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DECENTRALIZATION IN UKRAINE AND THE COUNTRIES OF CENTRAL AND EASTERN EUROPE

The paper critically examines the main features of decentralization in the countries of Central and Eastern Europe (hereinafter referred to as CEE) and Ukraine. In essence, this research analyzes the stages of the reform of decentralization, also identifies the main key steps of these reforms, as well as points out the positive consequences for the economies of territorial entities and for countries as a whole. The selection of the CEE countries for further analysis includes Poland, Czech Republic, Slovakia, Baltic countries and Ukraine. In particular, all the countries, as a result of the reforms, enlarged administrative and territorial units and increased their financial capacity. It is important to highlight that Ukraine, unlike the CEE countries, has started implementing the reform much later but has achieved good results so far.

Keywords: decentralization reform, characteristics of decentralization implementation in the CEE countries and Ukraine, positive effects of the reform.

Problem statement. Decentralization reform has proved the compliance with the principles of democracy in the countries of Central and Eastern Europe, therefore, in 2014 decentralization was chosen as one of the priority areas for reforms in Ukraine. However, most CEE countries started to decentralize during the first stages of the transition from the socialist economy to the market economy in the 1990s, with much better socio-economic indicators of development comparing to Ukraine. Some of those countries have not conducted the process of decentralization as a single stage or period, but returned to it again, as it happened in Poland and the Baltic countries. However, each country achieved positive effects from the implementation of decentralization. The first one is the improvement of the administrative-territorial organization of territorial entities, namely towards the enlargement of its territories and the size of the population living within these territorial entities. Also, increasing the level of responsibility of local authorities, in the context of improving their management of the effective development of assigned territories. Moreover, increased financial autonomy and the possibility of attracting additional financial sources, both from internal and external funds. To conclude, the final effect is the improvement of the quality of the provision of public services and goods by improving the infrastructure of these territories.

In modern theory, decentralization is characterized as a core component of the concept of "good governance" and is also considered as the basis for balanced and financially sufficient development of territorial units. While in 1995-2005 decentralization policy was the dominant prerequisite for the World Bank to provide financial assistance to those countries that were implementing Development Policy Operations, then as early as 2008, the condition for granting credit to Ukraine was the requirement for financial decentralization, and in 2014, it turned to the implementation of fiscal reform¹.

What are the economic and financial consequences of decentralization in Ukraine and CEE countries, and what are its further successes? These are the questions that we will try to answer and indicate the main advantages and disadvantages of decentralization within these countries.

Analysis of recent research and publications. The scientific literature specifies that one of the first to substantiate the traditional approach based on the classic economic interpretation

¹ Report No. 86951-UA (2014). Program Document on a Proposed Development Policy Loan in the Amount of US\$ 750 Million to Ukraine for the First Development Policy Loan (The World Bank). *Official site the World Bank* <http://www.wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2014/05/14/000442464_20140514094828/Rendered/PDF/869510PGD0P150010Box385211B00UO090.pdf>. (2019, July, 17).

of decentralization is the American economist Charles Tiebout (Ch. Tiebout, 1961). In his scholarly work "A Pure Theory of Local Expenditures", the author investigated the issue of the production of public goods for the population within territorial communities and the costs of local authorities for their creation, through effective taxation. The author emphasizes that a competitive equilibrium arises in the choice of settlements due to the different level and quality of public goods and the possibility of their financing, which creates the conditions for effective placement of individuals¹. Also well-known is Oates' decentralization theorem (W. Oates, 1999), in which the author noted that the difference between the systems of governments is more in the degree/depth of decentralization rather than in its various categories. According to W. Oates, between the two extreme states as unitary and anarchic systems, more or less centralized federal systems can be discovered². Although, the study of the general principles of the functioning of effective models of financial decentralization and budgetary federalism were carried out in the 1950s by representatives of the neoclassical and liberal economic school: Paul Samuelson (P. Samuelson, 1954), Joseph Stigler (1957).

In his work, P. Samuelson (1954) argues that taxation in accordance with the benefit theory of taxation does not allow spontaneous decentralized solutions to the problem. That refers to the assumption that taxes and fees for services provided by the state should be levied in accordance with the benefits received by the beneficiary. Applying this principle of taxation would be regressive, since the government provides many services, which are mainly intended for low-income people³. J. Stigler, exploring (J. Stigler, 1957) the theory of the development of the public sector economy, indicated that the debate over the theory of fiscal federalism as a distribution of responsibilities between central and local levels of government is endless⁴. In his subsequent works, he emphasized that in the 1960s, 70s, even the 80s, the position of the central government of many countries was much more proactive than it is nowadays⁵.

Generalizing current studies of decentralization by Ukrainian and foreign scholars, they consider this concept as a multifaceted definition and refer to the process or situation of transfer of power (authority) and responsibility for the provision of public services from central (national) to lower (subnational, regional, local) levels of government, or quasi-independent public institutions and / or the private sector, while enhancing the financial capacity of local governments to provide and develop better and quality public services⁶. Studies on decentralization in CEE countries were conducted by O. Borislavska (O. Borislavska, 2012), I. Zaverukha (I. Zaverukha, 2012), E. Zakharchenko (E. Zakharchenko, 2012)⁷, M. Krat (M. Krat, 2017), O. Sofia (A. Sofy, 2017)⁸. The first group of authors, placed their focus on the study of decentralization in the post-socialist countries of Central and Eastern Europe (Poland, Czech Republic) in the context of social and legal processes of deconcentration and decentralization of power, affirmation of financial autonomy of local and regional self-government to ensure the efficiency of providing new quality of public services. The second group of authors elaborated more on the comparative analysis of decentralization in Poland and Ukraine, focusing on the prerequisites for the reform, its stages and consequences.

Since "decentralization" is one of the most important components of democratic reforms, a generalized study of the process of decentralization and its implications for the economies of territorial communities and countries in general needs further study, and especially for Ukraine.

¹ Tiebout, Ch. (1961). An Economic Theory of Fiscal Decentralization. *Princeton University Press*. <<http://www.nber.org/chapters/c2273.pdf>>, 82-83. (2019, July, 17).

² Oates, W. (1999). An Essay on Fiscal Federalism. *Journal of Economic Literature*, 37, 1120–1149.

³ Samuelson, P. (1954). The Pure Theory of Public Expenditure. *The Review of Economics and Statistics*. <http://www.ses.unam.mx/docencia/2007II/Lecturas/Mod3_Samuelson.pdf, 36, 4. 387-389.

⁴ Stigler, J. (1957). The Tenable Range of Functions of Local Government. *Federal Expenditure Policy for Economic Growth and Stability: Papers Submitted by Panelists Appearing Before the Subcommittee on Fiscal Policy*. (1957, november 5). <<https://fraser.stlouisfed.org/title/1151/item/1605>> (2019, July, 14).

⁵ Stiglitz, J. (1999). *Economics of the public sector*. Third edition. New York/London.

⁶ Романюк, С. (2018). *Децентралізація: теорія та практика застосування: монографія*. Київ: 2018.

⁷ Бориславська, О., Заверуха, І., Захарченко, Е. (2012). *Децентралізація публічної влади: досвід європейських країн та перспективи України. Швейцарсько-український проект «Підтримка децентралізації в Україні*. Київ: Софія. 128.

⁸ Крат, М., Софій, О. (2017). Аналітична записка. «Порівняльний аналіз процесу децентралізації України та Польщі». *ГО Діалог* <<http://dialog.lviv.ua/wp-content/uploads/2017/10/Porivnyalniy-analiz-protsetsu-detsentralizatsiyi-Ukrayini-ta-Polshhi.pdf>> (2019, July, 17).

Formulation of a task. The main objective of the study is to identify the features of decentralization in CEE countries and Ukraine, as well as to analyze the consequences for the economy of territorial entities (municipalities, gminas, united territorial communities, etc.) and countries in general within the frame of its implementation.

Presentation of the research material. In many countries, the need for decentralization was caused by market reforms that were accompanied by liberalization, privatization, and the formation of civil society. As reforms in Central and Eastern Europe and Ukraine have been evolving and proceeding differently, they are based on the only principle that determines the need for decentralization: the management of the production of public goods and the provision of public services has the lowest level of management. Indeed, this level of management can bear the appropriate costs and manage the obtained results. However, at the state level, the legislation must create all the conditions for improving the administrative structure of these countries in the process of decentralization and ensuring their financial capacity on the basis of creating sufficient fiscal capacity.

Nowadays, the necessary condition for a balanced development of the society and the effective functioning of the state, as well as its administrative and territorial units, is to assure the balance of national interests not only with the interests of territorial communities, but also the cooperation of these interests at different levels of executive power.

According to A.-D. Dorothee, Head of the Unit "Decentralisation, public investment and subnational finance" at the The Organisation for Economic Co-operation and Development (OECD), the motivation behind decentralization reform in Europe is different. If the countries of Northern, Western and Southern Europe are characterized by economic and budgetary motivation that ensures avoiding financial imbalances of territorial units development, then the countries of Central and Eastern Europe are characterized mainly by democratic/political motivation, ensuring the formation of new democratic foundations of government, decentralization of power, the formation of civic society and its active participation in the development of the territorial community¹.

Essentially, this paper examines carefully the decentralization in some countries of Central and Eastern Europe and Ukraine. In particular, the research points out the key steps that have been taken by the governments of the countries and analyses the consequences of the implemented decentralization reforms in these countries.

The results of this study indicate that the need for decentralization in Poland, like in other post-socialist countries of Central and Eastern Europe, has arisen in connection with large-scale processes of liberalization and implementation of market reforms. The main purpose of decentralization was to maximize the autonomous functioning of each region, to create more efficient and transparent political institutions, and to strengthen the institution of civil society. It can be seen from the data in Table 1 that the decentralization reform in Poland went through several stages. Thus, within the first stage the administrative reform was carried out, which provided the basis for the creation of gminas – territorial communities (city, village, several villages or districts of the city). During the second stage, the administrative reform of higher levels of territorial entities, namely the creation of counties and voivodships, was conducted by authorized bodies.

Further analysis showed that the result of decentralization in Poland was the clear delimitation of functions and powers between state and local authorities. Thus, the local authorities were in charge of the resolution of the following concerns: ensuring balanced development of regions; effective management of budget funds and property of the territorial community; maintaining an independent financial management; improvement of the system of provision of services to the population, i.e. satisfaction of the subsidiarity principle. Therefore, the main powers and financial resources in Poland are at the level of territorial communities. The decentralization reform has provided a number of positive effects for the territorial units of the country, which are described in the table below. However, some experts argue that decentralization and its further implementation in Poland had significantly positive impact not only on the development of local communities, but also on the country as a whole.

¹ Дороті, А.Д. (2017). Тенденції децентралізації в країнах ОЕСР: порівняльний аналіз для України. *Відділ розробки регіональної політики ОЕСР*. <<http://www.oecd.org/cfe/regional-policy/multi-levelgovernance.htm>> (2019, July, 17).

Table 1

Characteristics of decentralization reform in some of the CEE countries and Ukraine

Country	Key steps in decentralization reform	Positive effects of decentralization reform
1 Poland	2 The first step was the creation of gminas – territorial communities. A gmina may be considered as a city, a village, several villages, or an area of a city. The second step was aimed at higher levels: counties and voivodships. So, since 1999, there are 16 voivodships in Poland instead of 49.	3 1. The division of powers between central and local governments has changed in the country. 2. The number of civil servants has also been reduced as a part of the reform process, which has had a positive effect on the reduction of government spending. 3. In addition, the mechanism of redistribution of tax revenues between the state and local budgets was reformed. To date, around 40% of income taxes, nearly 7% of corporate taxes and 100% of real estate taxes are concentrated in local budgets. 4. Within the frame of the process of decentralization in Poland, regional cooperation was chosen as a basis, which involved the creation of free economic zones and assistance to one region. This, in turn, included the creation of free economic zones and assistance to certain regions in the context of noticeable budget surpluses and deficits. 5. An important consequence of the administrative-territorial reform was the separation of power and business, which guaranteed every citizen the right freely and on favorable terms to conduct business activities.
Czech Republic	The first stage of decentralization process began with a change in the structure of the administrative-territorial division and the extension of the powers of the local governments of the basic level. The second stage, after the Czech legislative election in 1998 year, the new Government adopted the Declaration setting out the Concept of Decentralization and the new division of responsibilities between the state, municipal and regional levels of government in accordance with the principles of political and fiscal equivalence, subsidiarity with the distribution of powers and compensation in case of external factors.	1. As a result of decentralization, the distribution of powers between central and local authorities has changed. 2. The competence of central governments started including the determination of state and society development strategies, foreign and defense state policy, and national security issues. 3. Self-governing (municipal) bodies shall ensure the better accessibility of the service provision system to the population, promote the economic development of the regions, in particular by ensuring cross-border cooperation.

Continuation of the table 1

1	2	3
Slovakia	<p>The main task to be addressed by the Slovak authorities in the direction of decentralization was the need to release state authorities from those functions that could be more effectively carried out by local governments. The state had to remain in charge of the strategic development of the country. The reform of decentralization was constitutionally enshrined in Art. 64-71 of the main law and approved by some laws ("Law on elections to Self-government of higher territorial units", "Law on territorial and administrative division of the SR", "Law on organisational division of local state administration").</p> <p>Since January 1, 2002, the Slovak system of territorial government has been modified. According to the new system, Slovakia has two-level approach with the breakdown to grassroots level of self-government – municipalities and second-level administrative regions.</p> <p>During 2002-2004, the mass transfer of powers from the central executive to local governments was deployed in Slovakia. In particular, approximately 400 duties and responsibilities were delegated in total.</p> <p>Financial decentralization during 2003-2005 led to the creation of a new model of public administration financing.</p>	<p>1. In the process of decentralization in Slovakia, four main methods were used:</p> <ul style="list-style-type: none"> – decentralization/deconcentration: transfer of power and responsibility from central executive authorities to local executive bodies; – delegation: transfer of power and responsibility for services to citizens from central executive bodies to specialized state institutions that have some degree of autonomy in certain territories; – transfer: transfer of power and responsibility from central executive authorities to elected self-government bodies (local/municipal and regional); – denationalization: transfer of responsibility for selected services from public authorities to the private or non-governmental non-profit sector. <p>2. Decentralization in Slovakia enabled to make differentiated, specific decisions for the benefit of individual local communities, facilitating greater mobilization of local resources. This process increases citizens' desire and willingness to pay taxes for local services they have control over.</p> <p>3. With the help of decentralization power, it became possible to raise awareness of the population of regions, cities and municipalities about the level of civic participation in the management of public affairs.</p> <p>4. During 2002-2004, the process of mass transfer of powers from the central executive to local governments in Slovakia was completed (approximately 400 powers were transferred in total).</p> <p>5. During 2003-2005, the process of financial decentralization took place and it led to the creation of a new model of public administration financing. Eight new types of local taxes were introduced, which allowed municipal governments to have greater financial stability and self-sufficiency. Within the framework of financial decentralization, a new method of distribution of tax revenues from individuals was applied: 6.2% – to the state budget, 70.3% – to the budgets of local (municipal) governments, and 23.5% – to the budgets of self-governing regions.</p>

Continuation of the table 1

1	2	3
Latvia	<p>At the beginning of the reform, Latvian public administration experts believed that the country should experience significant changes in the public service legislation, the restructuring of public administration institutions, the improvement of political governance together with the introduction of public participation procedures in government decisions. In 2009, a decentralization reform was completed in Latvia, covering three main areas: legal, administrative-territorial and fiscal. It is noteworthy that each direction of reform was carried out separately, and the mechanisms of its implementation were not consistent with others.</p>	<p>1. After the reform, 118 communities remained in Latvia, in other words, the union was carried on in the ratio 1 to 5. Moreover, during the reform, the districts were eliminated and equated to the districts of the city. It means that they just disappeared due to the transmission of their powers “down” to communities.</p> <p>2. To date, the main sources of local budget revenues in Latvia are tax revenues, transfers from the state budget, local duties, mutual settlements of local communities, fees from services. The main share in the structure of revenues is the personal income tax, which is distributed between the state and local budgets.</p> <p>3. A considerable part is also occupied by the real estate tax, which is calculated on the basis of the cadastral value.</p> <p>4. The budgetary equalization has been in force since 1995, but the real balancing of budgets is only partial.</p>
Estonia	<p>For a long time, Estonia has been pushing for voluntary community association. But over 18 years (from 1996 to 2014), the number of municipalities has fallen by only 16%, from 254 to 213. But recently, they have decided on voluntary-forced reform. As a result, the number of communities decreased to 79 in a year. Upon this, the districts will also be liquidated next year. Most of their functions will be pushed with the top-down approach, and only certain services, primarily health care, will be managed at the national level.</p>	<p>1. Clear eligibility criteria have been set up, in particular the community must have at least five thousand inhabitants.</p> <p>2. In the first stage, the association is voluntary. Volunteers are promised grants from the state for development (the same way as it is done in Ukraine). Heads of councils or mayors who lose their positions through mergers are also monetary compensated.</p> <p>3. This process has been undertaken for 2 years up to the elections in October 2017. Communities with fewer than five thousand residents and that had not agreed to voluntary mergers were forced to unite in early 2017, but without financial incentives or compensation.</p> <p>4. Local government functions in Estonia include: education, social security, health, culture, leisure, sports, tourism, social housing, site planning, public transport, water supply, drainage, lighting, heating, ecology, collection and disposal waste, roads, cemeteries, administration of local taxes.</p>

Continuation of the table 1

1	2	3
Lithuania	<p>In the first phase of the reform – until 1997, two major events took place. First of all, the law on territorial-administrative units and their boundaries was adopted in 1994, and after this it was put into effect within the following three years, 1995-1997. The research showed that Lithuania has received a basic level of self-government from 55 municipalities (60 of them since 2000), as well as 10 administrative districts or counties (not local government).</p>	<p>1. To date, the reform is considered as incomplete and the debate on regional governance and regional policy is still an ongoing issue. Perhaps, the continuing reform of Lithuania's territorial and administrative system and the consolidation of regional administrative units will be deployed and fully implemented in following years.</p> <p>2. Key local government functions in Lithuania are presented by pre-school, primary and secondary education, civil protection, culture, ecology, drainage, housing, transport, local labor market, social assistance for unemployment, promoting entrepreneurship, primary care, public services, municipal property, territorial planning, local development, sports, tourism.</p>
Ukraine	<p>The first stage of decentralization took place in 2014-2018. In April 2014, at the initiative of Volodymyr Groisman, the former Deputy Prime Minister and Minister of Regional Development, Construction and Housing of Ukraine, the government approved the main conceptual document – Concept of the reform of local self-government and territorial organization of government in Ukraine. After that, the Action Plan for its implementation was approved, which launched the reform.</p> <p>To implement the principles of the Concept and the objectives of the Action Plan, it was necessary first of all to amend the Constitution of Ukraine, as well as to formulate a package of new legislation.</p> <p>The second stage of decentralization will be held during 2019-2021.</p>	<p>1. There has been financial decentralization.</p> <p>2. From 2015 to 2018, 878 united territorial communities (hereinafter referred to as UTCs) were created in Ukraine. More than 4,000 former local councils have been included in these UTCs. Statistics shows that approximately 9 million people live in UTCs.</p> <p>3. The Institute of Elders (in Ukrainian "Institut starost") was established in UTCs, representing the interests of rural residents in the community council. There are already 786 village elders working in villages that form UTCs, also almost 1.7 thousand people engaged as the acting village elder.</p> <p>4. In 2018, the united communities received almost 1.5 million hectares of agricultural land outside settlements which are classified as communally owned.</p> <p>5. The Law of Ukraine "On Cooperation of Territorial Communities" created a mechanism for solving common community problems such as waste utilization and recycling, developing shared infrastructure, etc. By the end of 2018, 325 cooperation agreements have already been implemented. In addition to that, around 975 communities have benefited from this mechanism.</p> <p>6. The Law of Ukraine "On Fundamentals of State Regional Policy" was approved and taken into action in 2015. State support for regional and community infrastructure during the reform has increased 39-fold, from \$ 0.5 billion in 2014 to \$ 19.37 billion in 2018. Due to this support, more than 10,000 projects were implemented in regions and communities in 2015-2018.</p>

Nowadays, Poland is the most attractive country in terms of investment in the Eastern European region, and its main investors are the European Union, companies from the US, Germany and France¹.

Decentralization in the Czech Republic took place in the form of administrative-territorial reform. As shown in Table 1, reforming process includes two stages. In particular, the first phase began immediately after the Velvet Revolution in the country and the second happened after the elections in 1998. Thus, the decentralization reform took 10 years all together. At the first stage of reform, the Czech Republic abandoned the three-tier structure of the administrative-territorial structure – the municipality, district, and region, which was introduced in the country since 1960, and returned to the two-tier structure. The structure "region" was eliminated as an administrative-territorial unit due to the fact that it did not conform to the tradition of self-government in the Czech Republic, so its responsibilities were transferred to the districts and communities. As a result of these administrative changes, the order of formation and scope of authority of the basic self-government bodies at the basic level has changed. First of all, communities were given the right to elect municipal governments and hold local referendums, to form and manage the budget, to ensure the socio-economic, cultural and communal needs of citizens.

In Slovakia, the decentralization reform was conducted in another way. Interestingly, it is the only country in the Visegrad Four that has had no idea of local self-government for almost all of the twentieth century. Basically, local government as a governmental unit was abolished in 1923 and restored only after democratic changes in 1990. The main goals and objectives of the Slovak decentralization reform could only be achieved with the active participation and cooperation of the Slovak citizens. Therefore, the public administration reform had to respect and be based on the generally accepted principles of civil society, subsidiarity, efficiency, transparency and flexibility.

The experience of decentralization reforms in the Baltic countries is another interesting case. The beginning of legal reform in Latvia was the adoption of the Act on local self-government, in May 1994, which defined the nature, fundamental rights and obligations, as well as the financial base of local self-government. Despite the small size of the country's territory, Latvia's early reforms were characterized by uneven development of its regions and territories. The main purpose of administrative-territorial reform was to create administrative territories with local and regional self-government that could develop economically and provide quality services to the population. However, the implementation of this reform has been subject to significant obstacles. First of all, the reluctance of small communities to unite. During the first six years of reform, only 20 united communities were formed. Indeed, a significant oversight on the part of the state was that the rules on the criteria and format of the merger were not clearly approved. Therefore, this situation led to the emergence of new communities, but inability to fulfill the necessary functions. Despite the protracted implementation period, decentralization reform in Latvia has addressed a wide range of existing problems and helped to increase the capacity of local governments to address the most pressing issues and strengthen their impact on local development.

Regarding Estonia and its decentralization process, the country announced the next phase of administrative-territorial reform with community unification in 2015. However, this stage has been initially started since 2004, but has not achieved the desired effect. All the main steps of the reform are explained in the table above (tab. 1) together with positive consequences of its implementation.

In Lithuania, the reform of the territorial-administrative system and decentralization process began in 1994. Prior to decentralization, there were 581 administrative units operating on the territory of Lithuania at two levels, after the reform it reduced to 70 with two-levels approach. Between 1997 and 2001, a law on regional development was adopted. The task was to adjust to European standards, which, in turn, required larger regional districts.

Because of more complex conditions for carrying out decentralization in Ukraine, the implementation of the process was launched by the state only in 2014 after the Revolution of Dignity. However, it has achieved quite positive results so far. The results of the first stage of decentralization, implemented in Ukraine during 2014-2018, are some significant amendments to the Budget and Tax Codes, which ensured the implementation of financial decentralization. As a result, the financial capacity of local

¹ Київська міська рада профспілок (2019). *Зарубіжний досвід проведення децентралізаційних реформ* <<http://kyiv.fpsu.org.ua/index.php/sotsialnyi-dialoh/uhody-pro-spivpratsiu/240-zarubizhnij-dosvid-provedennya-detsentralizatsijnikh-reform>. (2019, July, 17).

budgets has increased – local budgets have grown by UAH 165.4 billion in recent years: from \$ 68.6 billion in 2014 to \$ 234 billion in 2018¹. The Law “On Voluntary Unification of Territorial Communities” has started to form a capable basic level of local self-government. From 2015 to 2018, 878 united territorial communities were created in Ukraine. More than 4,000 former local councils have been included in these CTAs. To date, around 9 million people live in UTCs. According to the comments of international experts, such rates of inter-municipal consolidation are considered to be very high. With the adoption of key pieces of legislation in Ukraine, significant positive effects were achieved in the decentralization process, which are reflected in the table 1.

The second stage of decentralization in Ukraine should be implemented during 2019-2021. The next step in the decentralization process should be amendments to the Constitution in regard to the reforms that are necessary to further advance decentralization and its completion.

It is also necessary to adopt a number of important laws: "On the principles of the administrative and territorial structure of Ukraine", on amendments to the law "On regulation of urban development", "On service in bodies of local self-government" (new version), "On All-Ukrainian and Local Referenda", plus updating of laws on local elections, on local self-government, on local state administrations and on state oversight of the legality of decisions of local governments etc. Only with the adoption of these documents in Ukraine the next local elections in the autumn of 2020 will be able to pass on a new territorial basis of districts and communities.

Thus, our study reaffirms the importance of implementing decentralization reform in countries that have developed democratic societies and market relations. In case of all the analyzed CEE countries and Ukraine, positive effects have been achieved during the implementation of decentralization and afterwards.

Important to highlight, local authorities in CEE countries and in Ukraine, after the creation and implementation of the decentralization reform, can address issues that are directly relevant to community residents. These are road construction and repair, utilities, public transport, water supply, sewerage, heat supply, garbage collection, local economy development and territorial planning. All the above-mentioned functions ensure the equalization of significant imbalances in the development of territorial units of these countries.

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