduced from the state budget to local budgets, increased investment resources of local budgets.

Even before the start of the war, the legal and financial foundations were also formed for creating effective educational and medical spaces at



the community level through state financial support for the development and equipping of pivotal schools, as well as the introduction of a new model for financing primary health care through the state solidarity health insurance system [26, p. 12].

At the current stage of development of local finance, it is necessary to revise the essence of the system of financial support for local self-government in the process of regulating the socio-economic development of administrative-territorial units, while, in view of the experience of developed countries and countries with transformational economies, to develop new approaches to the system of interbudgetary regulation. It is important to take into account demographic and institutional factors, as well as the coordination of financial and economic goals within administrative regional units. Use reliable methods and means of financial support for local governments to effectively transform and strengthen the financial base of local budgets. It is also appropriate, through qualitative and quantitative indicators, to improve the systems of interbudgetary regulation. In order to increase the result of inter-budgetary regulation, it is important to organize and systematically review the financial standards of budgetary security. The transformation of the system of financial support of local self-government is closely related to changes in the social environment, and the tools for the formation of local financial revenues are constantly being improved with the development of social measures. By using a complex of financial instruments of influence on the budgetary adjustment of the process of formation of revenues of local budgets, it is possible to solve the problem of administrative-territorial units, which the country faced at this stage of social development. In order to improve people's living standards, it is necessary to increase the efficiency of the use of budget funds. It is important to introduce an institutional approach to the study of the system of financial support of local self-government, including the determination of the characteristics of its components, the institutional environment and relationships that ensure its functioning.

It is important to improve the efficiency of fiscal tools for coordinating income and expenditure powers of local self-government, to improve the modelling of fiscal and economic processes, including tax revenue planning, which will increase the efficiency of local budget revenues. Further strengthening of the institutionalization and consistency of implementation of decentralized fiscal policy, determination of the appropriate structure of local budget revenues at all levels is an expedient measure. Budgetary

decentralization to some extent contributes to macroeconomic stability, streamlining budget expenditures, and one of the important aspects is the creation of conditions for economic competition between administrative regional units.

The development of a budget strategy taking into account the cyclicity of economic development, the fiscal balance and reforming the local budget will positively affect the effectiveness of the budget system. The implementation of a planned and targeted approach at the local level can focus on determining quality indicators that ensure the connection between the used financial resources and results, the formation of local budgets taking into account the strategic goals of socio-economic development and increasing the responsibility of local self-government for the results of activities. At the same time, increasing the effectiveness of local self-government bodies depends on the effectiveness of the budget process, including the introduction of medium-term budget planning. Optimizing the structure of revenues and expenditures of the local budget, clarifying the relationship between revenues according to the plan of the local budget and actual revenues will help increase the effectiveness of local fiscal policy, form a balanced local budget, and improve the level of local finance management. Taking into account the need to strengthen the financial support of local self-government, the institute of local finance needs to adapt to institutional transformations of the financial and economic environment, the cyclicity of the economy, the dynamics and trends of social development.

Progress in the development of the institutional foundations of the system of creating local budgets, the determination of the main directions and principles of implementation of budget policy at the local level are interconnected by processes that transform the economy. Effective formation of local budgets involves the unification of budgetary institutions in the system of financial and economic regulation. The need to ensure social development, the performance by local self-government bodies of their functions, which would be effective in the conditions of economic transformations, determined the need to develop financial tools for planning and forecasting indicators of local budgets. The introduction of the program-target method at the local level provided an opportunity to increase the transparency of the budget process and the level of mutual coordination of local budget expenditures with the main areas of socio-economic development of the territories. The advantages of this method are as follows:

ensuring the transparency of the budget process, evaluating the activities of its participants; increasing the quality of budget policy, the efficiency of allocation and use of budget funds; greater responsibility rests on the chief manager for achieving the goal; the indicative nature of the programs, the terms of which are dependent on the availability of the necessary material resources; ensuring the unity of methodological approaches to solving the goals and tasks of socio-economic development; the opportunity to focus limited material and financial resources on solving important tasks of successful development of territories, which depend on the progressive development of the economy and improvement of the standard of living of the population. Improving the quality of planning indicators of local budgets creates prerequisites for timely financial provision of the main tasks of social development.

In the future, it is necessary to form an adequate mechanism of financing and state ordering and provision of social services, stimulation of the development of the market of social services, in particular, in terms of improving financing mechanisms and the system of social services for the population. At the same time, the new format of the financial mechanism should be the social ordering of services within the framework of budget financing, as well as the development of market and integrated forms of financial support and maintenance of the social sphere.

The further implementation and completion of the decentralization reform will depend on the adoption of normative legal acts after the war, including changes to the Constitution of Ukraine in the area of decentralization, adoption of a new version of the Law of Ukraine “On Local Self-Government”. The development of the law “On the principles of the administrative-territorial system of Ukraine”, the purpose of which should be the legislative definition of the basic principles of the administrative-territorial system of Ukraine, the order of formation, liquidation, establishment and change of boundaries of administrative-territorial units and settlements, etc [22, p. 252].

The adoption of these normative legal acts will allow strengthening the financial potential of united territorial communities, will contribute to the construction of effective local self-government and territorial organization of state power for the creation and proper support of the living environment of citizens, the formation of the institution of people’s rule.

It should be noted that the experience of most countries that carried out territorial reform of local self-government shows that such reforms are

associated with a number of political, social, managerial, and economic risks; as a result – the reform process should not be permanent, reforms should not be carried out often, they should be well prepared (detailed study of the situation, development of individual decisions based on objective prerequisites, consideration of expert positions and opinions of residents, search for a balance of interests) and competently implemented (process support, etc).

At present, for the future development of the UTC, it is important to create, justify programs for the restoration of destroyed communities and the harmonious development of others that will remain relatively undamaged after the end of the war with the Russian occupiers. The next step is to determine the transfer of powers and budgets from state bodies to local self-government bodies, the construction of an effective system of territorial organization of power in Ukraine, the implementation of the principles of subsidiarity, financial self-sufficiency of local self-government. The achievement of such goals in the future should be ensured by the institutional restructuring of public administration through the redistribution of power, resources and responsibility between the institutions of the state and local self-government. That is, local governments, including territorial communities, should become subjects of state administration in general and the social development of regions, in particular.

In order to delineate powers in the system of local governments and administrative bodies of all levels according to the principle of auxiliary decentralization, it is important to determine a sufficient taxable base so that local governments can exercise their powers on a capital basis, increase the efficiency of state control over the performance of local governments of the tasks assigned to them, determine directions for the formation of financial support for local self-government. Formation of local budgets in the system of financial and economic regulation involves the creation of conditions for increasing the competitiveness of territories, improving the investment climate, achieving public agreement on the distribution of revenue sources and powers between government and local government; territorial integration in order to ensure a sufficient level of unity of the budgetary and tax system, transparency of the budgetary process at the local level; increasing the efficiency of the mechanism for equalizing the tax capacity of local budgets. To strengthen the financial support of local self-government, an important task is to introduce a systematic methodology for

assessing the possibility of taxation and the structure of budget expenditures of administrative-territorial units. It is necessary to further strengthen the institutional structure and consistency of the implementation of the local budget policy, to determine the optimized structure of revenues and expenditures of local budgets so that they correspond to short- and medium-term indicators of economic and socio-economic development of administrative regional units [23].

**Conclusion.** Therefore, in the process of reforming in various areas, the local budget management mechanism needs to be further refined and improved. The operational management of budgetary funds in the process of reforming the local budget and the structure and administrative-territorial structure of Ukraine should balance the powers of local governments and the powers for the income transferred to them. Control and regulation of local budget management mechanisms in the process of decentralization reform will increase the accountability of local governments to territorial communities, provided that community leaders are actively involved in the budget processes of these departments.

Local budgets are the main means for bringing to the population the final results of social production aimed at public consumption. Now the local authorities are not sufficiently provided with financial resources to organize the management of the economy and the social sphere at their level.

It is necessary that the competences related to the solution of certain tasks between the central authorities and the bodies of regional and local self-government should be clearly distributed, and it is also necessary to gradually move towards the decentralization of public finances.

Often, local authorities need to resolve issues of local taxes, the purposes for which its expenditures will be directed, and methods of managing and stimulating economic development processes. Therefore, financing and budgeting of local authorities is one of the most important areas of public finance, as it requires further research and the search for new approaches to reform.

The development of local self-government is a rather complex process that can be successful only under certain conditions. The main reason is that the activities of local self-government fully meet the real interests of local residents and the country's priorities in the humanitarian, economic and social aspects. This can be achieved by introducing a number of measures aimed at significantly increasing the efficiency of the formation and use of local budgets.

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### Chapter III

## THE ROLE AND PLACE OF COMMUNITIES IN THE MANAGEMENT OF SUSTAINABLE DEVELOPMENT IN A REGION UNDER INSTITUTIONAL CHANGE

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**Introduction.** The main strategic task of modernizing the system of state administration and territorial organization of power, which is being carried out today, is the formation of effective local self-government, the creation of comfortable living conditions for citizens, providing them with high-quality and affordable public services. Achieving these goals is impossible without the appropriate level of economic development of the respective territories, their financial support and sufficient sources to fill local budgets.

It is the financial aspect that is one of the most essential, on which, to a large extent, the success of the functioning of territorial communities depends. The presence of economically active business entities, a sufficient number of qualified labour resources, developed industrial and social infrastructure – all this and much more is the basis for the successful development of the community.

The result of the reform was an increase in the interest of local self-government bodies in increasing revenues to local budgets, finding reserves to fill them, and improving the efficiency of tax and fee administration. Affluent communities show high and dynamic growth rates of their own incomes. In terms of the use of funds, attention is focused on the need to form the most optimal structure of budget expenditures, to create an effective and not too numerous management apparatus, to carry out a constant analysis of the spending of budget funds and to prevent cases of their irrational spending.

**Literature review.** The problems of functioning of finances at all levels of the economic system were investigated by O. Vasilik, O. Desyatnyuk, M. Karlin, A. Krysovaty, M. Krupki, L. Lisyak, I. Lyuty,

P. Nikiforov, V. Oparin, K. Pavlyuk, Y. Pasichnyk, O. Rozh, O. Tulay, V. Trofinoy, V. Fedosov, I. Chugunov, S. Yuriy and others.

The issues of local budgets in the conditions of the policy of financial decentralization were investigated T. Bondaruk, M. Dolishny, M. Kulchitsky, I. Lunina, V. Oparin, S. Osipenko, K. Pavlyuk, I. Storonyanska, V. Fedorov, R. Schur.

**Results.** As noted in scientific studies, the development of any country in the context of globalization is increasingly under the influence of territorial economic concentration, which is characterized by the concentration of capital, labour, markets for goods and services, and information in a limited space.

Today, global trends in the development of the world economy have a significant impact on the development of all countries of the world and its regions, which is manifested in the opportunities for regions with highly competitive products to enter world markets, etc. At the same time, the experience of European countries proves positive results in changing the institutional systems of states, abandoning the vertical management system in favour of decentralized management systems, which contributes to the sustainable development of regions [1, p. 56].

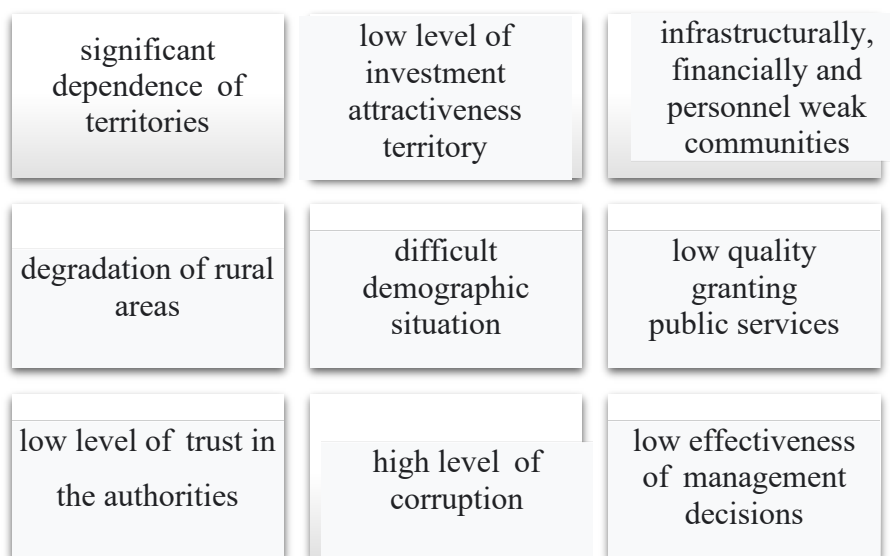
Undoubtedly, the implementation of models of sustainable development of the regions of European countries without taking into account the institutional, political, economic, ecological and social features of the regional development of Ukraine will not contribute to obtaining positive results of sustainable development. This, in turn, requires the development of own models of sustainable development of regions with taking into account the existing circumstances and decentralization processes taking place in Ukraine today [2, p. 284; 3, p. 37].

However, taking into account the fact that institutional changes have already been completed, the decisive factors affecting the realization of the goals of sustainable development of the region, in our opinion, are and remain: political, economic, ecological and social.

Institutional and political factors were the basis in the process of carrying out decentralization reforms in Ukraine. The reason was the unsatisfactory ability of the vast majority of local self-government bodies to exercise their own and delegated powers at the appropriate level [4].

The reform of local self-government and decentralization of power involves overcoming many challenges, namely: the dependence of territories on the centre; infrastructural and financial weakness of

communities; degradation of rural areas; high level of community subsidies; low level of investment attractiveness of territories, etc. (Fig. 3.1).



**Figure. 3.1.** Consequences of the policy of total centralization of power in Ukraine

*Source:* Systematized by the author.

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

During the 6 years of the reform, 1,070 community centres were formed, in which 4,882 communities voluntarily joined. Of these, the first local elections were held in 936 UTCs. The government has approved long-term plans for the formation of the territories of communities in 24 oblasts, which cover 100% of the territory of the oblasts. The area of the formed UTC is almost 47% of the total area of Ukraine. More than 70% of the population of Ukraine lives in UTC and cities of regional significance. In accordance with the Law of Ukraine dated 04/16/2020 No. 562–IX “On Amendments to Certain Laws of Ukraine Regarding Determining the Territories and Administrative Centres of Territorial Communities”, the Cabinet of Ministers of Ukraine determined the administrative centres and approved the territories of 1,470 capable territorial communities in which local elections in 2020 on a new territorial basis [12].

Thanks to the introduction of inter-municipal cooperation, communities got the opportunity to consolidate efforts and implement joint projects.

In particular, 1,354 territorial communities concluded 604 agreements on cooperation [13].

During the implementation of the reform, local self-government and territorial organization of power, approaches to strategizing regional development at the national, regional and local levels have undergone changes.

As a result of the decentralization reform, the independence of communities in the spheres of managing their own development, making strategic and tactical decisions, and managing the local budget was significantly expanded.

As of the beginning of the reform in 2014, only 6 regions in Ukraine were self-sufficient, which caused a significant regional disparity, and, accordingly, the quality of life and services received by Ukrainians. These challenges demanded radical reforms in terms of state administration, local self-government and territorial organization of power in Ukraine [13].

The decentralization reform gave an impetus to the formation of an efficient and closest to the citizen institution of power – local self-government. Voluntary unification of territorial communities allowed the newly formed bodies of local self-government to get the appropriate powers and resources that cities of regional importance previously had.

The interests of citizens living in the territory of the united community are now represented by the elected chairman, the body of deputies and the executive bodies of the community council, which ensure the implementation of the powers granted by law in the interests of the community. In settlements that are part of the united community, the right of residents to local self-government and provision of services to citizens is ensured by their elected elders.

According to the Law of Ukraine “On the Voluntary Unification of Territorial Communities” [8], the increase and unification of communities was carried out through voluntary unification taking into account the opinion of citizens. Determination of potential resource opportunities is mandatory when planning the creation of communities for economic and social development and the ability to provide quality services to residents.

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

from January 1, 2015, local self-governments received more finances to increase economic capacity.

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

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

After making changes to tax and budget legislation, the main taxes that fill local budgets (cities of regional importance, districts, united territorial communities).

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

On the other hand, in administrative-territorial units that do not earn the necessary amount for expenses, the basic subsidy is only 80% of the required amount (provided that the tax capacity index is less than 0.9).

Decentralization is the transfer of powers and finances from the state government to local self-government bodies. Decentralization of the power and financial powers of the state in favour of local self-government is one of the most defining reforms since Ukrainian independence.

The goal of the reform is the formation of effective local self-government and territorial organization of power for the creation and maintenance of a full-fledged living environment for citizens, the provision of high-quality and accessible public services, the establishment of institutions of direct people's power, coordination of the interests of the state and territorial communities [16].

The performance indicators of local budgets reflect the general socio-economic condition of the respective territory and its potential for sustainable development. The availability of sufficient resources in local budgets is a guarantee that the territorial community has the opportunity to provide better and more diverse services to its residents, implement social and infrastructure projects, create conditions for the development of entrepreneurship, attract investment capital, develop local development programs and finance other measures for comprehensive improvement of living conditions of community residents [15].

Goals of local self-government reform and decentralization of power:

- 1) a system of administrative and territorial organization optimal for Ukraine has been formed;
- 2) capable local self-government capable of exercising its own and delegated powers;
- 3) communities participate in solving issues of local importance;
- 4) funding of regional policy ensures the development and increases the competitiveness of communities and regions;
- 5) the state monitors the legality of the activities of local self-government bodies.

Decentralization is the creation of conditions for the formation of an effective, responsible local government capable of providing a comfortable and safe environment for people to live throughout Ukraine, regardless of their place of residence.

Decentralization is the transfer of powers and budget revenues from state bodies to local self-government bodies. The goal of local self-government reform is, first of all, to ensure its ability to independently, at the expense of its own resources, solve issues of local importance. It is about providing territorial communities with greater resources and mobilizing their internal reserves [16].

Decentralization [4]:

– administrative – communities provide quality services: education, health care, social protection, land issues, housing and communal services, security issues, etc. It is important to convey to all residents that after the completion of the decentralization reform, the quality of services will depend only on them.

– financial – effective local self-government and its provision of progressive socio-economic development of the respective territories must be accompanied by an increase in the resource and financial base.

Principles of financial decentralization of power:

- efficiency and transparency: effective and transparent financial activity of state authorities, local and regional self-government, which excludes duplication of functions, implementation of inefficient actions, swelling of the bureaucratic apparatus;
- responsibility: the responsibility of local and regional self-government bodies for the performance of their own competence in providing public goods must be full and exclusive;
- legality: the maximum transfer of rights, functions and responsibilities regarding financial activities to local and regional self-government under the conditions of preserving the unity of the state;
- involvement: maximum involvement of the population in the decision-making of local and regional affairs;
- priorities: the priority of the development of the public self-regulating financial mechanism over the bureaucratic state financial mechanism;
- provision: provision of the standard of living guaranteed by the Constitution of Ukraine in all regions of the state [17];
- compliance: achieving compliance in the scope of the transferred powers to carry out expenditures and mobilize the necessary financial resources for their financing at the level of power that covers the area of public good availability for consumers.

The development of territorial communities in the conditions of local self-government reform and decentralization of power in Ukraine is closely related to the improvement of the organization of life and activities of the population, the achievement of sustainable development of the territory. The economic and political prerequisites for the introduction of decentralization in Ukraine were created after gaining independence in 1991. The decentralization reform has made significant progress since 2015. Its irreversibility should be defined by the introduction of changes to the Constitution, the completion of the reform of the administrative-territorial system, and the legislative provision of financing the powers of territorial communities [17].

The main tasks for territorial communities in the process of managing the sustainable development of the region:

- social component – social basis and spatial expediency;
- economic component – achievement of anticipatory rates of economic development;

– ecological component – preservation of a favourable ecological environment;

– political component – an effective community management system.

Decentralization reform in Ukraine is designed to create capable united territorial communities, so the question of their resource potential is important.

After the decentralization reform, the united territorial communities received additional financial resources (Table 3.1).

**Table 3.1.** Income of the budgets of the UTC before the reform and after decentralization

<b>Financial resources</b>	<b>Before the reform</b>	<b>After the reform</b>
Personal income tax	–	60%
Excise tax on excise goods manufactured in Ukraine	–	13.44% excise tax (fuel)
Excise tax on goods imported into the customs territory of Ukraine of excise goods of fuel	–	13.44% excise tax (fuel)
Income from losses of agricultural and forestry production	–	75%
Educational subsidy	–	according to the formula
Medical subvention	–	according to the formula
Subsidy for the formation of the UTC infrastructure	–	according to the formula
Subsidy for socio-economic development	–	according to the formula
DFRR funds	–	according to the formula

*Source:* Systematized by the author [11; 19].

The decentralization reform gives united communities additional sources of financial resources that can be used to improve welfare, repairs, and develop education and culture in the community.

Financial support of territorial communities is the basis of their development, however, in order to increase their capacity, the issue of transferring the most important resource – land – to communities arose.

On January 31, 2018, the Cabinet of Ministers of Ukraine adopted the Order “On the transfer of state-owned agricultural land plots to communal ownership of united territorial communities”. These are the legislative



mechanisms for the transfer of land into the ownership of UTC, including land outside the boundaries of settlements [20].

The order regarding the transfer of state-owned land outside settlements to communal ownership of the UTC was adopted on the basis of three normative legal acts:

- Land Code of Ukraine: Article 117 “Transfer of state-owned land plots into communal ownership or communally owned land plots into state ownership” [21];

- Decree of the Cabinet of Ministers of Ukraine “On the transfer of state-owned agricultural land plots into communal ownership of united territorial communities” [22];

- Law of Ukraine “On Local Self-Government”: Article 26 [23].

Transfer of lands outside settlements to the disposal of communities – it is primarily the strengthening of their capacity and a prerequisite for sustainable local development.

For territorial communities, after they acquire land outside the settlements, the resource base that local authorities will be able to dispose of for the benefit of citizens is significantly expanded.

In individual communities, land is the main source of filling budgets, they will be able to independently make decisions about the use of land resources to fill their own budgets.

For territorial communities, the transfer of state-owned agricultural land plots into communal ownership will have the following advantages:

- influence on the economic development of territorial communities due to the increase in land tax revenues;

- will enable territorial communities to control income from land lease fees outside the settlement and land tax from it;

- territorial communities will be able to develop general plans for the entire territory of the community and not only for individual settlements;

- will make it impossible for situations with land raiding to take place, which could happen until now.

Land decentralization is an important reform in terms of decentralization, since land is a resource that can be used by territorial communities to increase budget revenues.

The transfer of land was carried out in compliance with the Decree of the President of Ukraine dated October 15, 2020 No. 449/2020 “On some measures to accelerate reforms in the field of land relations” within the framework of the implementation of land reform in the area of land decentralization [25]. Thus, in 2020, 2,002.4 thousand hectares of state

agricultural lands were transferred to the communal ownership of 1,251 territorial communities of the central regions of Ukraine (Table 3.2).

**Table 3.2.** Transfer of state agricultural lands to the communal ownership of the UTC of the central regions of Ukraine in 2018–2020

Regions	2018		2019		2020	
	The number of UTC, which received communal ownership of rural land plots appointment	Land area, thousand hectares	The number of UTC, which received communal ownership of rural land plots appointment	Land area, thousand hectares	The number of UTC, which received communal ownership of rural land plots appointment	Land area, thousand hectares
Vinnytsia	34	37.8	2	0.7	62	168.7
Kyiv	9	8.1	7	9.4	5	29.1
Kirovohrad	13	25.9	7	19.0	45	138.5
Cherkassy	26	40.5	28	32.9	61	117.9
All over Ukraine	<b>648</b>	<b>1469.99</b>	<b>139</b>	<b>62.0</b>	<b>1251</b>	<b>2002.4</b>

*Source:* systematized by the author based on [24].

The unification of territorial communities provides for the transfer of property of territorial communities. Thus, in the case of unification of village, settlement, city councils into one territorial community, all property jointly owned by village, settlement city councils are the communal property of the united territorial community, and the rights and obligations related to such property belong to the united territorial community. Commonly owned objects are called property, and in other words, they are institutions and institutions. But in the context of the decentralization reform and the property to be transferred, it is about real estate. It can also be integral property complexes.

Effective management of communal property: strengthens the capacity of territorial communities; directs the work of local self-government bodies to sustainable and balanced development; contributes to increasing investment attractiveness, development of high-quality public services and business in the respective territories.

Decentralization in the field of education is primarily the transfer of general secondary education institutions to territorial communities. If earlier in the field of education, the responsibility of communities was only for the effective functioning of preschool education institutions, then under the

conditions of decentralization, responsibility is assumed for general secondary education institutions that were in their communal ownership [4].

In the central regions of Ukraine, the following decentralization changes took place in the field of education (Table 3.3):

**Table 3.3.** General educational institutions transferred to UTC  
(As of September 10, 2020)

Regions	Number of UTC	The number of general educational institutions that have been taken into communal ownership institutions	The number of general educational institutions that have been converted into communal one's property of UTC	The number of UTC that transferred the educational subvention to the district budget
<b>Vinnitsia</b>	<b>46</b>	<b>36</b>	<b>147</b>	<b>5</b>
Volynsk	54	49	509	3
Dnipropetrovsk	71	34	130	4 4
Donetsk	13	12	89	1
Zhytomyr	56	54	412	–
Zakarpattia	17	7	60	9
Zaporizhzhia	56	43	368	1
Ivano-Frankivsk	39	39	242	1
<b>Kyiv</b>	<b>24</b>	<b>16</b>	<b>108</b>	<b>5</b>
<b>Kirovohrad</b>	<b>27</b>	<b>19</b>	<b>49</b>	<b>1</b>
Luhansk	18	12	60	5
Lviv	41	35	210	–
Mykolayiv	42	29	121	1
Odesa	37	19	110	10
Poltava	53	44	183	3
Rivne	45	34	137	11
Sumy	38	37	215	–
Ternopil	54	39	236	1
Kharkiv	23	12	47	1
Kherson	33	29	114	2
Khmelnysk	52	46	338	1
<b>Cherkasy</b>	<b>57</b>	<b>53</b>	<b>174</b>	<b>4</b>
Chernivtsi	37	30	163	4
Chernihiv	50	43	269	1

*Source:* Systematized by the author based on [27].

– in the Vinnitsia region: 147 general educational institutions out of 46 UTC, 36 UTC were transferred to communal ownership;

– in the Kyiv region: 108 general educational institutions out of 24 UTC, 16 UTC were transferred to communal ownership;

– in the Kirovohrad Region: 49 general educational institutions out of 27 UTC, 16 UTC were transferred to communal ownership;

in the Cherkasy region: 174 general educational institutions out of 57 UTC, 53 UTC were transferred to communal ownership.

Decentralization in the field of health care – the transfer of paramedic-midwifery points, paramedic points, dispensaries, hospitals to the ownership of communities and effective provision of services [4].

The methodology for evaluating territorial communities is necessary for analysing the capacity of communities, increasing the financial potential of territories and equalizing interregional financial disparities as much as possible.

In 2019, the financial indicators of the budgets of 806 UTCs were assessed and based on the results, the UTC rating was formed (Table 3.4).

**Table 3.4.** Evaluation of the financial indicators of the budgets of 806 UTC: rating for 2019

Groups	Grouping criteria	Number of UTC	Total number population in the UTC group, thousands of people	% Of the entire population of UTC	Indicator 1. Average value, UAN	Indicator 2 Average value, UAN	Indicator 3. Average value, UAN	Indicator 4, %	Indicator 5, %	Indicator 6, %	Indicator 7, %
<b>Group 1</b>	The population is more than 15,000 people	95	2001.1	24.1	4139.3	6239.1	782.4	49.7	18.9	71.0	16.3
<b>Group 2</b>	Population from 10 to 15 thousand of people	128	1561.6	18.8	4387.6	6115.9	945.3	57.5	21.5	70.9	18.9
<b>Group 3</b>	Population from 5 to 10 thousand people	268	1874.9	22.5	4409.6	6169.0	1075.1	63.5	24.4	70.9	20.7
<b>Group 4</b>	Population up to 5 thousand persons	288	979.1	11.8	4755.8	6391.8	1389.8	62.6	29.2	73.3	21.0
<b>Group 5</b>	UTC-cities of regional significance	27	1891.0	22.8	5976.0	9067.1	752.7	9.1	12.6	42.5	15.7

*Source:* Systematized by the author based on [28].

The most numerous groups are the UTC with a population of up to 5,000 people – 288 UTC, which have direct inter-budgetary relations with the state budget.

The income of the general fund per 1 resident (indicator 1) for 9 months of 2020 is UAH 3,348.3 (the average amount of income for all UTCs), which is UAH 791. less than in 2019.

It should be noted that UAH 38.1 billion was received in the general fund of the budgets of 872 local authorities (excluding transfers), which is by UAH 1.3 billion. less than in 2019. This explains the decrease in general fund income per inhabitant in 2020.

**Table 3.5.** Assessment of the financial indicators of the budgets of 872 UTCs: Rating for 2020\*

Groups	Grouping criteria	Number of UTC	Total number population in the UTC group, thousands of people	% of the entire population of UTC	Indicator 1. Average value, UAN	Indicator 2 Average value, UAN	Indicator 3. Average value, UAN	Indicator 4, %	Indicator 5, %	Indicator 6, %	Indicator 7, %
<b>Group 1</b>	The population is more than 15,000 people	110	2368.5	22.8	3216.9	4664.1	634.0	55.1%	21.8	79.1	8.8
<b>Group 2</b>	Population from 10 to 15 thousand of people	134	1629.7	15.7	3207.4	4703.4	758.7	in 8 more than 50%	28.2	79.4	10.2
<b>Group 3</b>	Population from 5 to 10 thousand people	277	1944.7	18.7	3276.7	4781.4	858.3	at 15 more than 50%	32.4	79.9	9.7
<b>Group 4</b>	Population up to 5 thousand persons	308	1051.3	10.2	3404.0	4906.9	1148.4	4 more 50%	38.6	81.8	8.2
<b>Group 5</b>	UTC-cities of regional significance	43	3391.0	32.6	4185.7	4929.0	705.1	the highest level 22.6%	18.2	67.2	12.4

\*Data for 9 months of 2020

Source: Systematized by the author based on [29].

**Table 3.6.** Income of the general fund per 1st inhabitant in 2019–2020, UAH (indicator 1)

Groups	Grouping criteria	2019			2020		
		Average value, UAN	max	min	Average value, UAN	max	min
Group 1	The population is more than 15,000 people	4139.3	7695.0	1108.6	3216.9	18001.8	824.0
Group 2	Population from 10 to 15 thousand of people	4387.6	23702.4	905.2	3276.7	23699.6	599.4
Group 3	Population from 5 to 10 thousand people	4409.6	21239.2	792.0	3276.7	23699.6	599.4
Group 4	Population up to 5 thousand persons	4755.8	35748.0	760.6	3404.0	29281.0	684.8
Group 5	UTC-cities of regional significance	5976.0	9813.0	3098.8	4185.7	8731.6	2166.9

*Source:* Systematized by the author based on [28–29].

Analysis of the data in Table 3.6 shows that the average value of indicator 1 is UAH 5,976 in 2019 and UAH 4,185.7 for 9 months of 2020 is observed in group 5: UTC-cities of regional significance. Although for group 4: population up to 5 thousand people, the highest maximum indicators of income per inhabitant are UAH 35,748. and UAH 29,281 in accordance.

This indicator characterizes the real financial potential of the UTC, only those revenues that come to the budgets of the UTC at the moment.

Expenditures of the general fund per 1 resident (indicator 2): in 2019, expenditures in the amount of UAH 57.0 billion were made from the general fund of the UTC budgets. The average volume of expenses for all 806 UTCs per resident amounted to UAH 6,861.8. In 9 months of 2020, expenditures in the amount of UAH 50.5 billion were made from the general budget fund of the UTC. The average volume of expenses for all 872 UTCs per inhabitant amounted to UAH 4,806.2.

Out of 872 UTCs in 358 communities (41.1% of the total number), the indicator of expenditures per inhabitant exceeds the average indicator [29].

Analysis of the data in Table 3.7 shows that the average value of indicator 2 is UAH 9,067.1 in 2019 and UAH 4,185.7 for 9 months of 2020 is observed in group 5: UTC-cities of regional significance. Although according to group 4: population up to 5 thousand people, the highest

indicators of income per inhabitant are UAH 35,748 and UAH 29,281 in accordance.

**Table 3.7.** Expenditures of the general fund per 1 resident in 2019–2020\*, UAH (indicator 2)

Groups	Grouping criteria	2019			2020		
		Average value, UAN	max	min	Average value, UAN	max	min
Group 1	The population is more than 15,000 people	6239.1	11404.4	1863.2	4664.1	15233.2	1100.2
Group 2	Population from 10 to 15 thousand of people	6115.9	17906.3	2333.1	4703.4	10496.9	2046.9
Group 3	Population from 5 to 10 thousand people	6169.0	17380.7	2150.9	4781.4	14350.7	1544.3
Group 4	Population up to 5 thousand persons	6391.8	26085.0	1371.2	4906.9	20444.1	814.3
Group 5	UTC-cities of regional significance	9067.1	12176.8	4470.8	4929.0	8402.5	3227.7

\* Data for 9 months of 2020

Source: Systematized by the author based on [28–29].

**Table 3.8.** Expenditures for maintaining the administrative apparatus per resident in 2019–2020\* (indicator 3)

Groups	Grouping criteria	2019			2020		
		Average value, UAN	max	min	Average value, UAN	max	min
Group 1	The population is more than 15,000 people	782.4	1603.7	362.5	634.0	1918.9	297.1
Group 2	Population from 10 to 15 thousand of people	945.3	2542.5	378.8	758.7	1895.2	295.1
Group 3	Population from 5 to 10 thousand people	1075.1	3816.0	425.1	858.3	2646.4	312.2
Group 4	Population up to 5 thousand persons	1389.8	4927.4	322.9	1148.4	3789.0	275.4
Group 5	UTC-cities of regional significance	752.7	1439.2	483.2	705.1	1168.	400.3

\* Data for 9 months of 2020

Source: Systematized by the author based on [28–29].

The indicative data shows how much expenditure falls on one resident of the united territorial community.

This indicator makes it possible to compare management costs per inhabitant in UTCs with the same population. The indicator indicates what is the “cost” of one employee of the management apparatus of the UTC for each resident of the community (in annual terms).

So, the expenses for the maintenance of the management apparatus are calculated per 1 inhabitant. Yes, the smallest in UTC-cities of regional significance, the average value of indicator 3 is UAH 752.7 in 2019 and 705.1 hryvnias. for 9 months of 2020.

Subsidy of budgets is calculated as follows:

– for UTCs that receive a basic subsidy – as a ratio of the basic subsidy to the amount of revenues of the general fund, taking into account the basic subsidy;

– for UTC, which transfer the reverse subsidy – as the ratio of the reverse subsidy to the amount of revenues of the general fund.

The least dependent on subsidy resources from the state budget in 2019 are communities-cities of oblast importance from Group 5, in which the highest level of subsidy is only 9.1% out of 27 local government units [28].

In Group 1, the highest subsidy level is 49.7%.

Among the UTC of Group 2, the subsidization rate exceeds 50% in five communities (or 3.9% of the total number of communities in the group), the highest value is 57.5%.

In Group 3, nine communities have a subsidization rate exceeding 50% (or 3.4% of the total number of communities in the group), the highest value is 63.5%. In Group 4, only three communities have a subsidy rate exceeding 50% (or 1.0% of the total number of communities in the group), the highest value is 62.6%.

The least dependent on subsidized resources from the state budget in 2020, as in 2019, are communities-cities of oblast importance from Group 5, in which the highest level of subsidization is only 22.6% out of 43 UTCs [29].

In Group 1, the highest subsidy level is 55.1%.

Among the UTC of Group 2, in 8 communities, the subsidy rate exceeds 50% (6% of the total number of communities in the group), the highest value is 62.9%.

In Group 3 of 15 communities, the subsidy rate exceeds 50% (5.4% of the total number of communities in the group), the highest value is 65%.



In Group 4, 4 communities have a subsidy rate exceeding 50% (or 1.3% of the total number of communities in the group), the highest value is 63%.

The ratio of expenses for the maintenance of the management apparatus with the financial resources of the UTC (indicator 5). On average, for all 806 UTCs, the average level of expenses for maintaining the management apparatus is 19.9%.

The average indicator of expenses for the maintenance of the management apparatus in the section of the Group is:

- Group 1 (population of more than 15,000 people) – 18.9%;
- Group 2 (population from 10 to 15 thousand people) – 21.5%;
- Group 3 (population from 5 to 10 thousand people) – 24.4%;
- Group 4 (population up to 5 thousand people) – 29.2%;
- Group 5 (UTC cities of regional significance) – 12.6% [28].

That is, there is a general trend that the share of management expenses is higher in UTC with a smaller population.

Among the UTCs of Group 1, there are 44 UTCs (46.3% of the total number of UTCs in the group), in which management expenses exceed 20% of the volume of financial resources. The largest share of administrative expenses is 55.2%, and the smallest is 9.5%.

Among Group 2 UTCs in 88 communities, the indicator of management expenses exceeds 20% (68.8% of the total number of UTCs in the group), including in 6 UTCs, the indicator is over 50%. The largest specific weight of management expenses is 87.4%, and the smallest – 7.3%.

In Group 3, in 218 communities, management expenses exceed 20% of the number of financial resources (81.3% of the total number of OTs in the group), including 18 OTs where the indicator is over 50%. The largest specific weight of administrative expenses is 87.1%, and the smallest – 8.8%.

In Group 4, the number of UTCs in which management expenses exceed 20% of the volume of financial resources is 264 (91.7% of the total number of UTCs in the group), including 26 UTCs where the indicator is over 50%. The largest share of administrative expenses is 86.1%, and the smallest is 10.0%.

In Group 5, the number of UTCs – cities of regional significance, in which management expenses exceed 20% of their own revenues, is 10 (37.0% of the total number of UTCs in the group). The largest share of administrative expenses is 31.6%, and the smallest is 8.2%.

Out of 872 local government organizations in 372 communities (42.7% of the total number), the indicator of expenditure on maintaining the management apparatus exceeds the average indicator. In 2 UTC, the volume of expenses for financing management bodies and ensuring the activities of the council is almost equal to the volume of own revenues of the general fund.

The average indicator of expenses for the maintenance of the management apparatus in terms of groups is:

- in Group 1 (more than 15,000 people) – 21.8% (max – 62.1% UAH, min – 10.3%);
- in Group 2 (from 10 to 15 thousand people) – 28.2% (max – 100.3% UAH, min – 10.2%);
- in Group 3 (from 5 to 10 thousand people) – 32.4% (max – 94.4% UAH, min – 6.8%);
- in Group 4 (up to 5 thousand people) – 38.6% (max – 100.2% UAH, min – 11.8%);
- in Group 5 (UTC-MOH) – 18.2% (max – 35.6% UAH, min – 7.6%) [29].

The specific weight of wages in the expenditures of the general fund (indicator 6): according to the results of 2019, expenditures for financing wages were made from the general fund of budgets of 806 UTCs with accruals in the amount of UAH 35.7 billion, which is 62.7% of the volume of expenditures of the general fund of budgets of UTC.

**Table 3.9.** The specific weight of wages in general fund expenditures for 2019–2020 (indicator 6), %

Groups	Grouping criteria	2019			2020		
		Average value, UAN	max	min	Average value, UAN	max	min
Group 1	The population is more than 15,000 people	71.4	86.0	46.5	79.1	90.9	52.7
Group 2	Population from 10 to 15 thousand of people	71.0	89.4	34.8	79.4	92.1	46.2
Group 3	Population from 5 to 10 thousand people	70.9	93.3	33.5	79.9	96.8	36.8
Group 4	Population up to 5 thousand persons	73.3	91.8	25.7	81.8	95.2	39.2
Group 5	UTC-cities of regional significance	42.5	75.5	34.9	67.2	87.1	44.5

*Source:* Systematized by the author based on [28–29].

The average indicator of the share of wages in general fund expenditures is:

– in Group 1 (more than 15,000 people) – 79.1% (max – 90.9%, min – 52.7%);

– in Group 2 (from 10 to 15 thousand people) – 79.4% (max – 92.1%, min – 46.2%);

– in Group 3 (from 5 to 10 thousand people) – 79.9% (max – 96.8%, min – 36.8%);

– in Group 4 (up to 5 thousand people) – 81.8% (max – 95.2%, min – 39.2%);

– in Group 5 (OTH-MOH) – 67.2% (max – 87.1%, min – 44.5%) [29].

In the calculation, data were used on the number of expenditures directed to wages with accruals (in all branches), as well as the number of expenditures of the general fund of the budget without taking into account the funds transferred to other budgets in the form of transfers, since these funds were not directed to spending on the territory of the relevant UTC, but were used to maintain institutions or finance activities of another community (the one that received such funds).

The specific weight of capital expenditures in the total amount of expenditures (indicator 7)

On average, the average level of capital expenditures in 2019 for 806 UTCs is 18%. The average indicator of the specific weight of capital expenditures in the total volume of expenditures is [28]:

– for Group 1 (more than 15,000 people) – 16.3% (max – 41.9%, min – 3.1%);

– for Group 2 (from 10 to 15 thousand people) – 18.9% (max – 57.2%, min – 4.2%);

– for Group 3 (from 5 to 10 thousand people) – 20.7% (max – 55.0%, min – 3.9%);

– for Group 4 (up to 5 thousand people) – 21.0% (max – 63.1%, min – 4.3%);

– for Group 5 (UTC-MOH) – 15.7% (max – 25.7%, min – 3.4%).

In 9 months of 2020, capital expenditures in the amount of UAH 7.1 billion were carried out for all 872 UTCs, the average level of capital expenditures is 9.3% [29].

The average indicator of the specific weight of capital expenditures in the total volume of expenditures is:

- for Group 1 (more than 15,000 people) – 8.8% (max – 38.1%, min – 0.6%);
- for Group 2 (from 10 to 15 thousand people) – 10.2% (max – 50.7%, min – 0.3%);
- for Group 3 (from 5 to 10,000 people) – 9.7% (max – 53.6%, no capital expenditures were made in 1 UTC);
- for Group 4 (up to 5,000 people) – 8.2% (max – 55.7%, no capital expenditures were made in 5 UTCs);
- for Group 5 (UTC-MOH) – 12.4% (max – 28.3%, min – 0.8%).

Volumes of capital expenditures reflect the ability of the UTC to provide socio-economic development, opportunities for the implementation of infrastructure development projects, the creation of material assets or obtaining the corresponding social effect.

The evaluation of community capacity indicators shows that the average value of income (indicator 1) and expenses (indicator 2) per inhabitant is observed in group 5 – UTC-cities of regional importance. Expenditures for maintaining the administrative apparatus per resident (indicator 3) – in group 3: population from 5,000 to 10,000 people. UTC-cities of regional importance have the least subsidies (indicator 4), the smallest share of maintenance of the management apparatus (indicator 5), the smallest specific weight of wages in general fund expenditures (indicator 6), the highest average indicator of the specific weight of capital expenditures in the total volume of expenditures (indicator 7).

The assessment of territorial communities in 2019–2020 indicates the presence of significant differentiation in resource provision of communities. Thus, UTC-cities of regional importance have more income and this affects the quality and volume of public services that citizens receive in different territories.

It has been established that there is significant differentiation in the resource provision of communities. Taking this into account, it is necessary to direct the state economic and budgetary policy to increase the financial capacity of territories that need it, and to achieve the maximum possible levelling of interregional financial disparities in order to provide citizens with an adequate standard of living, regardless of their place of residence.

We will analyse the budgets of the united territorial communities of the central regions of Ukraine for 2018–2020 (II quarters).

In 2018, the highest indicator of own income per 1 inhabitant of the 34 UTCs of the Vinnytsia region was UAH 6,302.3 in Orativska UTC, and the least – in Murafska UTC: UAH 1,461.7 [30].

Among the UTC of the region, 22 communities receive a basic subsidy from the state budget. The highest level of subsidization is in the Muraf community, where the amount of the basic subsidy in the total amount of income is 34.5%. The reverse subsidy is transferred by 9 UTC, the largest share – 9.8% of Tomashpil UTC.

The largest specific weight of expenses for the maintenance of the management apparatus in the UTC's own resources (without taking into account transfers) in the budget of Severynivska UTC is 46.8%, the lowest is in the budget of Kalynivska UTC – 9.5%.

In 2018, the indicator of own income per 1 inhabitant in the 13th UTC of Kirovohrad region was the highest in Pervozvanivska UTC – UAH 11,083.3, the lowest – in Veliko Andrusivska UTC and amounted to UAH 2,355.3 [30].

Among the UTC of the region, 4 communities receive a basic subsidy from the state budget, 6 transfer a reverse subsidy. The level of subsidization of existing communities is not high, the highest indicator is in Veliko Andrusivska hromada, where the amount of basic subsidy in the total amount of income is 14.9%. The largest share of expenses for maintaining the management apparatus in the UTC's own resources (excluding transfers) falls on the budget of Veliko Andrusivska UTC – 35.1%, the smallest – on the budget of Pomichnianska UTC – 10.7%. The largest amount of capital expenditures per inhabitant was carried out in Pervozvanivska UTC – UAH 3,314.1, the smallest from the budget Smolensk UTC – UAH 380.5.

In 2018, the indicator of own income per inhabitant in the 9th UTC of Kyiv region was the highest in Studenikyvska UTC – UAH 8,846.2, the lowest – in Kalytyanskaya UTC, UAH 2,722.8.

Among the UTC of the region, 4 communities receive a basic subsidy from the state budget, 4 transfer a reverse subsidy. The level of subsidization of existing ones communities is not high, the highest indicator is in the Uzyn community, in which the volume of the basic subsidy in the total amount of income is only 6.6%.

The largest share of expenses for maintaining the management apparatus in the UTC's own resources (without taking into account transfers) falls on the budget of the Kalytnian UTC – 31.1%, the lowest – on the budget of the Velikodymer UTC – 12.7%.

The average amount of capital expenditures per 1 inhabitant (without taking into account the own revenues of budgetary institutions) for 9 UTCs of the region amounted to UAH 1,101.5. The largest amount of capital expenditures per inhabitant was carried out in the Velikodymer UTC – UAH 2,243.2, the smallest from the budget of the Kalytnian UTC – UAH 442.9

The largest amount of capital expenditures per inhabitant (without taking into account the own revenues of budgetary institutions) in Yakushinetska UTC is UAH 4,588.7, the lowest in the budget of Bratslav UTC is UAH 202.3.

In 2018, among the 26 UTCs of Cherkasy Oblast, the highest amount of personal income per inhabitant was in Stepanetsky UTC – UAH 14,275.5, and the lowest – in Belozirsk UTC and amounted to UAH 2,466.7.

The subsidy level of existing communities is not high: 18 communities out of 26 UTC of the region receive a basic subsidy from the state budget. The highest subsidy rate is in the Mliiv community, where the volume of the basic subsidy in the total amount of income is 17.7% [30].

The reverse subsidy is transferred to 4 UTC: Stepanetsk UTC, Yerkiv UTC, Palan UTC, Zoriv UTC.

The largest specific weight of expenses for the maintenance of the management apparatus in the UTC's own resources (without taking into account transfers) in the budget of the Morinska UTC – 45.8%, the smallest – in the budget of the Zhashkiv UTC – 11.0%. The most capital expenditures per inhabitant in Stepanetsky UTC – UAH 4,344.9, the lowest in Butsky UTC – UAH 356.1.

In 2018, UTCs of the central regions of Ukraine, which are small in terms of territory and population, mostly have low financial capacity. Yes, in the Vinnytsia region it is the Muraf UTC, where it is the lowest indicator of own income receipts per 1 inhabitant and the highest level of subsidy; in the Cherkasy region – Mliivsk UTC and Bilozirsk UTC. In Kirovohrad Oblast, it is Veliko Andrusiv UTC, in Kyiv Oblast, Kalytnyan UTC, which have the lowest rating out of 3 out of 4 indicators.

One of the optimal options for further development for communities with low indicators of financial capacity and demographics is their joining with other territorial communities and the creation of a larger area and number of local communities. Even under the condition that such an UTC does not currently have economic prospects for development, such an association will provide an opportunity to optimize the territorial structure of local councils, increase the effectiveness of territory management,

improve investment attractiveness (due to the presence of a larger territory and a greater number of labour resources) and increase the level of expediency of capital investments in the territory [30].

In 2019, in 37 UTCs of the Vinnytsia region, the largest indicator of own income receipts per 1 inhabitant is UAH 7,814.9, general fund expenditures per 1 inhabitant are UAH 9,669.7, the specific weight of the number of wages with accruals in general expenditures fund – in the Vinnytsia UTC. This is connected with the creation of UTC – the city of regional importance of Vinnytsia and their separation into another group – Group 5 UTC – cities of regional importance.

In 2019, among the 20 UTCs of Kirovohrad Oblast, the highest indicators were found in Maryanivska UTC: revenues of the general fund per 1 inhabitant – UAH 12,536.4, capital expenditures per inhabitant – UAH 3,739.8, reverse subsidy – 23.2%, the specific weight of the sum of wages and accruals in general fund expenses – 54.7%, the specific weight of capital expenses in the total amount of expenses – 34.9%. In Veliko Andrusivska UTC, the lowest indicators are: the income of the general fund per 1 inhabitant is UAH 2850.4, the indicator of subsidy in the community is the highest, where the volume of the basic subsidy in the total amount of income is 19.7%.

In 2019, among the 16 UTCs of the Kyiv region, the highest indicators were in the Maryaniv UTC: income of the general fund per 1 inhabitant – UAH 14,281, reverse subsidy – 19.1%, the specific weight of the number of wages with accruals in expenses of the general fund – 34.8%. The lowest indicators are in Kalytianska UTC: income of the general fund per 1 inhabitant – UAH 3,175.7, the indicator of subsidization in the community is the highest, where the volume of the basic subsidy in the total amount of income is 13%, the specific weight of the number of wages in the expenses of the general fund – 78.5%.

In 2019, among the 54 UTCs of Cherkasy Oblast, the Stepanetsk UTC has the highest indicators: revenues of the general fund per 1 inhabitant – UAH 16,601.3, expenditures of the general fund per 1 inhabitant – UAH 14,165.9, capital expenditures per 1 resident – UAH 3,520.1. Talnivska UTC has the lowest indicators: capital expenditures per 1 resident – UAH 210.9, the specific weight of capital expenditures in the total sum of expenditures – 3.1% [31].

For a comprehensive objective assessment, it is necessary to carry out a deeper analysis of the financial indicators of specific communities, to

identify cause-and-effect relationships between the level of development of social and industrial infrastructure, the entrepreneurial and resource potential of the territory, demographic factors, etc. Intangible assets of the community should also be taken into account.

The parameters given in the publication are a starting point for further financial analysis and provide an opportunity to form a general idea of the resource potential of communities within individual regions [31].

For the II quarters of 2020, in 42 UTC of Vinnytsia Oblast, the highest indicator of own income receipts per 1 resident in Kunkivska UTC is UAH 4,138.3, general fund expenditures per 1 resident in Orativska is UAH 4,727, maintenance expenses of management apparatus per 1 resident in Barka UTC – UAH 236.3, the share of the amount of wages and accruals in general fund expenses – in Vinnytsia UTC – 48.2%, the share of capital expenditures in the total amount of expenses – in Teplytska UTC – 45.9%. Such indicator data and their rating in various united territorial communities are associated with an increase in the number of UTC and their excellent resource provision [32].

In 2020, for the II quarters of the 21 UTCs of the Kirovohrad region, the highest indicators were in the Petrovska UTC: revenues of the general fund per 1 inhabitant – UAH 5,891.5, expenditures of the general fund per 1 inhabitant in Hannivska UTC – UAH 5,886, expenses for the maintenance of the management apparatus per 1 resident in Smolinska UTC – UAH 314.7, the specific weight of the number of wages with accruals in general fund expenses in Maryanivska UTC – 35.5%, capital expenditures in calculation per inhabitant – UAH 3,739.8, reverse subsidy – 23.2%, the specific weight of capital expenditures in the total amount of expenditures in the Novopraskie UTC – 27.5% [32].

The subsidy level of the existing communities is not high: 6 communities out of 42 UTC of the region receive a basic subsidy from the state budget. In Veliko Andrusivska UTC, the subsidy rate in the community is the highest, where the volume of the basic subsidy in the total amount of income is 24.3%. The reverse subsidy is transferred by 15 UTC, the largest share – 47.3% by Maryaniv UTC [32].

In 2020, for the 2nd quarters of the 18 UTCs of the Kyiv region, the highest indicators were in the Myronivska UTC: revenues of the general fund per 1 resident – UAH 7,531, expenses of the general fund per 1 resident – 6,942.2 UAH. the specific weight of the number of wages with accruals in the expenses of the general fund is 54.3%. The lowest indicators are in



Kalytianska UTC: income of the general fund per 1 inhabitant – UAH 1,552; the subsidy rate is the highest in the community, where the volume of the basic subsidy in the total amount of income is 17%; the specific weight of the number of wages in the expenses of the general fund is 86.1%.

The subsidy level of existing communities is average: 9 communities (50%) out of 18 UTCs of the region receive a basic subsidy from the state budget. Reverse grant

list 9 UTC, the largest share – 33.7% Kovalivsk UTC.

For the II quarters of 2020, among the 55 local government units of Cherkasy region, the Stepanetsk local government unit has the highest indicators: revenues of the general fund per 1 resident – UAH 8,925.4, expenditures of the general fund per resident – UAH 8,005.3, the specific weight of capital expenditures in the total sum of expenditures is 43.2%. The lowest indicators are in Leskivska UTC: the income of the general fund per 1 inhabitant is UAH 1,084.3[32].

The subsidy level of the existing communities is not high: 22 communities out of 55 UTC of the region receive a basic subsidy from the state budget. In Leskivska UTC, the indicator of subsidization in the community is the highest, where the volume of the basic subsidy in the total the number of incomes is 33.5%. The reverse subsidy is transferred by 33 UTC, the largest share – 26.2% of the Stepanet UTC.

The given financial indicators are:

– is static information that reflects the state of affairs on the relevant date;

– reflect the individual most significant areas of financial and budgetary activity of communities;

– provide an opportunity to carry out a comparative analysis of identical parameters across different communities within individual regions.

For a comprehensive objective assessment, it is necessary to carry out a deeper analysis of the financial indicators of specific communities, to identify cause-and-effect relationships between the level of development of social and industrial infrastructure, the entrepreneurial and resource potential of the territory, demographic factors, etc. The intangible assets of the community should also be taken into account [29]. The existing methodology for assessing the capacity of communities does not take into account the provision of real needs of territorial communities with available financial resources. Therefore, there is a need to supplement the assessment

of financial capacity with indicators that will be able to reveal and evaluate in more detail the development of each UTC region.

**Conclusions.** Territorial communities, in addition to the growth of their own financial capabilities, as a result of decentralization have other tools for ensuring economic development – external borrowing, independent selection of institutions for servicing local budget funds in relation to development and own revenues of budgetary institutions. Powers in the field of architectural and construction control and improvement of urban planning legislation have been decentralized, local self-government bodies have been given the right to independently determine urban planning policy.

After the adoption of a series of laws on the decentralization of powers and regulation of land relations, communities will get the right to dispose of lands outside the settlements. The Verkhovna Rada of Ukraine adopted laws that provide an opportunity to decentralize part of the powers of the Central Committee of Ukraine regarding the provision of basic administrative services: registration of real estate, business, residence of a person – transferring them to the level of communities.

Draft laws designed to clearly demarcate powers in the field of education, health care, leisure, socio-economic development, infrastructure between local self-government bodies and executive power bodies at each of the territorial levels of the administrative-territorial system of the state.

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## Chapter IV

# FINANCIAL INSTRUMENTS OF SOCIAL PROTECTION OF INTERNALLY DISPLACED PERSONS IN UKRAINE

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**Introduction.** In modern scientific literature, the concept of “social protection” is considered as a set of organizational, legal and economic measures aimed at ensuring the well-being of every member of society in specific economic conditions [1, p. 80]. The ultimate goal of social protection is to provide every member of society, regardless of social origin, national or racial affiliation, the opportunity to freely develop and realize their abilities.

The essential determination of social protection indicates the need for appropriate countermeasures to the decrease in the standard of living, the increase in unemployment, the deterioration of the population’s health, etc.

Features of social protection of different social groups are due to differences in interests and needs, as well as differences in factors that create social risk.

Note that in today’s world, the way people conceptualize (identify) and perceive risks in everyday life is determined by values, relationships, social influences, cultural identity, etc. [2, p. 213]. It should be taken into account that information processes, institutional structures, social behaviour and individual responses shape the social experience of risk in ways that change public perception of risk [3, p. 4].

The greatest completeness and conceptual balance of the essential characteristics of social risk, in our opinion, are demonstrated in a special study [4] conducted by scientists of the Ptoukha Institute for Demography and Social Studies of the National Academy of Sciences of Ukraine. The position regarding the impossibility of the existence of risks in an ideal form can be considered conceptual, since each of them is closely related to phenomena and processes occurring in other spheres of society. In the process of sociogenesis, along with the emergence of new types of risk,

humanity developed prevention and warning mechanisms already known to it, as well as laid the foundations for the analysis and forecasting of new types of risk. Social risks were defined as threats that arise and manifest themselves within the social sphere of society, have negative social consequences, affect the life activities of individuals, social groups and society as a whole. For the most part, it is impossible to protect oneself against such risks individually, since “they are caused by a complex of objective socio-economic conditions and practically do not depend on the will of an individual” [5, p. 94].

A generalization of approaches to understanding the content of social risk can be defined in International Labour Organization Convention No. 102 (1952), ratified by Ukraine in 2016, which states that social risk is a loss of income that causes the need for material support of citizens to meet minimum needs regardless of their individual capabilities [6].

The consequences of the implementation of social risks affecting the deterioration of the vital, material and social situation of a person or a group of people carry the danger of social destabilization and necessitate the optional participation of the state “in building a system to neutralize the negative consequences of their occurrence” [7, p. 152].

The duty of a modern civilized state – to reduce, localize and eliminate the consequences of social risk – is determined by the content of the social function of the state and is reflected in social policy, which is implemented through social protection and social guarantees [7, p. 151].

In fact, social protection of the population is a system of social risk management, designed to maintain the social standards of every person’s life established by society within the defined framework. The economic essence of this system consists in the redistribution of national income to ensure human reproduction under the conditions of social risks.

A person’s acquisition of the right to social protection and social insurance is provided for in international acts, according to which social risks include temporary incapacity for work, pregnancy and childbirth, the need to care for a sick child, a sick family member, illness, disability, old age, etc.

In the conditions of a market economy, social protection measures are mostly focused on the full provision by the state of only those categories of the population that cannot take care of their own existence. The disabled population is rightly considered to be the most vulnerable and in need of all-round support from the state, and for able-bodied members of society, they

should be mainly stimulating in nature, aimed at activating and developing their labour potential.

Social protection of the able-bodied population is primarily aimed at creating appropriate conditions for the effective activity of this population category, under which the well-being of an able-bodied person is formed mainly at the expense of personal income.

As is well known, the state's ability to provide social guarantees for the disabled population depends entirely on the effective work of its able-bodied part. An increase in monetary expenditures without increasing the volume of production of competitive products and services cannot ensure a proper standard of living for people. This only leads to increased inflation and further impoverishment of the population.

According to prevailing ideas, the effective use of funds allocated for social assistance is facilitated by its targeting. Addressability is considered not only as the exclusion of the possibility of access to social assistance funds of those for whom it is not intended, but also the ability to provide assistance to all who need it. Methods of addressing social assistance include verification of means of livelihood, selection of individual socio-demographic groups (categorical), self-determination. The implementation of the principle of targeting in the planning of social expenditures is associated with large costs for administration. In order to regulate various types of social assistance to the impoverished population, a large army of officials is needed, on whose salaries a significant share of expenses will go. The correctness of distribution of targeted subsidies by these officials will also have to be monitored. Targeted social policy is so expensive that it is practically applied in prosperous rich countries. An indispensable condition for the introduction of targeted assistance is the non-disclosure of its recipients and the amounts of payments and benefits, which is difficult to guarantee in Ukraine. The disincentive effect of targeted payments is manifested in the creation of a layer of the poor (social dependents) who are satisfied with their situation and are not interested in looking for work.

It is undeniable that social protection should not be identified only with care for the most vulnerable sections of the population, and social development should be interpreted as a residual product of economic development. Social protection has an impact on stability in society and the development of human resources through the maintenance of population health, well-being, and the quality of labour potential, and also affects the



development of the economy through the growth of human capital and the stimulation of consumption.

From the point of view of researchers, the meaningful content of the concept of social protection of IDPs consists in a complex of components, the provision of which is the duty of the state [8, p. 135].

The International Labour Organization Convention No. 102 (1952) defines such minimum standards of social security of the population as medical care; assistance in connection with illness; unemployment benefits; old age assistance; assistance in case of occupational disability or occupational disease; family assistance; assistance in connection with pregnancy and childbirth; disability assistance; assistance in connection with the loss of a breadwinner. At the same time, it should be understood that “the costs of all types of assistance provided on the basis of this Convention and the costs associated with their management shall be covered collectively by insurance contributions or by taxation or by both of these methods so that it is not burdensome to individuals with low earnings, and to take into account the economic situation of the Member State and the relevant categories of protected persons” [6]

**Literature review.** Many scientific studies are devoted to issues of social protection of individual social groups, justification of priorities and measures aimed at ensuring its effective development. With the appearance of internally displaced persons (IDPs) in Ukraine in 2014, scientists and practitioners turned to the consideration of the issues of social protection of the mentioned stratum of Ukrainian society, the development of an effective model of social security for IDPs, directions of social policy and a system of integration measures for forcibly displaced persons, etc. In particular, the problems of socio-economic security of internally displaced persons in Ukraine and their integration into new territorial communities are reflected in the scientific works of leading scientists of the Institute of Industrial Economics of the National Academy of Sciences of Ukraine [9], O. Komarova and O. Slavina [10], V. Bidak [11], O. Lishyk [12] etc. Important aspects of the problems of social protection of IDPs and the determination of priority areas of the social protection system of this category of persons were highlighted and developed in the National Report “Policy of integration of Ukrainian society in the context of challenges and threats of events in the Donbass” [13], as well as in other scientific works, in particular, such famous domestic scientists as E. Libanova, O. Pozniak and O. Tsymbal [14]. The study of I. Alimova is devoted to the study of the

practice of working with internal migrants in foreign countries, the possibilities of introducing and using foreign experience in Ukraine [15].

Scientific and practical approaches to solving the problems of providing social protection for this category of persons were covered in the work of M. Kravchenko. The author notes that the solution of the mentioned problems will be possible if an integrated approach is used, defines the priority directions for ensuring social protection of displaced persons and presents a wide list of measures of an organizational, regulatory, legal, financial, economic and informational nature aimed at their implementation [16].

According to Z. V. Smutchak, for the social support and adaptation of displaced persons in the territories of their placement, “the main efforts of the state should be concentrated on the development and effective implementation of the Strategy for Social Adaptation of Internally Displaced Persons, which will involve, first of all, their integration into society, that is, the creation of new jobs and construction of full-fledged housing” [17].

The problems of social and economic inclusion of IDPs, ensuring their financial self-sufficiency, creating an inclusive environment are reflected in the works of scientists of Pavlo Tychyna Uman State Pedagogical University [18; 19; 20; 21; 22; 23].

A key milestone in the history of the formation of the concept of “internally displaced person”, from the point of view of O. Protsenko [24, p. 50], was the development of the Guidelines on Internal Displacement of the Office of the United Nations High Commissioner for Refugees. The specified guiding principles reflect and fully comply with international agreements in the field of international humanitarian law and human rights protection. They are aimed at meeting the special needs of internally displaced persons worldwide. They define the rights and guarantees necessary to protect persons from forced displacement, as well as to provide them with protection and assistance during displacement, as well as during return or resettlement and reintegration [25].

For the purposes of these Principles, internally displaced persons are persons or groups of persons who were forced to leave their homes or places of permanent residence, in particular as a result of or to avoid the consequences of an armed conflict, a situation of general violence, human rights violations, natural or man-made disasters and who are not crossed an internationally recognized state border [25].

According to the Law of Ukraine No. 1706–VII dated 20.10.2014, “an internally displaced person is a citizen of Ukraine, a foreigner or a stateless person who is in the territory of Ukraine on legal grounds and has the right to permanent residence in Ukraine, who was forced to leave or to leave their place of residence as a result of or in order to avoid the negative consequences of armed conflict, temporary occupation, widespread manifestations of violence, violations of human rights and emergency situations of a natural or man-made nature” [26].

Currently, during the period of Russia’s open military invasion of Ukraine, the term “internally displaced person” means a person who, after the introduction of martial law in Ukraine [27], moved from the territory where hostilities are taking place (which is available in the approved list of administrative-territorial units [28]), and received the status of an internally displaced person in accordance with the resolution of the Cabinet of Ministers of Ukraine “On accounting for internally displaced persons” [29].

In order to record individuals who are internally displaced, an automated information bank – the Unified Information Database on Internally Displaced Persons – has been created in the country. The procedure for creating, maintaining and accessing the information of the Unified information database on IDPs was approved by Resolution of the Cabinet of Ministers of Ukraine No. 646 from September 22, 2016 [30]. An application for registration and inclusion in this database, if technically possible, can also be submitted through the Diya Portal mobile application by an adult or minor IDPs who has been assigned a registration number of a taxpayer’s registration card.

The number of displaced people in Ukraine tripled after the start of the full-scale invasion: from 1.5 million to 4.6 million people. These indicators reflect the growth dynamics of only those citizens of the country who submitted applications for registration to the EIBD. As of the beginning of September, the number of registered IDPs in Ukraine amounted to 4,479,798 people, including 1,063,489 children [31]. At the same time, according to unofficial data, the number of internally displaced persons is much higher.

The majority of IDPs are persons who have been evacuated from places where hostilities are taking place; or persons who were able to save themselves and leave the cities that became the hottest spots during the war in time. IDPs who became human shields and were evacuated during humanitarian evacuation corridors need long-term rehabilitation. These

people, whose vulnerability is caused by the forced loss of a permanent place of residence and an established lifestyle, a usual place of work, established ties with relatives and loved ones, that is, basic material resources and a spiritual environment that is significant for them, are in a state of social exclusion and need social support from state [32]. Among the negative consequences of resettlement, primarily organized ones, which are practically not emphasized today, it should be noted the losses due to the deterioration of health and, as a result, the reduction of life expectancy. Resettlement causes psycho-emotional stress (increased anxiety level), which leads to an increase in the frequency of so-called stress-related diseases. According to researchers, social inclusion can be defined as a desirable situation in which all members of society have sufficient resources and opportunities for full and equal participation in all spheres of social activity [33, p. 240].

**Results.** In Ukraine, since 2014, measures have been implemented aimed at providing social support to persons who have moved from the temporarily occupied territory of Ukraine, areas of anti-terrorist operation and settlements located on the line of contact – internally displaced persons. A certain positive experience of social security of vulnerable categories of displaced persons has been developed, the issue of payment of cash assistance to them and provision of social services has been settled. For example, social protection of low-income families of internally displaced persons, including those with many children, is ensured by providing them with assistance in accordance with the Law of Ukraine “On State Social Assistance to Low-Income Families” [34]. For social support of internally displaced families (persons) in October and November 2014, the Cabinet of Ministers of Ukraine adopted Resolution No. 505 [35] and № 637 [36].

For internally displaced persons, since May 2018, the mechanism for providing a housing subsidy to reimburse the costs of paying for housing and communal services, the purchase of liquefied gas, solid and liquid household stove fuel has been simplified [37; 38].

According to the current legislation of Ukraine, registered as IDPs, citizens of retirement age, persons with disabilities, children with disabilities and other persons who are in difficult life circumstances have the right to receive social services at their actual place of residence or stay.

Funds from the state and local budgets, non-state domestic support, funds from donor international organizations and governments of foreign countries became the sources of the formation of the necessary financial

resources for the implementation of programmatic tasks of social security of IDPs.

When determining the right to state social assistance for IDPs, deposits and real estate owned by the family were taken into account; the place from which the person moved, and the fact of employment of the IDPs. The amount of assistance was not constant and could fluctuate depending on the circumstances. For example, able-bodied people could count on a maximum of UAH 442 children and pensioners – on UAH 1000 per month. Payments for people with disabilities were slightly higher. At the same time, there were restrictions on the maximum amount of assistance per family: assistance in the amount of UAH 3000 was received by families under standard situations per month; UAH 3400 – if one of the family members had a disability; UAH 5000 per month – if the family had many children.

The social protection needs of IDPs and the provision of monthly targeted assistance in Ukraine were provided through the implementation of the national budget program “Providing monthly targeted assistance to internally displaced persons to cover living expenses, including the payment of housing and communal services”.

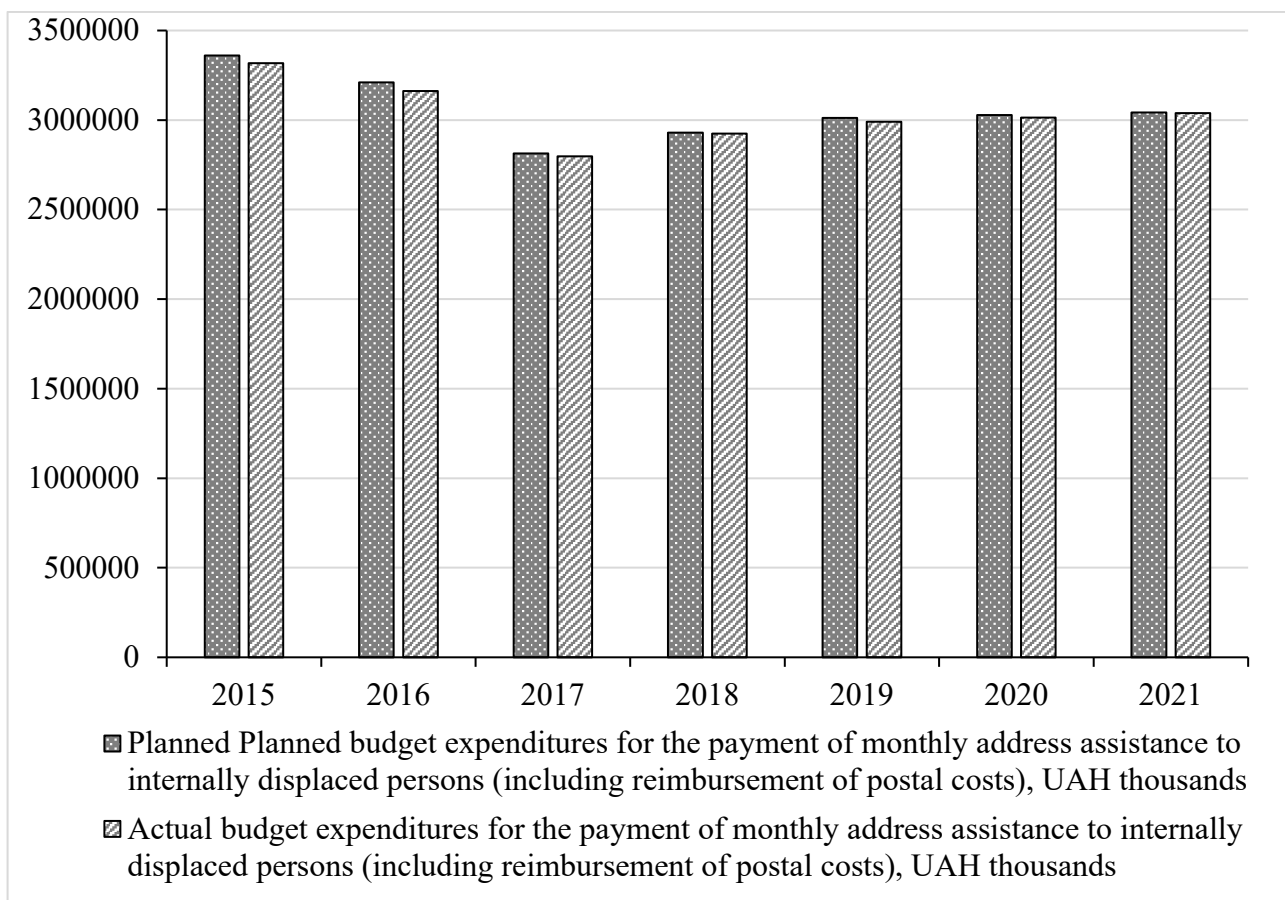
The evaluation of the performance indicators of the specified target program is presented in the Table 4.1.

**Table 4.1.** Performance indicators of the budget program “Provision of monthly targeted assistance to internally displaced persons to cover living expenses, including the payment of housing and communal services” in 2015–2021

Indexes	2015	2016	2017	2018	2019	2020	2021
Payment of monthly address assistance to internally displaced persons (including reimbursement of postal costs), UAH mln	3317.6	3161.7	2798.2	2923.9	2991.3	3014.1	3039.5
The average monthly number of families that need to receive targeted assistance, units	224880	197254	169437	165710	164799	170827	171126
The average monthly amount of targeted assistance per family, UAH	1229.4	1335.7	1376.2	1470.4	1512.6	1470.4	1480.1

*Source:* compiled by the author based on reports on the implementation of the passport of the budget program [39].

During 2015–2021, according to the data of the Ministry of Social Policy [39], almost UAH 21.25 billion of budget expenditures were directed to the payment of cash assistance to internally displaced persons to cover living expenses, including the payment of housing and communal services, including h. in 2021 – UAH 3039.5 million (Fig. 4.1). In general, in 2021, according to the applications for the need for funds submitted by the structural units for social protection of the population of the regional state administrations, the average monthly number of families who received targeted assistance amounted to more than 171 thousand families, and the average monthly amount of such assistance was UAH 1480.1 per family.



**Figure 4.1.** The dynamics of indicators of the use of budget funds under the budget program “Providing monthly targeted assistance to internally displaced persons to cover living expenses, including the payment of housing and communal services” in 2015–2021, UAH thousands

*Source:* Built by the author based on reports on the implementation of the budget program passport [39].

The increase in the number of people with the status of IDPs in 2022 led to the launch of a new government program to help internally displaced

persons, which covers such important areas of their social security as monthly cash assistance, assistance in providing housing and employment, etc. In March 2022, the government cancelled the payment of the monthly address allowance and instead, by Resolution No. 332 [40], introduced housing allowance for internally displaced persons. The amount of such IDPs payments is: for children and people with disabilities – UAH 3000, for other persons – UAH 2000 per month.

From May 2022, housing assistance is provided to two categories of internally displaced persons:

those who moved from territorial communities located in the area of hostilities, temporarily occupied, surrounded (blocked). Approval of the list of such communities is carried out by the Ministry of Reintegration of the Temporarily Occupied Territories of Ukraine in agreement with the Ministry of Defence of Ukraine based on the proposals of the relevant regional and Kyiv city military administrations;

those whose housing is destroyed or uninhabitable due to damage and who submitted an application for compensation for the respective losses, in particular through the Unified State Web Portal of Electronic Services, regardless of whether they returned to the settlement of permanent residence or not [41].

From March 22, 2022, at the initiative of the Ministry of Development of Communities and Territories of Ukraine, the government social program “Shelter” has been operating in Ukraine, the procedure for its implementation was approved by Resolution of the Cabinet of Ministers of Ukraine No. 333 of 03/19/2022 [42]. The purpose of the program is to provide compensation for costs for free temporary accommodation of IDPs in private residential premises located in safer areas of Ukraine. Thus, within the framework of assistance to IDPs with housing, the state compensates the communal costs of communities and people who host displaced persons free of charge.

From October 1, 2022, the amount of compensation for people who provided temporary housing to internally displaced persons within the framework of the “Shelter” program will increase. Homeowners who accommodate IDPs will receive UAH 900 (during the heating season) instead of UAH 450 for each such person per month. This became possible thanks to the updated Memorandum of Cooperation, which was concluded on behalf of the Government by the Ministry of Development of

Communities and Territories of Ukraine with the Red Cross Society of Ukraine.

In addition, the Government recently approved another innovation: when calculating subsidies, the mentioned compensation will not be calculated as received income. These measures are aimed at stimulating those entities that accept forced refugees from the war. At the same time, the list of institutions that will receive compensation for communal services if they harbour IDPs was separately expanded. Not only state and communal enterprises, but also legal entities, natural persons – entrepreneurs, religious organizations and others will have this right. All who are ready to shelter internally displaced persons.

Today's realities dictate the need for the government to respond to needs and make corrections to budget schedules. The allocation and use of funds for providing compensation is carried out in accordance with the Resolution of the Cabinet of Ministers of Ukraine dated March 1, 2022 No. 175 “Temporary procedure for the allocation and use of funds from the budget reserve fund under martial law” [43]. According to official data, this year, the reserve fund of the state budget allocated more than UAH 2.74 million for March, and almost UAH 50.62 million for April, for May – more than UAH 36.55 million [44; 45; 46]. Note that the payment of the specified compensation is carried out regardless of whether or not the IDPs receive monthly targeted assistance to cover living expenses, including the payment of housing and communal services.

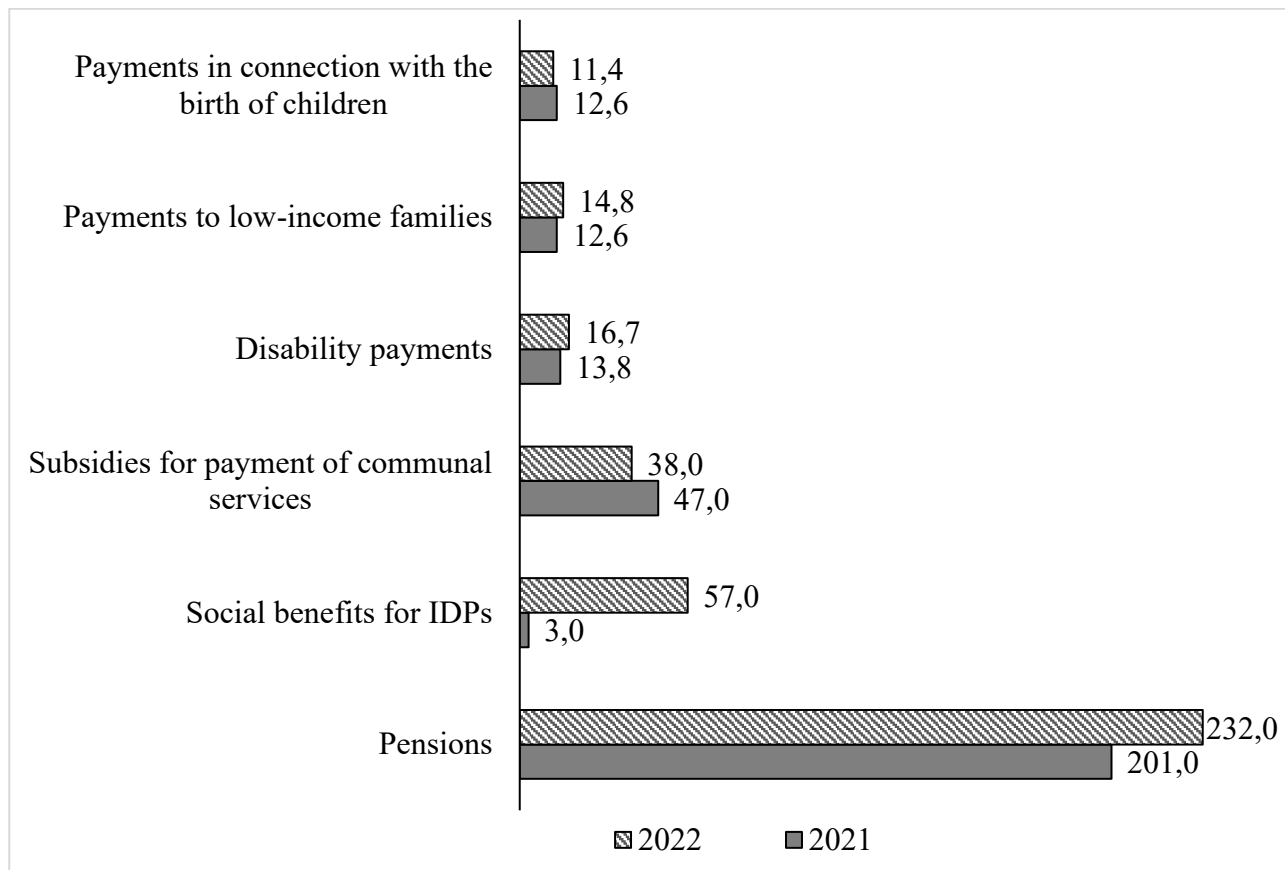
In September 2022, the government approved more than UAH 114 million to compensate homeowners who sheltered displaced persons for July expenses. In particular, UAH 32.7 million was allocated from the reserve fund of the state budget, and more than UAH 81.5 million will be spent at the expense of international, charitable organizations and public associations. In October, the amount of funds allocated by the government for such compensation increased to over UAH 34 million from the reserve fund of the state budget, and over UAH 82 million will be provided by the Red Cross Society of Ukraine.

According to analysts, the war significantly strengthened the role of the state in the Ukrainian economy [47]. A more than tenfold increase in military funding, coupled with implementation and even a 23% increase in total spending on social obligations, increased the share of GDP redistribution through the budget to a record 78%. The role of the state in the labour market has also increased. Unemployment in the private sector



has tripled and currently reaches, according to the NBU, about 35%. At the same time, about 6 million people, which is 37% of the workforce of working age, work in the state sector of the country's economy.

The increase in the number of internally displaced people had a significant impact on the growth of social payments in budget expenditures. According to the Ministry of Social Policy, by the end of 2022 social assistance payments to IDPs will reach UAH 57 billion, compared to UAH 4 billion in the previous year (Fig. 4.2).



**Figure 4.2.** Volumes of state spending on social obligations in 2021–2022, UAH billion

*Source:* built by the author according to [47].

For the next year, the Law of Ukraine “On the State Budget of Ukraine 2023” [48] provides almost UAH 60 billion for the support of this category of citizens. However, according to D. Marchak, the deputy minister of social policy, in conditions of significant limitation of financial resources and an increase in the number of people who need care from the state, the system of social assistance needs to be reconsidered [49]. In addition to financial assistance, which is an absolute priority of the Ministry of Social Policy,

another direction of the institution's work remains the provision of effective social services as one of the most powerful tools of assistance.

IDPs reaching the level of financial self-sufficiency should only partially take place at the expense of financial assistance from the state. In particular, from the point of view of E. Libanova, O. Pozniak and O. Tsymbal, for those IDPs who lost their housing due to destruction / damage and do not want to return to their previous places of residence and have found or can find work, "it is necessary to develop a mechanism for providing financial support for the repair of apartments in centres of collective accommodation and the transfer of ownership rights to housing to residents, as well as the construction of new housing with the transfer of ownership rights" [14, p. 52]. According to scientists, special attention should be paid to IDPs who moved from rural areas. It is relevant and expedient to develop a mechanism for the further purchase of those houses in which forced migrants were resettled and which were not used as housing before the war. At the same time, low-income families, from among internally displaced persons, should have the opportunity to obtain land "on a long-term lease with the right of further redemption, as well as financial support in starting their own subsidiary farm (assistance in obtaining land cultivation tools, seeds, etc.)" [14].

It is worth noting that, among other things, insured persons who have the status of IDPs are guaranteed to receive material support payments according to the types of mandatory state social insurance. Ensuring the realization of this right of registered internally displaced persons is established by Article 7 of the Law of Ukraine No. 1706–VII, which states that "...realization of rights to employment, pension provision, mandatory state social insurance in case of unemployment, in connection with temporary loss of working capacity, from an accident at work and an occupational disease that caused the loss of working capacity, to receive social services is carried out in accordance with the legislation of Ukraine" [26].

In Ukraine, the constitutional right of citizens to social protection is implemented through the implementation of a unified system of mandatory state social insurance. The country has been reforming the social insurance system for a long time. However, in our opinion, we can talk about the partial implementation of the reform program, since only four types of mandatory state social insurance have been introduced: insurance in connection with temporary disability; unemployment insurance; insurance

against an accident at work and an occupational disease that caused the loss of working capacity; pension insurance. In the near future, with the adoption of separate laws, health insurance will be included in the mandatory social insurance system.

Mandatory state social insurance, as you know, operates on the principles of a distribution system that uses the insurance experience and income of the working population to determine the right to receive social benefits and assistance. In the event of an insured event, social insurance guarantees the insured persons, and in some cases, their family members and other persons, a standard of living that is not lower than the national standard of subsistence established by law.

The appointment of material support and the provision of social services are carried out on the basis of information contained in the system of personalized accounting of information about insured persons of the State Register of mandatory state social insurance.

Today, state trust funds that ensure the functioning of mandatory state social insurance in Ukraine not only guarantee the receipt of assistance for immigrants who were insured under mandatory state social insurance, but also simplified the procedure for receiving payments for the latter.

By the Social Insurance Fund of Ukraine – the body that “executes the management and management of mandatory state social insurance in Ukraine against an accident, in connection with temporary loss of working capacity and medical insurance” [50], for six months from the beginning of the war for those evacuated workers whose employers were unable to submit an application due to hostilities, over UAH 19.5 million of hospital and maternity benefits were directly calculated [51]. To receive benefits for temporary disability or for pregnancy and childbirth from the Social Insurance Fund of Ukraine directly, it is sufficient for evacuated workers to provide an IDPs certificate, originals and copies of a passport or other identity document, the registration number of the taxpayer’s registration card, as well as a sick leave to whom payment will be made. The employee must apply in person or through a legal representative to the branch of the Social Insurance Fund of Ukraine at the place of registration or registration as an IDP.

For IDPs of retirement age, the mechanism of pension payments under the mandatory state pension insurance remains unchanged. Payment of pensions to internally displaced persons is carried out in accordance with the procedure determined by the Cabinet of Ministers of Ukraine. According

to the legislation, all pension payments are made from the funds of the Pension Fund of Ukraine – the central body of the executive power that manages and manages the solidarity system of mandatory state pension insurance [52; 53].

In 2022, since the beginning of the open Russian invasion of Ukraine, pensioners who are internally displaced persons will continue to receive pension payments, but taking into account the changes stipulated by the resolution of the Cabinet of Ministers of Ukraine dated 03.25.2022 No. 363 [54]. Among other things, according to this normative legal act, a person who is subject to mandatory state social insurance can submit an application for the payment of a pension to the Pension Fund of Ukraine in electronic form through the web portal of the fund's electronic services using the means of a qualified electronic signature.

The situation regarding the receipt of benefits by insured displaced persons under the mandatory social insurance in case of unemployment turned out to be somewhat more difficult, in particular, due to obstacles to obtaining the status of unemployed. After all, until recently, IDPs did not have the opportunity to terminate the employment contract at their previous place of residence, which, accordingly, made it impossible to register such a person in the State Employment Service. However, adopted at the end of April 2022, the Law of Ukraine “On Amendments to Certain Legislative Acts Concerning the Functioning of the Employment Spheres and Mandatory State Social Insurance in Case of Unemployment During Martial Law” [55] simplifies the receipt of financial payments. After changes to the legislation, forced migrants can terminate the employment contract unilaterally through the State Employment Centre. In this way, the main goal of the functioning of the social insurance system in case of unemployment is realized – to provide temporary and partial compensation of the income of the insured person who lost his job for reasons beyond his control during the period of searching for new employment.

At the same time, it should be noted that due to the adopted legislative initiatives, the number of payments has decreased for some unemployed persons: if earlier the maximum amount of unemployment benefits depended on the subsistence minimum, now unemployment payments depend on the amount of the minimum wage. From now on, the maximum amount of unemployment benefits will be one and a half of the minimum wage, i.e., UAH 9750 [56]. The total duration of unemployment benefit

payments cannot exceed 180 calendar days. Unemployment benefit is granted from the first day of granting unemployment status.

According to the current legislation, the management of unemployment insurance, the accumulation of insurance contributions, control over the use of funds, the payment of security and the provision of social services, and the implementation of other functions provided for by law, are carried out by the Fund of compulsory state social insurance of Ukraine in case of unemployment. It should be noted that, in addition to the costs of unemployment benefits, in particular for IDPs, a significant item of expenditure of the Fund of the compulsory state social insurance of Ukraine in case of unemployment is the funds directed to solving the employment problems of forced migrants. In order to ensure the maximum support for the employment of IDPs, the state pays UAH 6.5 thousand for each employed person to employers who hire displaced persons from the affected regions. In 2022, the fund's budget provides UAH 200 million for providing employers with compensation for labour costs for each employed person from among internally displaced persons as a result of hostilities during martial law in Ukraine [57].

At the state level, the solution to the problem of overcoming unemployment is connected with the application of special protection norms: citizens are guaranteed social support, free professional orientation is organized, training and professional development are carried out at the direction of the employment service authorities, opportunities are created for participation in paid public works, taking into account age and other features. At the regional level, local bodies solve problems related to the regulation of employment of the population within the limits of their competence. In particular, they can independently create new jobs at communally owned enterprises, provide benefits to enterprises that create new jobs regardless of the form of ownership, organize public and seasonal works, encourage the population to self-employment in the field of small business, expand workshops and districts with using home labour, within the limits of extrabudgetary funds, to create targeted employment support funds.

Ukrainians who suffered from the full-scale Russian-Ukrainian war can also receive monetary payments from international organizations. Currently, cooperation has been established with such organizations as the Mission of the International Committee of the Red Cross in Ukraine, the Red Cross Society, the Red Rose company, which promotes cash payments

with the support of the International Federation of Red Cross and Red Crescent Societies, UNICEF, the United Nations World Food Programme, the Office of the United Nations High Commissioner for Refugees and the International Organization for Migration [58; 59; 60; 61].

Ukraine's extensive cooperation with international partners under martial law allows for additional cash payments that complement state aid and are aimed at increasing the purchasing power of the most vulnerable groups of people.

In our opinion, out of all the possible extra-budgetary sources of funding that can be directed to the solution of many socially significant issues, including the problems of social and economic inclusion of immigrants, grant funds play an extremely important role. It should be noted that one of the factors contributing to the provision of such incomes to Ukraine is the rapid development of civil society institutions on the territory of our country. Recently, the country has seen a surge in the development of volunteer movements, public initiatives aimed at solving social problems of communities, assistance to the army and to persons who, due to the armed aggression of the Russian Federation, were forced to move from their places of permanent residence to safer regions of the country.

In recent years, there has been an increase in the number of public formations, in particular, public organizations and charitable foundations with the status of a legal entity, whose activities are aimed at protecting the interests of various social groups in communities. It is through such non-profit organizations that grant resources can be attracted, which are provided as a result of specialized grant programs-competitions, as a tool for financing projects through donor organizations. The experience of implementing such projects, for example, in the United Territorial Community of the Cherkasy Region, shows the significant impact of grant aid on the development of the region's economy, reducing tension on the labour market, providing livelihoods and jobs for more than 300 people, including IDPs and veterans of the anti-terrorist operation, improvement of the urban and rural infrastructure of communities, creation of a base for the development of social entrepreneurship, etc. [62, p. 108]. The further development of such initiatives will undoubtedly have a positive impact on the financial provision of the inclusion of such a social group as internally displaced persons in the direction of their self-realization, education, employment, development of abilities and potential. The determination of the basic means of public organizations for socio-economic adaptation of

internally displaced persons is presented in the scientific work of D. Nikonova [63].

O. Novikova and O. Pankova, leading scientists of the Institute of Industrial Economics of the National Academy of Sciences of Ukraine, emphasize the importance of the contribution of national institutions of civil society and international organizations in providing various forms of assistance and support to IDPs. The authors, focusing on the main achievements and shortcomings of the state policy regarding IDPs, note that it is the state's ability to develop an effective policy, "to take into account the impact of threats to the national and social security of Ukraine in connection with mass forced migration, to actively cooperate with international non-state structures, using the national social, financial and intellectual resources to the maximum benefit, the degree of completeness of the IDPs resource implementation directly depends on it" [64].

It has been proven that a low level of social protection makes it impossible to stay without work for a long time. Under such conditions, at least one of the family members is forced to engage in any type of activity that brings means of livelihood. This determines the growth of unreliable and low-productivity, albeit labour-intensive, employment in the informal sector. The social significance of employment in the informal sector is to slow down the pace of marginalization and further impoverishment of the population. Employment in the informal sector allows internally displaced persons to "survive".

In Ukraine, informal employment, concentrating the material interests of a significant part of the working population, changing work motivation, the system of social and professional orientations of employees, increasingly limits the possibilities of productive employment [65].

Subjects of the informal sector are divided into individually employed; employees and owners of small unregistered production units; officially unregistered employees in registered enterprises and organizations; entrepreneurs of the formal sector, who carry out unrecorded, tax-hidden activities that bring unrecorded income; employees of the formal sector who perform unaccounted-for activities at the workplace, etc.

Employment, which is not formally registered, cannot but be seen as a confirmation of market freedoms. Informal employment as a social phenomenon has already lost its episodic character in the past and has become a common phenomenon. Now those employed in the informal sector are engaged in both skilled work (private lessons, medical services,

tailoring, repair of household appliances, construction work, etc.) and unskilled work (retail trade, provision of various services). At the same time, employment in the informal sector is mostly accompanied by non-compliance with labour and sanitary standards generally accepted in the economy.

Researchers, assessing the tendency of redistribution of the labour force, recognize denormalization as a serious problem of the state employment policy and emphasize the need to solve it. “Traditionally, one of the most important ways of reducing the number of people employed in the informal sector is seen in the growth of their employment in small enterprises” [66, p. 17]. In order to stimulate small-scale entrepreneurship and self-employment of IDPs, it is necessary to create a regime of the greatest assistance to such subjects of entrepreneurial activity, in particular, with regard to receiving international financial assistance to support the entrepreneurial initiative of IDPs.

Social policy priorities should gradually establish the conditions that will give every employee the opportunity to constantly improve their well-being through honest, productive work. Social protection of the employed should be aimed at ensuring preventive measures to prevent impoverishment, reduce income differentiation and weaken property stratification. In this context, the fundamental reform of the wage system comes first.

Under market conditions, there are many types of risks, including the risk of loss or a decrease in the level of income, which means the standard of living. State guarantees that provide compensation for the risk of loss of income are the main content of social protection of the economically active population. When developing social protection measures, one should take into account the need to maintain appropriate proportions between the incomes of working and non-working people, between complex and unskilled work. Without stimulating labour activity, the economic base of social protection is undermined.

Poverty, significant property differentiation of the population, alienation of a significant number of citizens from public life, restrictions on their access to educational and medical services, leisure time organizations pose a real threat to the social security of the state.

Social security is understood as the state of society, which ensures the nominal level of social conditions and social benefits – material, sanitary-epidemiological, ecological, psychological, etc., which determine the



quality of life of both an individual and society as a whole, and also guarantee a minimum risk to life, physical and mental health of people. A high level of social security is part of the system of top priorities of countries solving various tasks of economic development and functioning. At its core, this process has objective trends determined by the entire course of social development and subordinated to human evolution as the ultimate goal of any socio-economic activity.

There is no reason to deny that social security is the result of social protection and largely depends on the state's social policy, which guarantees protection from threats to social interests and, thus, neutralizes the negative impact of social risks on the degree of protection of citizens' vital interests. Social security largely determines the development and maturity of the processes of social and public development. At the same time, without developed social relations, there cannot be stable social security for both an individual and society as a whole. Scientists emphasize the organic unity of social protection and social security on the one hand, and social development and social relations on the other.

Solving the problems of social and economic inclusion of IDPs cannot be carried out separately from macroeconomic measures aimed at supporting the entrepreneurial initiative. However, it is a mistake to believe that these problems should be solved only at the national level. This problem, in our opinion, is more regional in nature and should be solved first of all locally.

A. Dyachenko, analysing directions for increasing the level of integration capacity of IDPs in Ukraine, draws attention to measures that contribute to the transformation of forced migrants into a real resource for the development of the territorial community. From the researcher's point of view, such measures include "the formation of a system of multi-channel financial support for the integration of IDPs into territorial communities, the development of affordable mortgage lending, tax preferences for business entities that employ IDPs, ensuring the availability of microcredit programs for the development or expansion of small and medium-sized businesses, establishment of partnership and coordination networks between the state, public and private sectors and international organizations for the coordination of IDPs aid projects" [67].

According to the Ministry of Reintegration of the Temporarily Occupied Territories of Ukraine, as of the end of November 2022, IDPs families received 475 preferential mortgage loans for the purchase of

housing, the provision of which is implemented within the framework of a joint project of the said Ministry and the State Fund for the Promotion of Youth Housing construction. In particular, citizens bought 429 apartments from individuals, and 46 apartments were purchased from developers through financial companies. provision of preferential loans It is noted that loans are granted for a period of up to 30 years at 3% per annum, based on a standard area of 52.5 m<sup>2</sup> per person or a family of two and an additional 21 m<sup>2</sup> for each subsequent family member. Citizens have the opportunity to independently choose housing for purchase on preferential terms.

**Conclusion.** In modern realities, under the conditions of clearly defined strategic priorities of our state, an important place is given to the issue of social protection of the population, in particular, those people whose quality of life has deteriorated due to the negative impact of social risks.

With the beginning of Russian aggression in Ukraine in 2014, many people were forced to leave their homes and move to safer places in the country. A new social group of the population appeared – internally displaced people, who received the official status of “internally displaced persons”. In the conditions of aggravation of socio-economic problems and deterioration of the socio-psychological feeling of the affected population of the country, the need to support the efforts of IDPs to return to normal life is growing, in particular, through the use of social protection tools.

A mandatory condition for the implementation of measures aimed at ensuring the social inclusion of forced migrants is their financing. Sources of the formation of the necessary financial resources for the implementation of program tasks of the social security of IDPs can be funds from the state and local budgets, non-state domestic support, funds from donor international organizations and governments of foreign countries. A mandatory condition for the implementation of measures aimed at ensuring the social inclusion of forced migrants is their financing. Sources of the formation of the necessary financial resources for the implementation of program tasks of the social security of IDPs can be funds from the state and local budgets, non-state domestic support, funds from donor international organizations and governments of foreign countries.

In Ukraine, since 2014, positive experience has been gained in the use of financial instruments for social support of various categories of IDPs. Implementation of assistance programs for citizens who left their place of residence to avoid the negative consequences of the war and temporary occupation was mostly financed by budget funds.

Open Russian military aggression in Ukraine, which began on February 24, 2022 with the bombing of a large number of settlements throughout the country, caused a new surge in mass internal displacement of the population. The increase in the number of people with the status of IDPs and the start of the new government program for assistance to internally displaced persons, which covers such important areas of their social and economic inclusion as monthly cash assistance, assistance in providing housing and employment, caused the need to increase budget expenditures for the implementation of program tasks.

Mandatory social insurance plays an important role in ensuring social protection guarantees for IDPs. The system of mandatory state social insurance in Ukraine is represented by pension insurance, insurance in case of unemployment, in connection with temporary loss of working capacity, from an accident at work and occupational disease that caused the loss of working capacity.

In accordance with the current legislation, displaced persons who are subject to mandatory state social insurance are guaranteed material support in the event of an insurance event through the provision of pensions, other types of social benefits and assistance, which are the main source of livelihood. The appointment of material support and the provision of social services are carried out on the basis of information contained in the system of personalized accounting of information about insured persons of the State Register of mandatory state social insurance. In accordance with the current legislation, displaced persons who are subject to mandatory state social insurance are guaranteed material support in the event of an insurance event through the provision of pensions, other types of social benefits and assistance, which are the main source of livelihood. The appointment of material support and the provision of social services are carried out on the basis of information contained in the system of personalized accounting of information about insured persons of the State Register of mandatory state social insurance.

Currently, the state trust funds, which ensure the functioning of the mandatory state social insurance in Ukraine, not only guarantee the receipt of assistance for displaced insured persons, but also in some cases have simplified the procedure for the latter to receive social benefits and assistance.

Ukraine's extensive cooperation with international partners in the conditions of martial law has opened opportunities for forcibly displaced

persons to receive additional cash payments from international organizations. The continuation of the armed aggression of the Russian Federation against our country leads to an increase in the needs of the affected population and a limitation of the economic and financial capabilities of the state to ensure the implementation of the outlined social guarantees. This determines the need for further financial support of the budget from Ukraine's international partners and wider assistance from the international community in addition to its own efforts. In particular, in order to solve the problems of financing measures aimed at the social inclusion of persons whose vulnerability is due to the loss of permanent residence and resettlement to safe regions of the country, there is a growing need to actively attract grants from international donor organizations.

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## Chapter V

# MANAGEMENT OF AGRICULTURAL ENTERPRISE ECONOMIC SECURITY

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**Introduction.** Today, Ukrainian agricultural enterprises are in a situation where they need to ensure production, sustainable development, as well as adequately respond to external challenges and threats that hinder the realization of economic interests and the use of existing competitive advantages for equal competition. In such circumstances, an important condition for ensuring the efficiency and sustainability of economic development is the formation of a management system for economic security of enterprises. Therefore, the problem of developing an effective management system for economic security of agricultural enterprises is relevant, as a significant number of businesses are in crisis or close to it.

**Literature review.** Issues of economic security at various levels of government are constantly in the spotlight of researchers. Scientific and practical aspects of economic security were considered by such domestic and foreign scientists as: S. Koriahina [1], R. Lupak [2], N. Tarnavska [3], V. Berehovyι [4], N. Biloshkurska, & N. Lysenko [5], Y. Yaremko, L. Shykova, & L. Syvolap [6], O. Prokopenko, N. Biloshkurska, M. Biloshkurskyi, & V. Omelyanenko [7], N. Davydenko, N. Wasilewska,

M. Wasilewski, & Z. Titenko [8], O. Illiashenko, Y. Rudnichenko, T. Momot, & N. Havlovska [9], O. Zinina, & J. Olentsova [10], Y. Pushak et al [11], S. Zakharin et al [12] and others.

However, despite the significant contribution of scientists, the practical aspects of the management of economic security of enterprises still remain unresolved in the scientific literature. In particular, there are no comprehensive studies of the problems of forming the system of economic security of agricultural enterprises.

**Results.** The aim is to substantiate the theoretical foundations and develop proposals for the formation of economic security of the agricultural enterprise.

Achieving this goal led to the solution of the following tasks:

- to study the theoretical and applied aspects of economic security management of an agricultural enterprise;
- to suggest directions of improvement of the economic security management system of the agricultural enterprise Tikych-Agro LLC.

The object of research is the process of managing the economic security of the enterprise. The subject of research is the theoretical, methodological and practical principles of economic security management of an agricultural enterprise.

The scientific-theoretical and methodological basis of the study are the works of economists on the economic security of the enterprise and regulations on state regulation of economic security and more. In order to ensure the reliability and validity of the results of the study, the following methods were used: logical-dialectical method of scientific knowledge and systematic historical approach in the study of basic theoretical aspects of economic security, methods of graphical and tabular expression of analytical data, strategic planning and management, SWOT-analysis, method logical generalization and synthesis, etc.

The information base of the research consists of legislative and other normative legal acts of Ukraine, official materials of the State Statistics Service of Ukraine, the Ministry of Finance of Ukraine, the National Bank of Ukraine, operational data of the Ministry of Economic Development and Trade of Ukraine, monographs, scientific periodicals.

## **5.1. Theoretical and applied aspects of economic security management of an agricultural enterprise**

A certain insufficiency of the state policy base to counteract internal and external challenges and threats, exacerbated by internal political, economic, legal and social contradictions, requires a revision of the national development strategy with the widest possible consideration of the importance of ensuring sustainable development of primary economic agents. It is clear that the effect of endogenous and exogenous risks is manifested primarily at the level of economic entities. Therefore, the problem of guaranteeing the economic security of the enterprise should be considered an important element and factor that largely determines the state of economic security of the industry, region and country. Given the importance of the agricultural sector in the national economy, the problem of strengthening the economic security of domestic agricultural enterprises is also relevant.

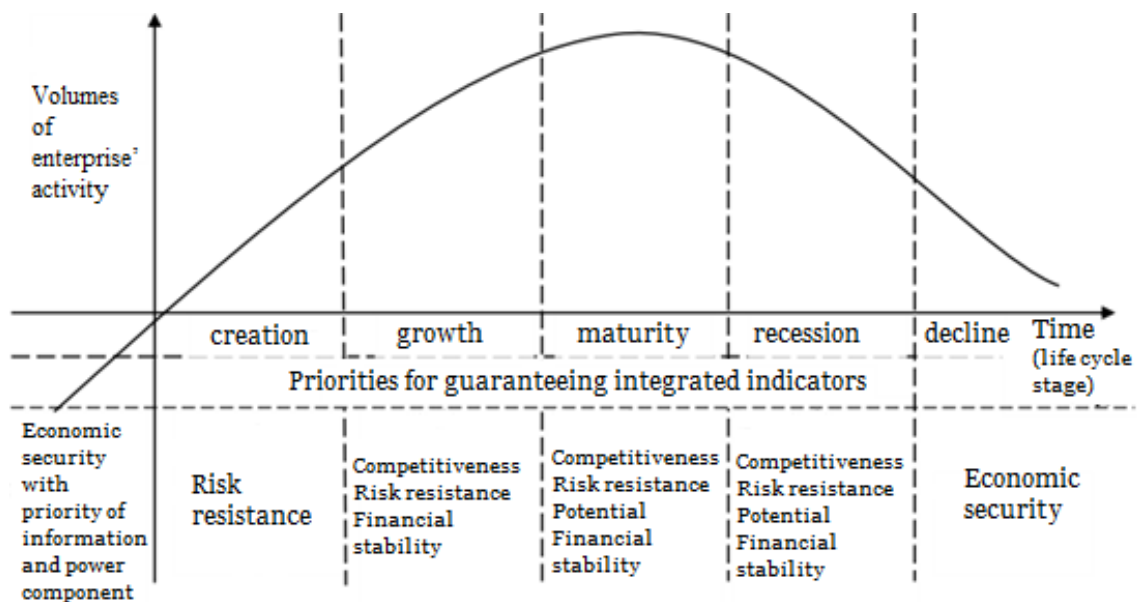
The category of “economic security” correlates with the concept of enterprise competitiveness. Thus, N. Tarnavska, substantiating the content of the concept of competitiveness of the business entity on the basis of innovative development, proves the need to lay in it quantitative and qualitative characteristics of the business entity, able to ensure the production of competitive products; combining in this category the concepts of productivity and efficiency as the ability of the subject of the primary link of the economy in real time and in the future to form and use a system of knowledge, ahead of existing and potential competitors [3].

From the given definition really similar characteristics between competitiveness and economic safety of the enterprise are traced. Moreover, in scientific works on the problems of competitiveness of the primary economy can be found many identical approaches to substantiate the essence of the analysed concepts. For example, R. Lupak characterizes the competitiveness of the enterprise as a mechanism for effective use of competitive advantages in order to achieve strategic goals of economic and financial activities and meet the socio-economic needs of consumers [2]. In addition, the scientist, substantiating the method of assessing the level of competitiveness, uses a resource-functional approach, which is more typical for assessing the economic security of the enterprise.

In our opinion, it is difficult to identify the interdependence and priority of the economic categories analysed above. However, the

prerequisite for the differentiation of these concepts is to determine their place and priority of provision at different stages of the life cycle of the enterprise (Fig. 5.1).

At the same time, it should be noted that some researchers use to some extent different approaches to modelling the life cycle of the enterprise. Thus, S. Koriahina proposes to form the stages of the life cycle of the business entity according to the criteria of “enterprise size” and “age of the enterprise”, highlighting such phases of its development cycle (and crisis levels) as: 1) creative (creation of the organization), which corresponds to the leadership crisis; 2) leadership (organizational growth), combined with the crisis of autonomy; 3) delegation of powers, which is characterized by a crisis of control; 4) coordination, which corresponds to the crisis of borders; 5) cooperation combined with a crisis of confidence [1].



**Figure 5.1.** The place of economic security at different stages of the life cycle of the enterprise

Tikych-Agro LLC is located in Shuliaky village, Zhashkiv district, Cherkasy region. Distance to the region centre – 45 km, to the nearest railway station Zhashkiv – 45 km, to the route St. Petersburg – Kyiv – Odesa – 50 km. On the territory of Tikych-Agro LLC there is the main building of the administration, which houses the accounting department, the office of the chairman of the board, the meeting room; dining room with kitchen and other sanitary departments; capital winter warehouse for storage of grain, seeds and mineral chemicals; garages, garages and other outbuildings.



The company has its own granary, which significantly reduces the cost of post-harvest processing of the crop, which is located directly near the fields. Preliminary harvesting is carried out on the current: cleaning, sorting, inspection. After pre-processing the crop, agricultural products are sent to the elevator or directly to the customer or buyer. Consider the composition and structure of sown areas in Tikych-Agro LLC in Table 5.1.

**Table 5.1.** Composition and structure of sown areas in Tikych-Agro LLC

Crops	2018		2019		2020		2020 in % to 2018
	ha	%	ha	%	ha	%	
Winter wheat	262	16.33	422	24.99	257	18.15	98.09
Spring barley	732	45.64	124	7.34	330	3.31	45.08
Buckwheat	42	2.62	34	2.01	111	7.84	264.29
Corn for grain	190	11.85	296	17.53	414	29.24	817.89
Sugar beets	–	–	209	12.37	151	10.66	–
Sunflower	278	17.33	302	17.88	153	10.81	55.04
Winter rape	50	3.12	–	–	–	–	–
Soy	50	3.12	302	–	–	–	–
Total sown area	1,604	100	1,689	100	1,416	100	88.28

Analysing the data given in Table 5.1, we can conclude that the total sown area of agricultural crops over the past three years has decreased slightly, namely by 188 hectares, i.e., by 11.72%. In particular, the sown area of winter wheat decreased by 5 ha (1.91%). The sown area of buckwheat increased by 69 hectares (164.29%). The sown area of corn for grain has significantly increased. Namely on 224 hectares, i.e., 717.89%. The area under spring barley also decreased, namely by 405 ha (54.92%). The sown area of sunflower decreased by 125 ha (44.96%).

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As of the end of 2020, more than 30 enterprises were engaged in agricultural activities in Zhashkiv district. In the Table 5.2 considers what place in the area in terms of profitability in 2020 is Tikych-Agro LLC.

**Table 5.2.** Ranking of Zhashkiv district enterprises according to the level of profitability in 2020

<b>Company name</b>	<b>Profitability level, %</b>	<b>Place by level of profitability</b>
1. Suzir'ia LLC (Bashtechki village)	3.20	23
2. Bezpechna LLC (Bezpechna village)	-5.47	31
3. Private agricultural enterprise "Kaniukivske" (Buzivka village)	8.17	10
4. Private agricultural enterprise "Vidrozhennia" (Vorone village)	10.40	3
5. Agro Wild Ukraine	11.13	2
6. Oberih #1 LLC (Zhytynyky village)	-2.98	29
7. Oberih #2 LLC (Pugachivka village)	8.31	9
8. Zelenyi Rih-Ahro LLC (Green Horn village)	9.24	5
9. Agroservice LLC (Zhashkiv)	12.10	1
10. Chervona Zirka LLC (Konelska Popivka village)	8.64	6
11. Private agricultural enterprise "Konelski Khutory" (Konelski Khutory village)	-0.77	27
12. Nadiia Agricultural LLC	5.40	19
13. Private agricultural enterprise "Gloria" (Kryvchunka village)	-5.63	32
14. Mariika LLC (Mariika village)	6.69	17
15. Progress LLC (Nahirna village)	4.90	21
16. Private agricultural enterprise "Oleksandrivka" (Oleksandrivka village)	5.03	20
17. Iednist LLC (Okhmativ village)	9.41	4
18. Sabadash-Agro LLC (Sabadash village)	-0.78	28
19. Private enterprise "Chance" (Skybyn village)	7.27	14
20. Private agricultural enterprise "Sokolivka" (Sokolivka village)	6.78	15
21. Sorokotiaha-Agro LLC (Sorokotyaga village)	7.54	13
22. Teterivka Agricultural LLC (Teterivka village)	-3.82	30
23. Private enterprise "Oleksandriia-Agro" (Teterivka village)	8.52	7
24. Private agricultural enterprise "Dobrobut" (Tynivka village)	7.66	11
25. Ahrospilka Progress LLC (Tykhy Khutir village)	8.47	8
26. Kolos Agricultural LLC	3.11	24
27. Khyzhnia LLC (Khyzhnia village)	2.66	25
28. Berezino LLC (Chervonyi Kut village)	4.83	22
29. Tikych-Agro LLC (Shuliaky village)	7.56	12
30. Private agricultural enterprise "Askold-Agro" (Zhashkiv)	2.55	26
31. Oberih #3 LLC (Zhashkiv)	6.70	16
32. Farm "Step" (Zhashkiv)	6.32	18

The analysis of the economic security management system of Tikych-Agro LLC should be performed using the method of SWOT-analysis (Fig. 5.2).

<b>OPPORTUNITIES</b>	<b>THREATS</b>
1 – participation in national, regional and branch scientific and scientific-technical programs of development of priority branches of national economy	1 – the impossibility of minimizing the costs of innovation
2 – receipt of state orders for the manufacture of goods and services as a priority industry or on the terms of intersectoral cooperation	2 – loss of position in industry and local markets
3 – receiving state support for innovation as a component of regional innovation infrastructure	3 – reducing the level of economic security of the enterprise
4 – growth of income and profit due to increasing market share	4 – deterioration of the financial stability of the enterprise
5 – growth of competitive, research potential of the enterprise, professionalism of executives and employees	5 – loss of certification of international quality management standards for goods and environmental management systems
<b>STRENGTH</b>	<b>WEAKNESS</b>
1 – high level of qualification of managers, with skills and work experience	1 – low interest of employees in the development of the enterprise
2 – clearly formed strategy for ensuring the economic security of the enterprise	2 – lack of economic security management service
3 – flexible pricing policy	3 – high energy consumption of production, long service life and significant depreciation of fixed assets
4 – the company belongs to the priority areas of development of the national economy	4 – loss of agricultural demand for products due to the weakening of domestic competition
5 – the presence of a certified quality management system ISO 9001-2001 and environmental management system	5 – loss of markets for goods, products, works and services due to lack of a certified quality management system and environmental management
6 – products, goods, services, works are exported or are sets of goods for export	6 – lack of state support for cost compensation and incentives and incentives for the promotion of products and goods for export
7 – products aimed at middle-income consumers, a commodity, a strategic commodity	7 – lack of product certification, legal protection of goods, direct dependence of goods on exchange rate fluctuations

**Figure 5.2.** SWOT-analysis of the organization of economic security management of Tikych-Agro LLC

Therefore, in order to increase the efficiency of Tikych-Agro LLC's economic security management system, it is necessary to make the most of favourable opportunities and strengths to eliminate potential threats to economic security and weaknesses of its formation. Objective preconditions for this have been created, especially since among the 32 agricultural enterprises of Zhashkiv district of Cherkasy region, the researched enterprise ranks 12th in terms of profitability. The leader is Agroservice LLC (Zhashkiv), which uses innovative methods in its activities using foreign investments. In last place is Private agricultural enterprise "Gloria" (Kryvchunka village), which due to lack of necessary material and technical base is not able to fully use its resource potential.

Thus, analysing and comparing the capabilities with the strengths of Tikych-Agro LLC, the feasibility of organizing specialized warehouses of agricultural products, which will have a positive impact on product quality in the long run. In addition, products with different types of finishing will be presented, designed for several groups of consumers depending on their willingness to pay an additional amount for purified, sorted products. Based on the strengths of society, you can reduce threats by applying a flexible pricing policy to combat unwanted competitors. The main weakness for the implementation of opportunities may be the lack of a trademark Tikych-Agro LLC. The main threat, increased by weaknesses for Tikych-Agro LLC will be the lack of a guaranteed system of sales of non-standard products, which appears due to bad weather conditions. Assessing the economic efficiency of food cereals, in general, we can say that their production can provide the company with high profits, if you increase their production, provided a system of measures that will improve their quality.

## **5.2. Ways to improve the economic security management system of the agricultural enterprise Tikych-Agro LLC**

Based on the results of the analysis of economic security management Tikych-Agro LLC, it should be noted that it is based on ensuring the quality of products in order to improve food security. The problem of quality management originated and developed with the development of social production. It reflects the historical process of increasing the efficiency of human labour, the development of scientific and technological progress, is manifested in all socio-economic formations. At the same time, the quality and safety of food products occupies a leading place in the system of economic security of the agricultural enterprise. In market conditions, product quality is a decisive factor in ensuring the economic security of the agricultural enterprise.

Quality is a set of properties and characteristics of products, services and processes that meet the stipulated or assumed needs (as defined by the International Standard ISO 9000). Quality products have high consumer properties, become the subject of increased demand, fully meet the needs. As quality indicators affect the interests of both producers and consumers, which may not coincide, it should be assessed in terms of the interests of society, when the priority remains with the consumer. Society recognizes

only the real improvement of quality, i.e., realized in consumption [13]; [14].

The main reasons for the low quality of agricultural products may be: lack of the necessary material and technical base; untimely carrying out of technological operations, insufficient level of professional knowledge of executors, weak responsibility for the performed work; lack of clear criteria for assessing the quality of work and products, an effective system of monitoring their implementation; lack of an effective system of measures of material and moral incentives for employees to achieve high quality indicators; imperfection of the production management system and other factors [15].

Quality management is based on the following principles: purposefulness, planning, continuity, intensity, system approach, complexity, optimality, continuous improvement.

High product quality can be achieved primarily through a well-thought-out and well-organized quality management system, which is the target subsystem of enterprise management. It means a set of interconnected and interacting elements of the object of production, designed to achieve this goal, which is to create conditions to ensure the desired level of quality of the object of production at minimal cost [16].

In general, quality management includes: control in the process of developing a new design; quality assessment of the prototype, product quality planning and production process, quality material assessment and supply planning, input materials control, process quality control, product quality assessment, production process quality assessment. In addition, implemented in the field of quality, control of equipment that provides information on the quality of training and staff development, training for management, coordination of departments and quality management, activities to form a culture of quality, education of conscious attitude to it, development partnership and responsibility systems.

There is a shortage of modern devices and other means of control for determining the composition and properties of agricultural and food products, characterizing their consumer qualities, as well as means of measuring the consumption, level and volume of liquid and bulk products. To control quality, organoleptic evaluation methods are still widely used, which cause controversy and lengthy laboratory studies, which make it difficult to determine the quality of products in the workpiece. In the agro-

industrial complex the agreement of standards, uniform requirements to raw materials, forages, accessories, equipment, finished goods is necessary.

Standardization promotes the development of specialization in agriculture. It combines norms and requirements for tillage and cultivation of crops, fodder, milk, meat, premises. Standardization includes the formation, legalization of quality standards, the implementation of departmental control and state supervision of compliance with these standards [2]; [17].

The objects of standardization can be specific types of agricultural products and methods of determining its quality, as well as rules governing the documents of acceptance and shipment of products. Standards can also be various objects, chemical solutions that act as standards in measurements or physical comparisons. Such standards include weights, volumetric flasks, milk gauges, flasks of the established form, and also various forms – technological cards, annual reports, forms of the statistical reporting and the account, etc.

The Tikych-Agro LLC standard for technological processes of agricultural production contains: the list of cars, the equipment, devices, materials; methods of control of performed operations; requirements for the implementation of technological operations with the indication of specific indicators; requirements for preparation for work of means of production (machines, equipment, devices, seeds, planting material, fertilizers, chemical means of protection of plants and animals); a list of mandatory technological operations that make up the completed technological process of production of a certain type of product; exact terms of operations, depth of tillage, planting, number of treatments, watering, fertilizer doses, feeding rations of animals and birds; modes of work on farms; feeding norms for animals and birds; the procedure for assessing the quality of work.

The standard of the enterprise is developed by department of technical control and is put into effect by the order of the head in which the terms of its functioning responsible for implementation and control over observance are specified.

Preservation (the ability to maximize the high quality obtained in the production process) is an important indicator of agricultural products. The reduction of losses may be adequate to an additional increase in output [4]; [18].

At Tikych-Agro LLC, special attention is paid to the production of cereals, in particular, high-quality food grains of wheat, rye, buckwheat and a number of other crops.

In order to improve the quality of wheat grain, which can be used to make quality flour for the baking industry, foliar fertilization of plants with nitrogen fertilizers has been carried out on large areas, and winter areas have been treated with pesticides.

After analysing the management of quality of work and products in Tikych-Agro LLC we can draw the following conclusions:

- in this enterprise the management of quality of work and production is organized at the proper level;

- control over the course of production processes is carried out, which allows to detect low-quality products in time;

- the researched enterprise performs technological preparation of production, sufficient material and technical supply, provision of varietal plant seeds, elite breeds of animals, high level of service [19]; [20].

To improve the management of quality of work and products in Tikych-Agro LLC can offer a systematic material and moral incentives for workers to achieve high quality indicators, which will increase the responsibility for the work performed. It is also necessary to systematically improve the professional level of employees, use information technology.

Improving product quality, in turn, requires improving the quality of raw materials, components, introduction of new advanced technologies and methods of organization of production and labour. Therefore, the task of improving product quality becomes complex.

To improve quality means to produce products from the same quantity of raw materials and materials that more fully satisfy social needs.

Grain production is the basis for the development of all agriculture, including Tikych-Agro LLC. Management of quality and safety of agricultural products is the basis for the formation of economic security of the agricultural enterprise.

Thus, the level of development of economic security management Tikych-Agro LLC is characterized by the following characteristics: continuous improvement of management quality is carried out in almost all areas of the enterprise; it is necessary to maintain the dynamics of improving performance and begin to address remaining shortcomings in management, using benchmarking and other strategies for improvement.

Tikych-Agro LLC has some positive results due to the measures taken to improve the following areas of activity: implementation of a new strategy to ensure the economic security of the enterprise; concluding agreements with new suppliers of raw materials, etc.

**Conclusion.** The results of the developed directions of improvement of the system of economic security of the agricultural enterprise Tikych-Agro LLC of Cherkasy region allow to draw the following conclusions.

Based on the results of the analysis of economic activity of Tikych-Agro LLC, it can be concluded that the company is profitable and has prospects for further development. The enterprise is fully supplied with land and by its size fully contributes to the development of production activities of all branches of agricultural production. The company is engaged only in the production of crop products. The largest share is occupied by corn for grain 45.8%, spring barley 23.2%, winter wheat 12.0%.

The efficiency of Tikych-Agro LLC's economic activity is rather low. In 2020, the profitability of production compared to 2018 decreased by 50.2%. Therefore, at this stage it is necessary to pay special attention to reducing certain items of expenditure on crop production. Sown areas in 2020 compared to 2018 decreased by 11.7%, which is 1416 hectares. The area under sunflower decreased by 45%, in the structure of sown areas in 2020 it occupies 10.8%, which is 6.52 percentage points less than in 2018. Among 32 agricultural enterprises of the district, Tikych-Agro LLC ranks 12th in terms of profitability, which testifies to the efficient economic activity of the enterprise.

The directions of improvement of the system of economic security of the enterprise of Tikych-Agro LLC are offered, among which the main are: the strategy of activity of Tikych-Agro LLC in the domestic market is offered; improving the marketing policy of the enterprise; search for new suppliers of raw materials and cost reduction; search for exclusive distribution channels; introduction of a system with a fixed order interval, which is more adapted to changes in demand and reserve stock.

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## CONCLUSIONS

1. The creation of a large-scale mechanism for ensuring the financial security of the state involves, first of all, solving a wide range of issues related to the formulation of criteria and principles for ensuring financial security, as well as the determination of priority national interests in the financial system of the state, the use of measures to prevent and overcome factors that threaten financial security state In addition, in order to create a mechanism for ensuring the financial security of the state, it is necessary to solve a whole set of legal, structural and organizational, procedural, personnel, technological and resource tasks. As for the systems of legislative provision of financial security, the system of relevant institutions and management structures that should deal with this problem, the concept of their prospective development, remains unclear. Also, difficulties arise in the process of implementing the system of financial security of Ukraine, which are associated with the absence of a coordinating center in the state, which, receiving information on this issue from various state authorities, would be able to summarize it and make appropriate official decisions.

2. Financial security of the state has both internal and external aspects. As for the external, it is, first of all, the financial sovereignty of the country, the independence of the national financial system from the influence of international financial and credit organizations and transnational capital. However, it is not correct to talk about absolute financial independence in the conditions of globalization. After all, the financial security of Ukraine is affected by the processes of financial globalization, which are intensifying in the world community. Therefore, the problem of financial security today goes beyond national borders. The level of integration and consolidation of financial markets is increasing, the scale of capital mobility is increasing, and the intensity of its circulation is increasing. According to experts, “in the world, huge flows of “world money” have formed, which are not subject to national governments or any other political institutions They were not formed as a manifestation of the needs of production, trade, investment or consumption. Their main source is mainly money trade”. Therefore, when developing a strategy for financial security of the state, it is important to scrupulously analyze and take into account the current and likely future situation on the world currency and capital markets. The security of the domestic financial sphere of Ukraine is determined by the perfection of the legal, organizational and institutional framework; as well as political

stability, the level of market risks, the scale of the shadow economy and the level of corruption in the state.

3. To improve and strengthen the financial security of Ukraine, I propose to take the following measures:

- Intensify work in the direction of strengthening the banks' own capital base; to develop measures to prevent the outflow of deposits of individuals,

- to restore the trust of the population regarding the placement of funds on a long-term basis;

- reduce rates on credit resources, bringing them closer to the level of European countries;

- an even combination of internal and external sources of financing the budget deficit;

- improvement of tools for attracting personal savings of the private sector and income of the country's population to the investment sphere.

- increase the level of gold and currency reserves;

- the use of loan funds from international organizations to stimulate the country's economic development, rather than repaying the government's debts.

- establishment of a "floating" exchange rate of the national currency by the NBU in order to stop devaluation processes;

- directing IMF credit resources not to "artificial" support of the hryvnia, but to structural investment shifts and reforming the economy, strict control of the expediency of using such funds;

- balancing of money and commodity markets, i.e. reduction of inflation.

4. In the process of reforming in various areas, the local budget management mechanism needs to be further refined and improved. The operational management of budgetary funds in the process of reforming the local budget and the structure and administrative-territorial structure of Ukraine should balance the powers of local governments and the powers for the income transferred to them. Control and regulation of local budget management mechanisms in the process of decentralization reform will increase the accountability of local governments to territorial communities, provided that community leaders are actively involved in the budget processes of these departments.

5. Local budgets are the main means for bringing to the population the final results of social production aimed at public consumption. Now the

local authorities are not sufficiently provided with financial resources to organize the management of the economy and the social sphere at their level.

It is necessary that the competences related to the solution of certain tasks between the central authorities and the bodies of regional and local self-government should be clearly distributed, and it is also necessary to gradually move towards the decentralization of public finances.

6. Often, local authorities need to resolve issues of local taxes, the purposes for which its expenditures will be directed, and methods of managing and stimulating economic development processes. Therefore, financing and budgeting of local authorities is one of the most important areas of public finance, as it requires further research and the search for new approaches to reform.

7. The development of local self-government is a rather complex process that can be successful only under certain conditions. The main reason is that the activities of local self-government fully meet the real interests of local residents and the country's priorities in the humanitarian, economic and social aspects. This can be achieved by introducing a number of measures aimed at significantly increasing the efficiency of the formation and use of local budgets.

8. Territorial communities, in addition to the growth of their own financial capabilities, as a result of decentralization have other tools for ensuring economic development – external borrowing, independent selection of institutions for servicing local budget funds in relation to development and own revenues of budgetary institutions. Powers in the field of architectural and construction control and improvement of urban planning legislation have been decentralized, local self-government bodies have been given the right to independently determine urban planning policy.

9. After the adoption of a series of laws on the decentralization of powers and regulation of land relations, communities will get the right to dispose of lands outside the settlements. The Verkhovna Rada of Ukraine adopted laws that provide an opportunity to decentralize part of the powers of the Central Committee of Ukraine regarding the provision of basic administrative services: registration of real estate, business, residence of a person – transferring them to the level of communities.

10. Draft laws designed to clearly demarcate powers in the field of education, health care, leisure, socio-economic development, infrastructure between local self-government bodies and executive power bodies at each of the territorial levels of the administrative-territorial system of the state.

11. In modern realities, under the conditions of clearly defined strategic priorities of our state, an important place is given to the issue of social protection of the population, in particular, those people whose quality of life has deteriorated due to the negative impact of social risks.

With the beginning of Russian aggression in Ukraine in 2014, many people were forced to leave their homes and move to safer places in the country. A new social group of the population appeared – internally displaced people, who received the official status of “internally displaced persons”. In the conditions of aggravation of socio-economic problems and deterioration of the socio-psychological feeling of the affected population of the country, the need to support the efforts of IDPs to return to normal life is growing, in particular, through the use of social protection tools.

12. A mandatory condition for the implementation of measures aimed at ensuring the social inclusion of forced migrants is their financing. Sources of the formation of the necessary financial resources for the implementation of program tasks of the social security of IDPs can be funds from the state and local budgets, non-state domestic support, funds from donor international organizations and governments of foreign countries. A mandatory condition for the implementation of measures aimed at ensuring the social inclusion of forced migrants is their financing. Sources of the formation of the necessary financial resources for the implementation of program tasks of the social security of IDPs can be funds from the state and local budgets, non-state domestic support, funds from donor international organizations and governments of foreign countries.

13. In Ukraine, since 2014, positive experience has been gained in the use of financial instruments for social support of various categories of IDPs. Implementation of assistance programs for citizens who left their place of residence to avoid the negative consequences of the war and temporary occupation was mostly financed by budget funds.

Open Russian military aggression in Ukraine, which began on February 24, 2022 with the bombing of a large number of settlements throughout the country, caused a new surge in mass internal displacement of the population. The increase in the number of people with the status of IDPs and the start of the new government program for assistance to internally displaced persons, which covers such important areas of their social and economic inclusion as monthly cash assistance, assistance in providing housing and employment, caused the need to increase budget expenditures for the implementation of program tasks.

14. Mandatory social insurance plays an important role in ensuring social protection guarantees for IDPs. The system of mandatory state social insurance in Ukraine is represented by pension insurance, insurance in case of unemployment, in connection with temporary loss of working capacity, from an accident at work and occupational disease that caused the loss of working capacity.

15. In accordance with the current legislation, displaced persons who are subject to mandatory state social insurance are guaranteed material support in the event of an insurance event through the provision of pensions, other types of social benefits and assistance, which are the main source of livelihood. The appointment of material support and the provision of social services are carried out on the basis of information contained in the system of personalized accounting of information about insured persons of the State Register of mandatory state social insurance. In accordance with the current legislation, displaced persons who are subject to mandatory state social insurance are guaranteed material support in the event of an insurance event through the provision of pensions, other types of social benefits and assistance, which are the main source of livelihood. The appointment of material support and the provision of social services are carried out on the basis of information contained in the system of personalized accounting of information about insured persons of the State Register of mandatory state social insurance.

Currently, the state trust funds, which ensure the functioning of the mandatory state social insurance in Ukraine, not only guarantee the receipt of assistance for displaced insured persons, but also in some cases have simplified the procedure for the latter to receive social benefits and assistance.

16. Ukraine's extensive cooperation with international partners in the conditions of martial law has opened opportunities for forcibly displaced persons to receive additional cash payments from international organizations. The continuation of the armed aggression of the Russian Federation against our country leads to an increase in the needs of the affected population and a limitation of the economic and financial capabilities of the state to ensure the implementation of the outlined social guarantees. This determines the need for further financial support of the budget from Ukraine's international partners and wider assistance from the international community in addition to its own efforts. In particular, in order to solve the problems of financing measures aimed at the social inclusion of

persons whose vulnerability is due to the loss of permanent residence and resettlement to safe regions of the country, there is a growing need to actively attract grants from international donor organizations.

17. The results of the developed directions of improvement of the system of economic security of the agricultural enterprise Tikych-Agro LLC of Cherkasy region allow to draw the following conclusions.

Based on the results of the analysis of economic activity of Tikych-Agro LLC, it can be concluded that the company is profitable and has prospects for further development. The enterprise is fully supplied with land and by its size fully contributes to the development of production activities of all branches of agricultural production. The company is engaged only in the production of crop products. The largest share is occupied by corn for grain 45.8%, spring barley 23.2%, winter wheat 12.0%.

18. The efficiency of Tikych-Agro LLC's economic activity is rather low. In 2020, the profitability of production compared to 2018 decreased by 50.2%. Therefore, at this stage it is necessary to pay special attention to reducing certain items of expenditure on crop production. Sown areas in 2020 compared to 2018 decreased by 11.7%, which is 1416 hectares. The area under sunflower decreased by 45%, in the structure of sown areas in 2020 it occupies 10.8%, which is 6.52 percentage points less than in 2018. Among 32 agricultural enterprises of the district, Tikych-Agro LLC ranks 12th in terms of profitability, which testifies to the efficient economic activity of the enterprise.

19. The directions of improvement of the system of economic security of the enterprise of Tikych-Agro LLC are offered, among which the main are: the strategy of activity of Tikych-Agro LLC in the domestic market is offered; improving the marketing policy of the enterprise; search for new suppliers of raw materials and cost reduction; search for exclusive distribution channels; introduction of a system with a fixed order interval, which is more adapted to changes in demand and reserve stock.



*Scientific Publication*

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IN THE CONTEXT OF CONTEMPORARY  
CHALLENGES AND THREATS**

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