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M. Kulchytskyy,

*Doctor of Economic Sciences, Professor, Professor of the Department
of Finance, Money Circulation and Credit,*

Ivan Franko National University of Lviv, Ukraine, Lviv

ORCID ID: <https://orcid.org/0000-0002-8747-8677>

Ya. Dropa,

*Doctor of Economic Sciences, Professor, Professor of the Department
of Finance, Money Circulation and Credit,*

Ivan Franko National University of Lviv, Ukraine, Lviv

ORCID ID: <https://orcid.org/0000-0003-2385-8205>

N. Hembarska,

*PhD in Economics, Senior Lecturer of the Department of Finance, Accounting, and
Analysis, Lviv Polytechnic National University, Lviv, Ukraine*

ORCID ID: <https://orcid.org/0000-0002-7839-4260>

V. Oznamets,

*Postgraduate student of the Department of Finance, Accounting, and Analysis,
Lviv Polytechnic National University, Lviv, Ukraine*

ORCID ID: <https://orcid.org/0009-0008-0513-6579>

**THE BUDGET OF THE CITY'S TERRITORIAL COMMUNITY IS A BASIS
FOR ENSURING THE SOCIAL AND ECONOMIC DEVELOPMENT OF
THE TERRITORY**

М. І. Кульчицький,

*д. е. н., професор, професор кафедри фінансів, грошового обігу і кредиту,
Львівський національний університет імені Івана Франка, м. Львів, Україна*

Я. Б. Дропа,

*д. е. н., професор, професор кафедри фінансів, грошового обігу і кредиту,
Львівський національний університет імені Івана Франка, м. Львів, Україна*

Н. Є. Гембарська,

*к. е. н., старший викладач кафедри фінансів, обліку і аналізу,
Національний університет «Львівська політехніка», м. Львів, Україна*

В. Ф. Ознамець,

*аспірант кафедри фінансів, грошового обігу і кредиту,
Львівський національний університет імені Івана Франка, м. Львів, Україна*

БЮДЖЕТ ТЕРИТОРІАЛЬНОЇ ГРОМАДИ МІСТА ЯК ОСНОВА ЗАБЕЗПЕЧЕННЯ СОЦІАЛЬНО-ЕКОНОМІЧНОГО РОЗВИТКУ ТЕРИТОРІЇ

The article reveals the main tasks of the financial decentralization reform carried out in Ukraine, and highlights the role of large city budgets in ensuring the development of newly formed territorial communities. The sources of formation and directions of use of financial resources of urban territorial communities are identified, and the economic content and main components of their financial potential are characterized. The authors systematize the ways of raising funds for urban territorial communities in terms of budgetary, credit, investment, and grant sources. The authors highlight the impact of a full-scale war on the results of the decentralization reform, the dependence of local budgets on intergovernmental transfers, and the ability of territorial communities to increase their financial potential.

The features of the budget execution of the Lviv city territorial community in terms of revenues and expenditures in the context of tax and non-tax revenues are investigated, and the impact of decentralization on the dynamics of the community's

financial resources is studied. The role of the personal income tax, single tax, and land payment in filling the budget of Lviv is analyzed. The impact of the budget on the vital activity of the Lviv city territorial community is assessed and the possibilities of its use as an investment tool for the socio-economic development of the region are substantiated. The impact of a full-scale war on the implementation of the budget of Lviv, taking into account the coronavirus crisis and the involvement of neighboring settlements with appropriate financial potential in the community, is investigated.

The authors propose a set of measures aimed at increasing the financial potential of a territorial community, argues the need to build an effective mechanism for managing the attraction and use of borrowed financial resources, as well as improving the financial equalization of the development of territorial communities to implement plans for the reconstruction of the national economy in the post-war period.

У статті розкрито основні завдання реформи фінансової децентралізації, яка була проведена в Україні, висвітлено роль бюджетів великих міст у забезпеченні розвитку новоутворених територіальних громад. Визначено джерела формування та напрями використання фінансових ресурсів міських територіальних громад, охарактеризовано економічний зміст та головні складові їхнього фінансового потенціалу. Систематизовано напрями залучення грошових коштів міських територіальних громад у розрізі бюджетних, кредитних, інвестиційних і грантових джерел. Висвітлено вплив повномасштабної війни на результати реформи децентралізації, залежність місцевих бюджетів від міжбюджетних трансферів та здатність територіальних громад нарощувати фінансовий потенціал.

Досліджено особливості виконання бюджету Львівської міської територіальної громади за доходами і видатками у розрізі податкових і неподаткових надходжень, вивчено вплив децентралізації на динаміку обсягу фінансових ресурсів громади. Проаналізовано роль податку із доходів фізичних осіб, єдиного податку та плати за землю у наповненні бюджету м. Львова. Оцінено вплив бюджету на забезпечення життєдіяльності Львівської міської

територіальної громади та обґрунтовано можливості його використання у якості інвестиційного інструменту соціально-економічний розвиток регіону. Досліджено вплив повномасштабної війни на виконання бюджету м. Львів з урахуванням, коронавірусної кризи та залучення до громади сусідніх населених пунктів з відповідним фінансовим потенціалом.

Запропоновано комплекс заходів з метою нарощення фінансового потенціалу територіальної громади, аргументовано необхідність побудови дієвого механізму управління залученням і використанням позикових фінансових ресурсів, а також удосконалення фінансового вирівнювання розвитку територіальних громад з метою реалізації планів щодо відбудови національної економіки у післявоєнний період.

Keywords: *local self-government, urban territorial communities, financial resources, local budgets, public budget, interbudgetary transfers, financial decentralization, financial potential, socio-economic development.*

Ключові слова: *місцеве самоврядування, міські територіальні громади, фінансові ресурси, місцеві бюджети, громадський бюджет, міжбюджетні трансферти, фінансова децентралізація, фінансовий потенціал, соціально-економічний розвиток.*

Statement of the problem in general and its connection with important scientific or practical tasks. Today, Ukraine finds itself in an extremely difficult socio-economic situation and operates in the context of full-scale military operations, which generate a large number of problems in various areas that require the mobilization of significant financial resources by the state to solve them. This situation is contributing to a catastrophic increase in the burden on Ukraine's budget system, prompting the government to seek assistance from allied countries and engage in a dialogue with international creditors to defer repayment and service of government obligations. In addition, the government has also turned to the domestic government borrowing market to cover the ever-increasing defense spending.

The budget system in general, and the budgets of united territorial communities in particular, will play an important role in Ukraine's post-war recovery and rebuilding of its infrastructure. Today, Ukraine has almost completed the decentralization reform, with 99% of all communities formed and relevant amendments to the Budget Code. Because of the above, the state has created favorable conditions for the development of local self-government, which now has all the powers to form and use its financial resources, and large cities are empowered to attract borrowed funds to increase the pace of the socio and economic development of the community. Today, the main task of local self-government is to turn the local budget into an effective tool for stimulating the development of the territory, so to fulfill this task, it is necessary to form an effective mechanism for managing financial resources.

Cities or large settlements play a decisive role in the newly formed territorial communities, where the vast majority of social and cultural infrastructure facilities are concentrated and where the lion's share of the population lives. That is why city budgets are entrusted with key tasks of financially supporting the development of the entire territory covered by the territorial community. As important community centers, most business entities and entrepreneurs operate in cities, so they have a relatively high financial potential and, therefore, can mobilize the necessary financial resources and rationally distribute them within the territorial community. The foregoing emphasizes the timeliness and relevance of the chosen research topic in the current realities of the development of the national economic system.

Analysis of recent research and publications, which initiated the solution of this problem and on which the author relies, the selection of previously unsolved parts of the general problem, which is the subject of this article. The following Ukrainian financial scientists have devoted their publications to the study of the peculiarities of using the budgets of urban territorial communities as tools for stimulating socio-economic development: L. Avedian [1], O. Akimov [1], L. Akimova [1], N. Havkalova [1], I. Havretska [4], H. Havriushenko [2], O. Demchenko [3], O. Zakhidna [4], A. Zilinska [1], Yu. Ivanov [5], O. Ivanova [5], L. Kloba [6], V. Korovii [7], V. Laptiev [5], S. Lukashev [1], A. Mlintsova [13], V.

Pysmennyi [9], N. Prots [10], A. Rudenko [10], P. Senyshch [11], M. Tyshkovets [13], F. Tkachyk [12], P. Fuhelo [11], Yu. Shushkova [13] and others.

Given the large amount of research conducted by Ukrainian scholars and practitioners, the outbreak of war in our country has created a huge number of problems in the budgetary sphere that need to be addressed immediately, including ensuring the financial autonomy of urban territorial communities; finding sources of funding for the reconstruction of territories affected by hostilities; identifying ways to increase the budgetary potential of cities; involving residents in the management of territorial communities' budgetary funds, etc.

Formulation of the goals of the article (task statement). The purpose of the article is to study the peculiarities of using the budgets of urban territorial communities as instruments for stimulating the socio-economic development of territories in the context of the completion of the financial decentralization reform and martial law in Ukraine.

Presentation of the main material of the study with a full justification of the obtained scientific results. In 1991, our country opened a new page in its history after gaining independence and declared a course toward the formation of a market-type economic system. At the same time, the government began to develop its budget system that would meet the requirements of a market economy and would be based on the principles of developed countries. The development of the domestic financial system was rather slow, accompanied by ineffective reforms and inefficient government decisions. Such conditions significantly slowed down the development of the national economy and reduced the efficiency of all parts of the financial system, creating preconditions for increasing the debt burden on the budget system. The development of the latter accelerated significantly with the adoption of the Budget and Tax Codes by the Verkhovna Rada in 2010 and the introduction of the financial decentralization reform.

This reform was aimed at increasing the role and importance of local government budgets in financing the development of their territories by strengthening the financial base of territorial communities. At the end of 2021, financial decentralization was coming to an end but did not produce the expected results, as

local governments continued to be heavily dependent on the state budget. The outbreak of a full-scale war in February 2022 in most cases suspended the development of many newly formed UTCs, and more and more questions were raised about rebuilding the destroyed infrastructure and identifying sources of the necessary financial resources. It became obvious that territorial communities had too little financial potential to accomplish such complex tasks, so they began to place most of their hopes on grant assistance and funds from the budgets of large cities.

In the process of financial decentralization, great hopes were placed on such cities, as they usually united much smaller villages and towns with much slower socio-economic development. Cities have a much higher potential for mobilizing financial resources, as various business entities operate on their territory, and their tax payments fill the local budget. It can become an important source of capital investment in local infrastructure, road reconstruction, and improving the efficiency of public utilities and municipal transportation, etc.

Today, local community budgets are a special form of distributive economic relations, through which local authorities retain a certain part of the domestic product created on their territory and use it to exercise the powers delegated by the central government. An important task of the budgets of territorial communities is to provide financial support for the socio-cultural and economic development of their regions through the effective formation and rational investment of municipal financial resources.

City budgets help to establish relations between local authorities and taxpayers (legal entities and individuals), organizations financed from the state budget, households, etc. Creating favorable operating conditions in the region for these business entities will help local authorities mobilize the necessary amount of budgetary resources and increase the tax potential of the territory. It should be emphasized that there are often situations when the financial resources mobilized by local budgets on their own are not enough to achieve their goals, so they usually interact with the central budget, which finances them. Such relations are called interbudgetary and have their instruments: grants, subsidies, and subventions.

In the vast majority of the established territorial communities, the key position is occupied by cities, which have become a kind of administrative service centers and concentrate the lion's share of budgetary resources, which are used to maintain and invest in the renewal and development of the socio-cultural and economic infrastructure of the territory. In addition, in Ukraine, there is a practice of some cities providing educational, cultural, or medical services to residents of other territories, as they either cannot provide them or it is economically unprofitable for the state to offer them in that region. Thus, these cities have a constant additional need for budgetary funds, so in the planning process it should be added to the main forecast amount or a compensation mechanism should be established for such a settlement in connection with additional budgetary expenditures for the provision of services to neighboring territories or regions in general. The presence of such an increased potential for servicing neighboring settlements is explained by the presence of large business entities on the territory, high household incomes, developing cooperation with foreign countries, etc. Consequently, such cities have a large impact on the pace of development of other settlements that are part of the UTC, and possibly on the efficiency of neighboring territorial communities or regions in general.

Cities form their budgets using all available tools and sources, as their sufficiency is a key factor in influencing the development of the territory. At the current stage of development of domestic self-government, an important task of the government is to increase the financial independence of territorial communities and to develop their ability to identify hidden reserves of financial resources mobilization within their economic boundaries by creating favorable conditions for the intensification of entrepreneurship and capital investments in the city's production infrastructure.

Urban communities can mobilize funds from budgetary, credit, investment, and grant sources.

I. Budgetary sources are formed through the administration of local taxes and fees (internal sources of budgetary funds), and, in case of their insufficiency to cover current expenditures, receive grants and subventions from the state budget (external financial resources) for the implementation of municipal programs and projects.

Internal sources also include revenues from the sale and lease of movable and immovable property, land, and other assets. However, it should be borne in mind that such revenues do not have stable trends and should not be counted on in every budget period. Transfers received by cities from the central budget are considered an external source of budget funds, although such funds are of tax origin, as they are formed as a result of the redistribution of mandatory payments administered by the state in different regions of the country. Due to the difficult situation in Ukraine's economy, most territorial communities will significantly increase their dependence on central funding due to the loss of tax potential.

Ukrainian legislation divides budget revenues by source of mobilization into certain groups: tax, non-tax, transfers, and capital transactions. This is the official division according to which the authorities submit reports on the execution of their respective budgets, and each group has a corresponding systematization of items (for example, the first one details revenues from the administration of specific taxes or fees). In addition, city budget revenues are distributed by own and borrowed sources, as well as by general and special funds (financing current and capital expenditures of the community). The systematization of budget revenues of territorial communities is shown in Fig. 1.

The revenues of municipal budgets are generated through the administration of local taxes and fees by the Budget Code and a portion of national mandatory payments in the order of distribution. Today, local governments do not have the authority to establish additional fiscal mandatory payments, but can only rely on the list of taxes and fees defined by Ukrainian budget legislation. LGEs are only allowed to adjust the parameters of local taxes and fees: determine the feasibility of their introduction on the territory of the city, change interest rates, the number of absolute amounts to be paid, determine preferences, and other parameters. Today, local fiscal payments do not play a significant role in generating revenues for territorial communities, so they are largely focused on receiving a portion of national taxes and receiving transfers from the central budget. Revenues from non-tax sources include the financial results of municipal organizations and institutions, leasing of property, city fees for services provided by the authorities, sale of unnecessary acts, etc.

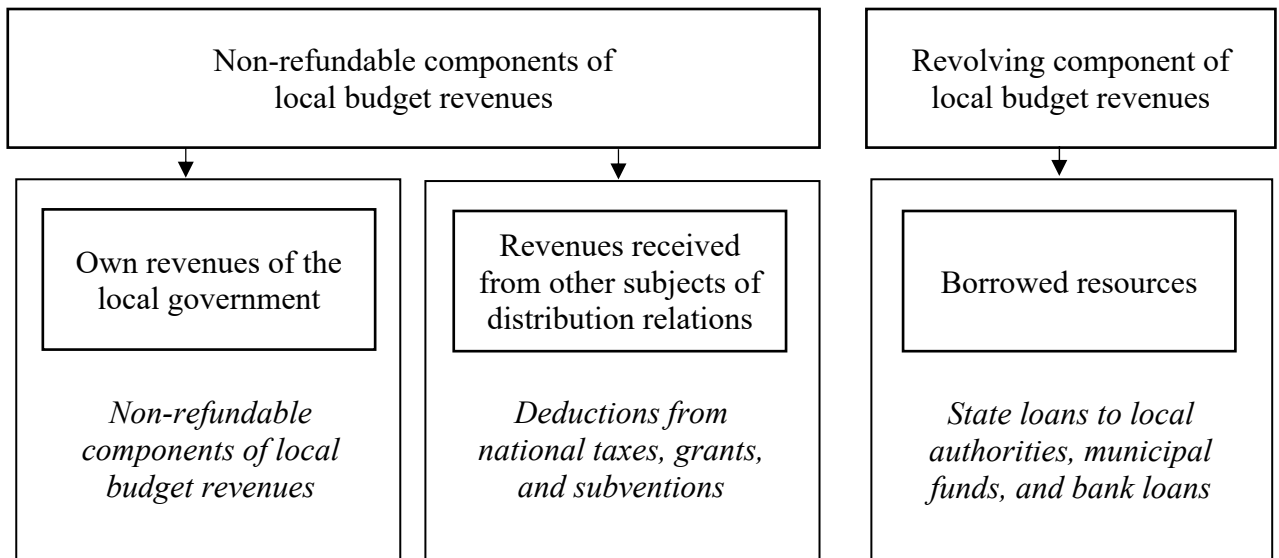


Fig. 1. Systematization of municipal budget revenues by methods of formation
formed by the authors using [9, p. 25]

II. Ukrainian legislation also allows territorial communities to raise funds through the implementation of local credit policy and thus to be able to make capital investments in the municipal economy. Loans from global financial institutions will help territorial communities to restore infrastructure facilities, finance the construction of modern transport interchanges, improve security in the region, etc. Typically, loans from such international institutions are characterized by long maturities, low-interest rates, and the inability to direct financial resources to purposes not specified in the agreements (constant monitoring of the use of funds). The domestic market for public local loans is currently undergoing development and requires an effective government policy to develop local self-government and increase the number of UTCs with high financial potential.

III. The third group of sources includes resources for capital investments, which are mobilized by establishing cooperation with the private sector (enterprises, organizations, individuals) to achieve the long-term goals of the territory. Today, the public is massively involved in the local budgeting process and helps to determine the priority areas for investing budget funds. However, on the other hand, it will be difficult to ensure the harmonious development of the city without the help of businesses and households. Therefore, it is advisable to encourage private businesses to co-finance important regional projects, the benefits of which will be enjoyed by everyone (the state, the population, and the business) in the future. In return, they can

receive tax holidays or certain benefits from the government for paying local administrative or other mandatory payments. This method of attracting investment resources has become widespread in developed countries, as it helps to implement large-budget projects that require large investments (construction of local roads, medical and cultural facilities, etc.). In addition, such sources, compared to debt financing, do not create a debt burden on the city budget and do not worsen the country's financial security.

Territorial communities can raise borrowed funds by using a guarantee mechanism or by providing guarantees to municipal organizations or institutions. Such actions largely allow city governments to solve problems in the provision of quality gas, electricity, and water supply services, ensuring the cleanliness of settlements, maintenance of apartment buildings, etc. In this case, the burden of loan repayment is relatively transferred to municipal business entities, which will then service their obligations.

IV. The last group of sources of the formation of financial resources of the city budget is represented by grant financing. Grants provided by international organizations (subject to certain principles) are a fairly popular source of attracting investment resources for the implementation of municipal projects. The city of Lviv has repeatedly used grant funding to repair major streets and certain infrastructure facilities. The peculiarity of this type of financing is that it can be used along with other instruments of investment resource formation. It should be noted that grant funding is usually provided for specific purposes to those cities that provide the most effective plan for using the allocated financial resources. Grants can be provided through technical assistance, provision of movable and immovable property (often on lease), assistance in promoting business activity of business entities in the region, and stimulating the growth of corporate culture in municipal institutions and organizations.

If we summarize the above-mentioned sources of formation of the city's financial resources, we will get its financial potential, which will characterize the ability of local authorities to achieve their goals and objectives and stimulate the development of the territory. If the territorial community conducts effective economic

activity, its ability to mobilize additional funds to the budget will increase, as confidence in the city's management will grow, and thus its financial potential will increase. In this case, the local authorities will be able to intensify investment activities and develop the socio-economic infrastructure of the region.

The reform of financial decentralization in Ukraine is aimed at improving the quality of life of citizens in all regions and settlements, increasing the efficiency of local authorities and ensuring the implementation of an effective financial policy, transferring a significant amount of state powers to the local level; involvement of the population in the budget process on the ground; strengthening the financial system of self-government organizations due to the organization of the management of cash flows of territorial communities, achieving optimality in the management of public finances of Ukraine, the distribution of budget funds between the state and territorial budgets by the scope of the powers entrusted to the communities and the government; reducing the physical distance between institutions that provide public services and their final consumers (formation of such centers in the regions), etc.

The beginning of 2022 was characterized by the final stage of the budget decentralization reform, as almost all administrative units (more than 1500 territorial communities in the national economy) were formed. During 2021, the Government of Ukraine worked to find hidden reserves to increase the financial capacity of local governments and, to this end, improved the regulatory framework for the budget process at the local level, namely: increased the autonomy of territorial communities and determined the powers of local governments to mobilize budget funds on their own and approve the directions of their spending; redistributed part of the centralized funds to increase the tax potential of territorial communities; improved financial mechanisms for local governments; and improved the financial management of local governments. These steps were taken by the government to stimulate the development of the newly formed territorial communities by concentrating joint efforts and resources.

The organization of the execution of budgets of urban territorial communities in terms of revenues and expenditures, as well as the entire budget process at the local level, should be carried out with the highest efficiency and effectiveness,

because only in such conditions will local governments be able to attract a sufficient amount of revenues and use them to achieve their goals and objectives for the planned year. The ability to mobilize sufficient funds to the community budget creates the necessary prerequisites for the financial development of the territory, so all reserves for increasing the tax potential should be identified. On the other hand, urban community governing bodies in conditions of limited budgetary resources should strive to rationalize budget expenditures and adhere to the principle of austerity in spending money. The attraction of borrowed resources should be within reasonable limits, which will help to avoid an excessive debt burden on the local budget in the following periods and prevent a significant outflow of budget funds.

In 2022, urban territorial communities received additional sources of funding from the central government, but most of them continued to depend on intergovernmental transfers. From this point of view, the government should pursue a financial policy aimed at strengthening the financial independence of the territories not only by redistributing funds but also by increasing the own revenues of the territorial communities.

To analyze the effectiveness of the budgets of urban territorial communities in Ukraine, we will analyze the budget of Lviv. It should be emphasized that to conduct such an analysis of revenues and expenditures, we took into account a fairly wide range of data, but the Lviv city territorial community was finally formed at the end of 2020, so the data for Lviv is available up to this year, and starting from 2021 – for the city community [8].

Between 2007 and 2022, Lviv's budget revenues increased more than 10.5 times from UAH 1306.7 million to UAH 11649.7 million. However, by the end of 2020, the absolute amount of budget revenues decreased by UAH 1.209 billion or - 11.76% due to a decrease in intergovernmental transfers and the state budget deficit of Ukraine due to the Covid-19 pandemic. It should be noted that by the end of 2021, their amount already exceeded 2020 by UAH 2.579 billion or +28.4%, and by the end of 2022, revenues to the budget of Lviv city state administration grew at a slower pace and were higher than the same indicator in the previous year by UAH 2.2 billion (+19.1%) (Fig. 2) [8].

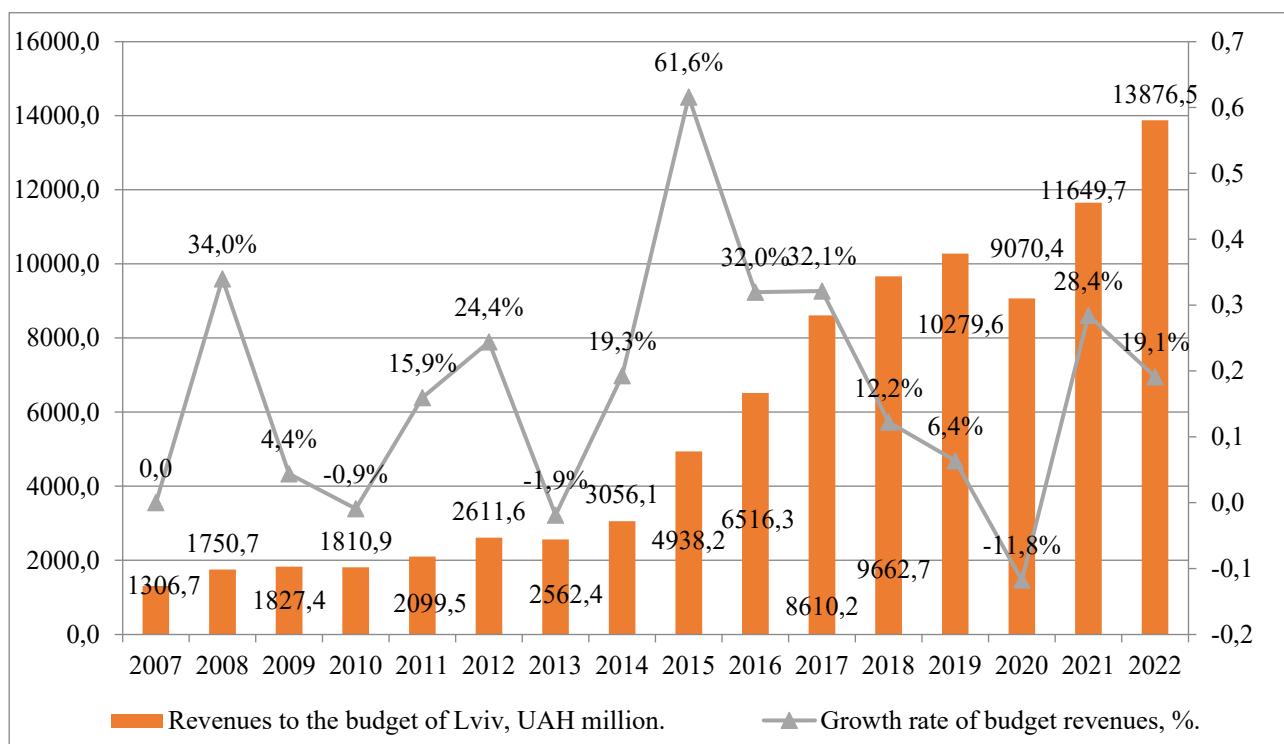


Fig. 2. Dynamics of Lviv budget revenues for the period 2007-2022
formed by the authors using [8]

The article analyzes the dynamics of revenues to the budget of the territorial community of Lviv for the period 2007-2022 (Fig. 3). The diagram shows that the lion's share of budget revenues was formed by tax revenues, the share of which has been growing significantly in recent years. The reason for this is that part of the personal income tax and corporate income tax are transferred to the local level for companies operating in the city community. In general, over the analyzed period, the share of taxes and fees in budget revenues increased from 56.2% to 83.3% (by +27.1 percentage points) and reached its minimum value in 2015 (43.7%) and its maximum value in 2022 (over 83%). The diagram shows that since 2016, as a result of the active reform of Ukraine's budget system and the transfer of additional sources of financial resources from the center to cities in the form of taxes, the share of tax revenues has been growing significantly – by +33.1 percentage points. This should be considered a positive trend. It should be emphasized that, despite the full-scale war in 2022, nominal budget revenues did not decrease significantly, and the share of tax revenues continued to grow [8].

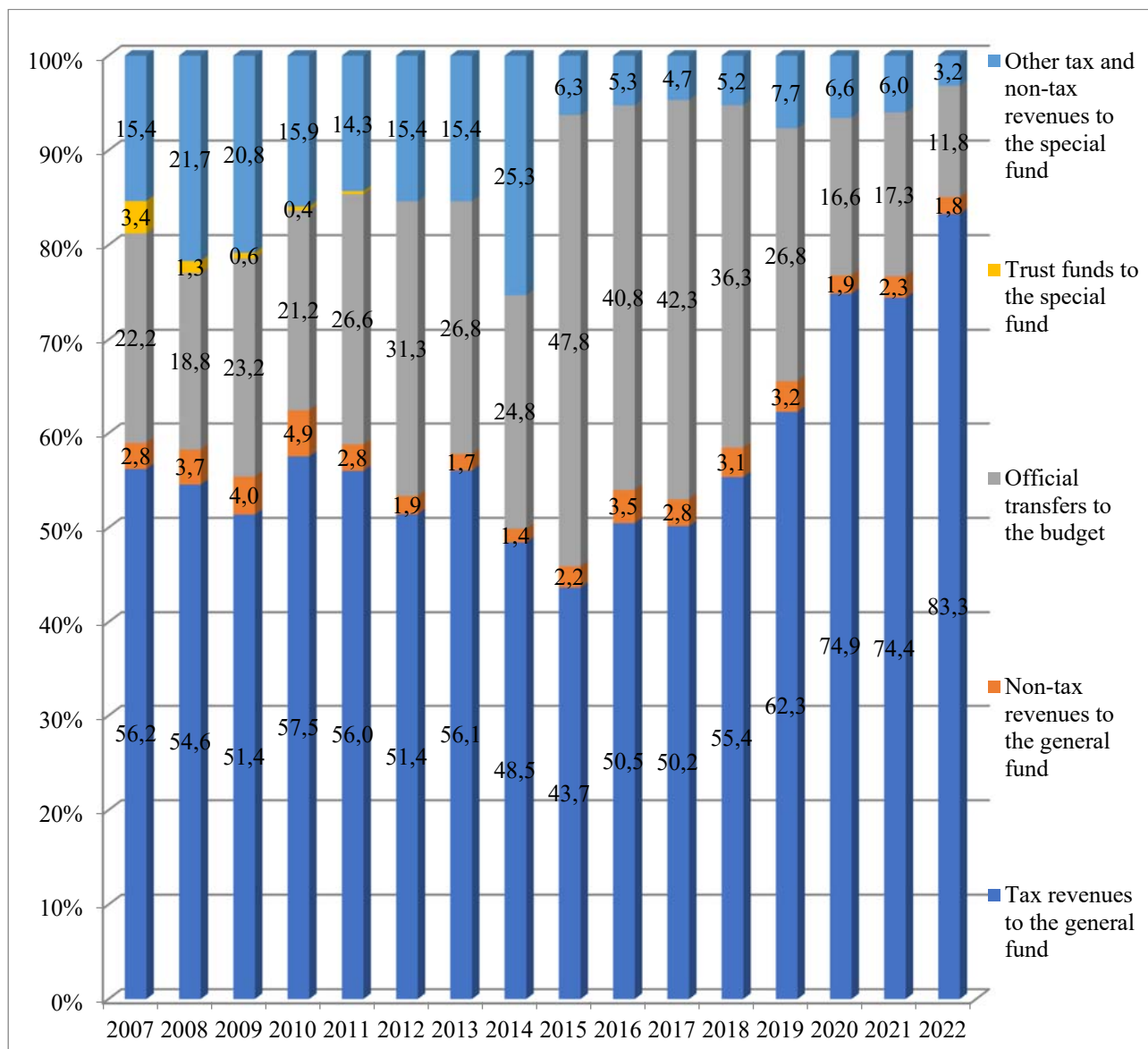


Fig. 3. Dynamics of revenues to the budget of Lviv in 2007-2022

formed by the authors using [8]

It is important to emphasize the overall decrease in the subsidization of the budget of the Lviv city territorial community, as the share of official transfers in budget revenues decreased from 22.2% to 11.8% (by -10.4 percentage points) between 2007 and 2022. The local budget showed the highest dependence on government transfers in 2015-2018 when the share of grants and subventions reached almost 48% (in 2015). However, starting in 2016, the share of official transfers has been gradually decreasing (by -36 percentage points) and will reach a minimum value in 2022 of 11.8%.

The dynamics of the share of non-tax revenues during 2007-2022 ranged from 1.4% in 2014 to 4.9% in 2010 and did not even reach 5% of total revenues. Revenues to special-purpose funds during the analyzed period did not play a significant role in

Lviv's budget revenues, and their share was always close to zero. Other revenues include tax and non-tax revenues to the special fund of the Lviv city budget that was not included in the previous groups, i.e., mandatory payments that have a specific purpose (vehicle tax, interest on loans, proceeds from land sales, environmental tax, own revenues of budget organizations and institutions, etc.)

The absolute amount of tax revenues to the budget of Lviv increased almost 16 times over the period under study, from UAH 734.5 million to UAH 11558.2 million. Using Fig. 4, we will assess the dynamics of the structure of tax revenues to the budget of the Lviv city territorial community for the period 2007-2022.

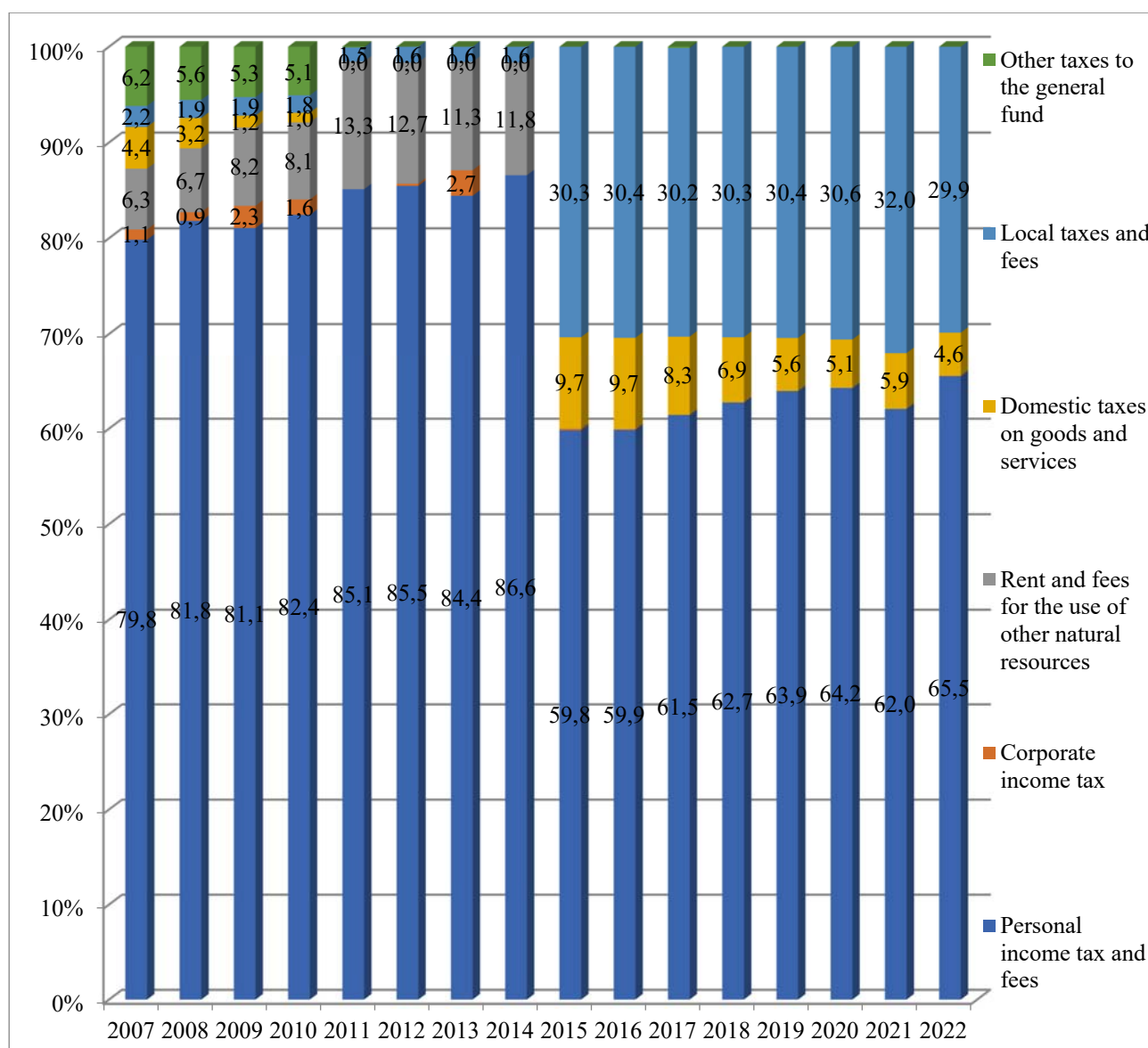


Fig. 4. Dynamics of tax revenues to the budget of Lviv in 2007-2022
formed by the authors using [8]

The key role in the budget revenues of Lviv has always been played by the personal income tax, the share of which has generally decreased from 79.8% to

65.5% (by -14.3 percentage points). It should be emphasized that until 2014, the share of this tax fluctuated around 80%, and since 2015 it has been steadily approaching 60% or 62%. As a result of the decentralization reform, the share of personal income tax decreased, and its decline was offset by an increase in the share of local taxes and fees from 1.6% in 2014 to 30.3% in 2015 and 29.9% in 2022. Starting in 2015, the role of internal taxes on goods and services in the Lviv budget has also increased (their share was close to zero before), reaching 9.7% in that year and gradually decreasing to 5.9% in 2021 (by -3.8 percentage points). It should be emphasized that the importance of local taxes and fees in the formation of local community budget revenues has increased due to the inclusion of land rent and the single tax, which until 2015 were positioned as separate lines, and the single tax in some periods was transferred to a special fund [8].

It is worth noting that land rent has always been an important source of revenue for the Lviv budget and in the period 2007-2022 it increased in absolute terms by almost 9 times, with its share reaching its highest level in 2011 at 7.5%. However, during the analyzed period, the share of land rent in total slightly decreased by 0.6 percentage points from 3.6% to 3.0% (Fig. 5).

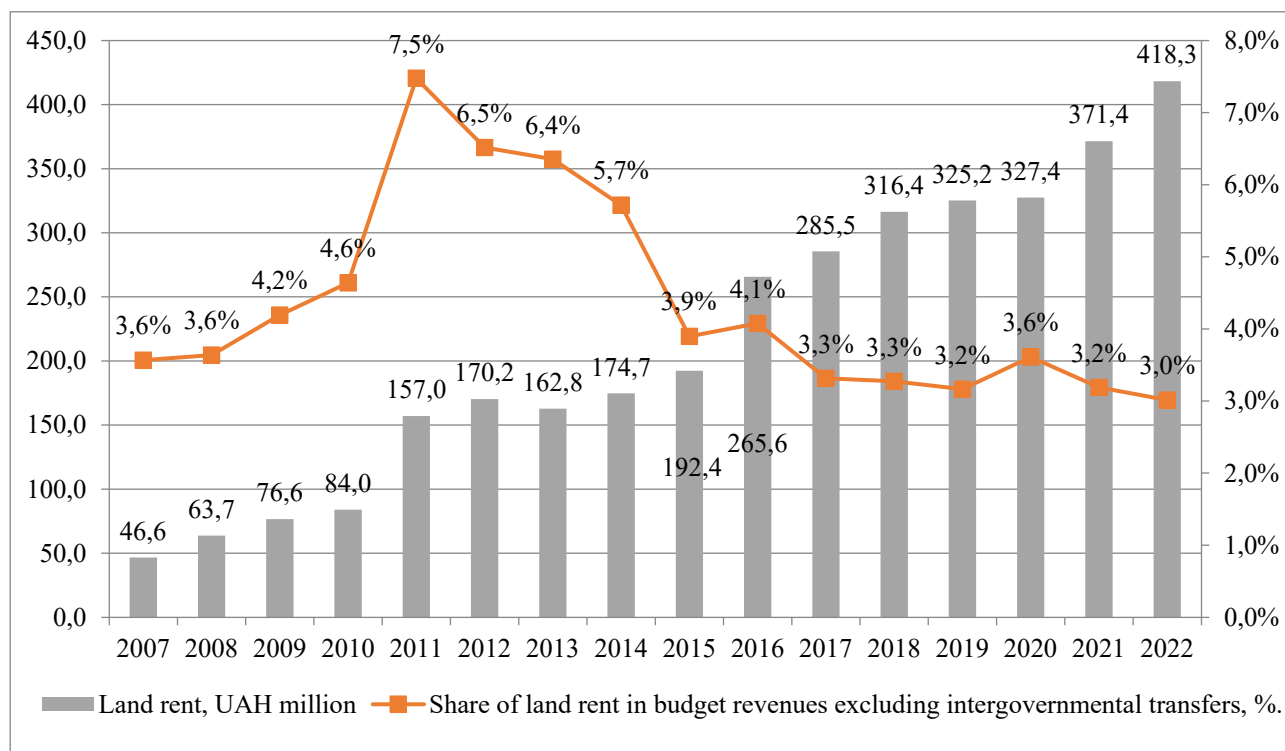


Fig. 5. Dynamics of land rent revenues to the budget of Lviv in 2007-2022
formed by the authors using [8]

The dynamics of the absolute value of the single tax on business entities were similar, increasing more than 51 times between 2007 and 2021 and amounting to UAH 2.33 billion in 2022 (Fig. 6). In general, over the analyzed period, the share of single tax revenues in Lviv's budget revenues increased from 3.5% to 16.8%, i.e. by 13.3 percentage points. A significant increase in this indicator was demonstrated in the period 2015-2022 + 9.9 percentage points [8].

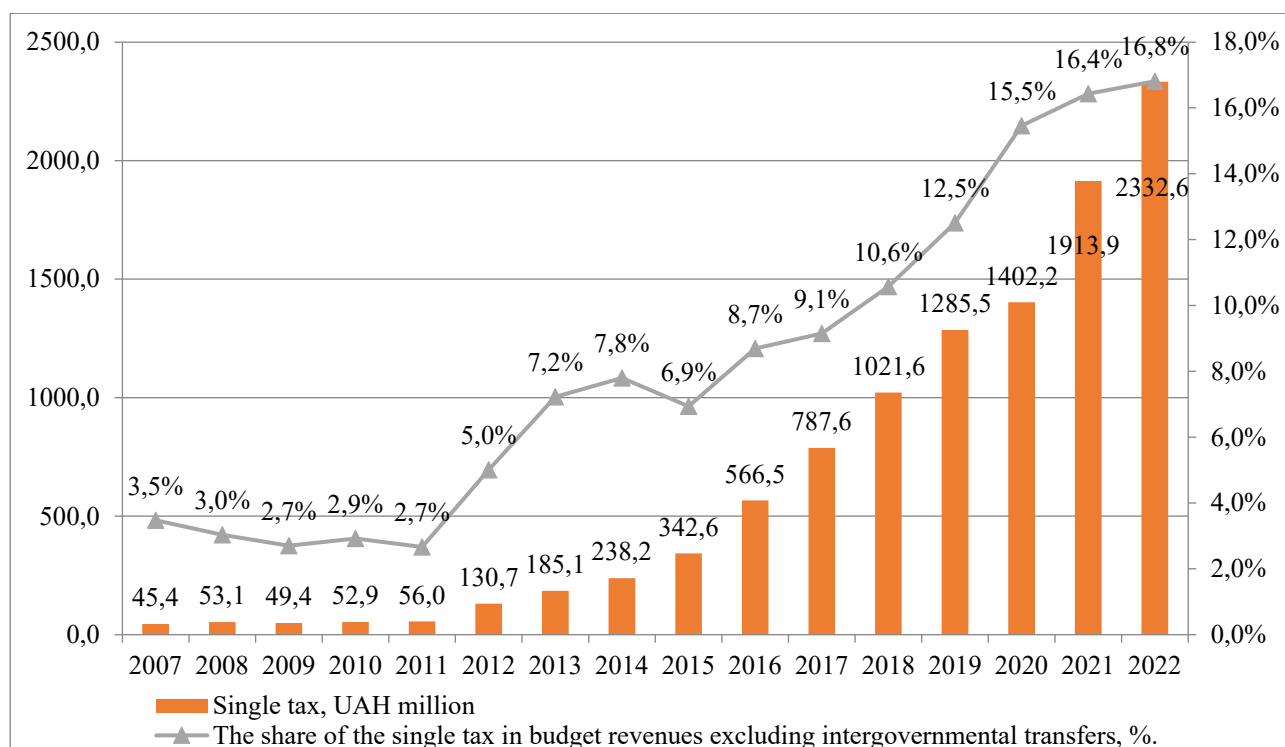


Fig. 6. Dynamics of single tax revenues to the budget of Lviv in 2007-2022
formed by the authors using [8]

To analyze the expenditure side of the budget of the Lviv city territorial community from 2008 to 2022, we have constructed the diagram in Fig. 7. Its data show that the structure of budget expenditures was constantly changing during the analyzed period, but certain trends have crystallized. The largest share has always been occupied by education funding, the share of which increased from 24.5% to 44%, i.e. by 19.5 percentage points [8].

The second place, in our opinion, was occupied by expenditures on social protection and social security, although their share in 2018-2022 decreased significantly from 24.4% to 6.7% (by -17.7 percentage points), and over the entire analyzed period it decreased by 9.2 percentage points. The third place was occupied by the share of health care expenditures, which decreased by 12.9 percentage points

over the analyzed period (from 16.1% to 3.4%), and its largest decline was observed in the last four years - -6.7 percentage points. The fourth place is occupied by the share of expenditures on housing and communal services, which during 2008-2022 ranged from 5.5% in 2013 to 15.7% in 2014, and during the analyzed period it increased slightly by +2.6 percentage points [8].

It should be emphasized that the share of public administration expenditures increased relatively from 5.5% to 6.9% (by 1.4 percentage points), although it decreased by 0.5 percentage points compared to 2020. It is worth noting that in 2020-2022, the city budget of Lviv began to finance public order and security costs, but their share was insignificant, not exceeding 0.6% of budget revenues. Funding for culture and art was insignificant, and the share of relevant expenditures ranged from 1.5% in 2018 to 3.6% in 2009; overall, it decreased by 0.5 percentage points over the study period.

These above-mentioned expenditure items are usually related to the group of current expenditures. As for development expenditures, a significant share in the period 2008-2022 was occupied by expenditures on construction and regional development, which decreased from 11.4% to 1.1% (by -10.4 percentage points) over the analyzed period, and in some periods were also very low and ranged from 1-2% (2012, 2013, 2014, 2017, 2018). The main factor behind their decline was Russia's full-scale aggression and occupation of part of Ukraine's territory. Expenditures on transport and road development are also important, as they were not high in the period 2008-2022 and ranged from 0.1% in 2020 to 5.1% in 2021, and decreased slightly by -0.7 percentage points over the analyzed period. It should be noted that the share of other programs and measures related to economic activity gradually increased in the analyzed period (especially during 2014-2021 - by +10 percentage points from 10.5% to 15.5%) with a result of +9.4 percentage points - from 3.5% to 12.9% [8].

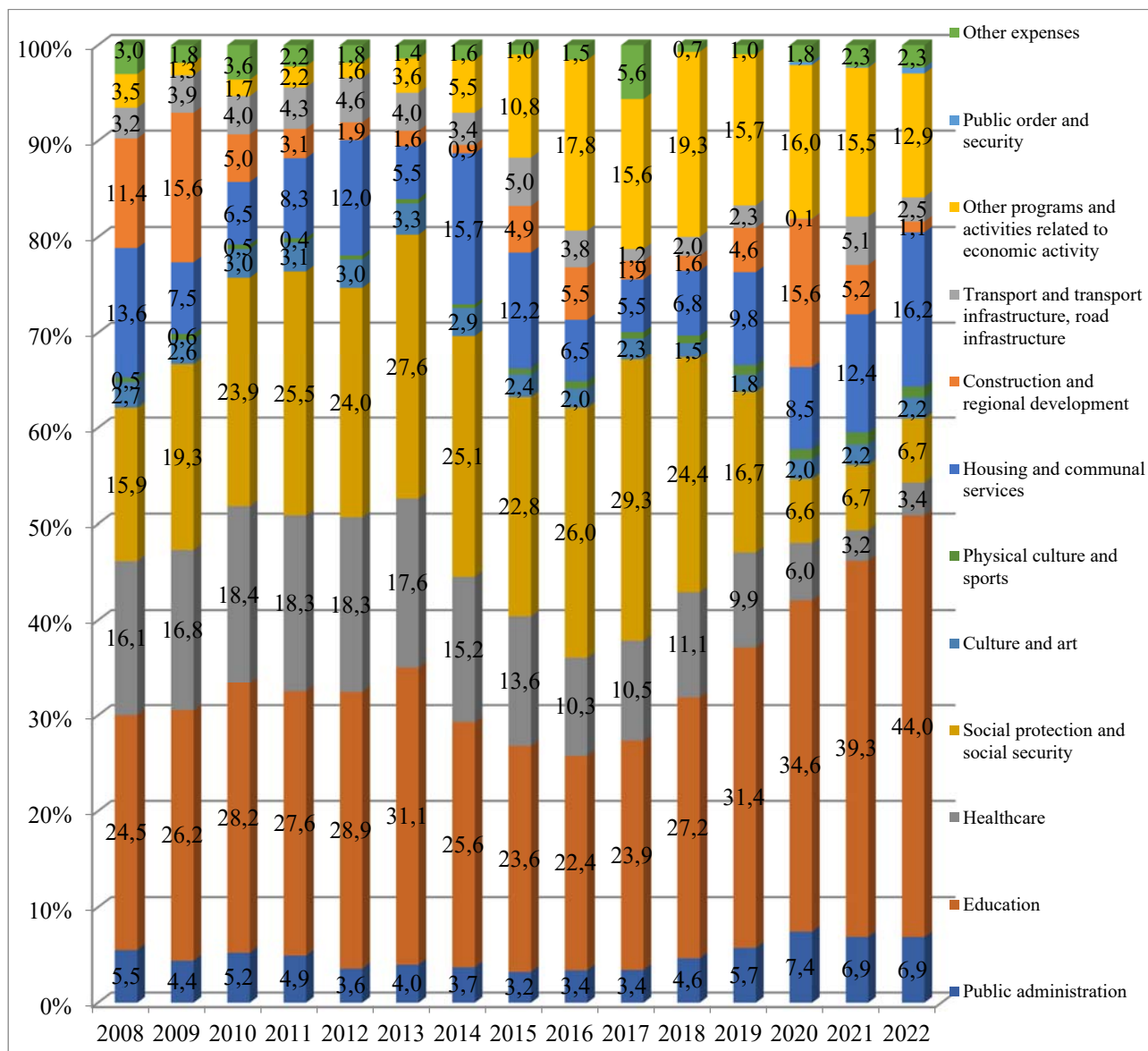


Fig. 7. Dynamics of the structure of Lviv budget expenditures in 2008-2022, %
formed by the authors using [8]

The results of the assessment of local community budgets (based on the example of the Lviv City Territorial Community) make it possible to argue that there is insufficient revenue to cover planned expenditures, which limits the use of the budget as a means of stimulating the economic development of the territory. It should be emphasized that in recent years, there has been a growing trend toward the importance of local taxes in the formation of financial resources of local governments. An important role in this process has been played by the growth of revenues to city budgets from the single tax levied on the activities of entrepreneurs. However, the situation is projected to deteriorate significantly in 2023, and urban communities will need to make decisions to ensure budgetary stability in 2024.

It is worth noting that the system of measures aimed at increasing the financial capacity of urban territorial communities will be incomplete without the creation of an effective mechanism for managing their borrowed funds. Such a mechanism will facilitate the economical and efficient investment of mobilized resources, effective financing of capital expenditures from the special budget fund, a coordinated borrowing policy, and prevention of an increase in the debt burden on the local budget in the long term. To implement a balanced policy on increasing the financial capacity of the territorial community, it is necessary to create a solid foundation, for which it is advisable to carry out a set of measures, in particular: to study the key trends in the development of the most important parameters that determine the potential of local self-government bodies to attract budget funds for at least 10 years; determine the purpose, main goals, and current tasks, the implementation of which will activate the development of the territorial community of the city; formation of analytical support for managing financial potential and making investment decisions.

Conclusions from this study and prospects for further exploration in this direction. Therefore, to form sufficient financial potential and high financial autonomy, the urban community needs to: increase the efficiency of the administration of tax payments in its territory and increase the value of local taxes and fees in the formation of budget revenues; constantly work to improve the business environment; create prerequisites (introduce digital technologies into the local budget process) for the participation of community residents in the formation and distribution of budget resources; to enable public control over the investment of the city's financial resources; strengthening cooperation with enterprises and companies operating in the region in the direction of increasing capital investments in local infrastructure and implementation of municipal projects; carrying out an effective loan policy to form a sufficient amount of investment resources and cover other expenses of the city budget.

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