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TOOLKIT FOR FORMING THE FINANCES OF TERRITORIAL COMMUNITIES FOR THEIR STRATEGIC DEVELOPMENT

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INTRODUCTION

The formation and utilization of finances of territorial communities (TCs) are determined by a number of significant factors. In particular, finances of a territorial community cover the territory of several settlements; there is a lack of experience in managing territorial community finances; direct interbudgetary relations between the territorial community budget and the state budget are being introduced; and considerable financial resources are concentrated within the territorial community budget.

The provision of financial resources for TCs may be ensured through a set of measures, mechanisms, and instruments, including: the use of a financial strategy; changes in leadership style and behavioral patterns of managers, as well as in corporate culture; the application of crowd-technologies as an innovative element in the structure of TCs; attraction of investment resources through joint investment; transformation of the content of work within TC units and employees, including financial organization; allocation of strategic financial planning as a separate function; restructuring of employee motivation systems, pricing, and evaluation indicators; and the development of product policy, marketing strategy, competition strategy, among others.

Among the examined academic literature, particular attention is given to works devoted to the establishment and reform of territorial communities by such foreign scholars as T. Würtenberger, R. Gravert, and F. Kniemeyer. The issues of strategic development of economic entities, including territorial communities, are analyzed in the works of both foreign and domestic researchers: I. Alekseyev, B. Andrushkiv, M. Bondarchuk, V. Brych, R. Zheliznyak, O. Kuzmin, O. Kraynyk, M. Melnyk, O. Chervinska, N. Chukhrai, O. Karyi, V. Rysin, Z. Shershnov, R. Shchur, N. Khrushch, and N. Hlynskyi[1;40].

The analysis of internal financial challenges and peculiarities of financial resource planning in territorial communities is presented in the works of O. Kyrylenko, V. Kravchenko, A. Krysovatyi, M. Krupka, H. Markovych, H. Monastyrskyi, V. Oparin, N. Tataryn, A. Cherep, and others. The study of international experience in the construction and functioning of territorial community finances, based on examples of

numerous countries, lies within the scope of research of well-known scholars such as O. Boryslavska, Yu. Hanushchak, I. Storonyanska, and A. Tkachuk[56;57].

However, the Ukrainian academic literature still lacks comprehensive studies specifically devoted to the finances of territorial communities. The definition of the term “territorial community” requires further clarification, as scholars’ opinions diverge. The conceptual model of forming a strategy for the financial development of territorial communities and the typology of funding sources for their activities need substantial refinement. The mechanism for developing a strategy of organizational and economic development management for territorial communities requires elaboration. The system of performance evaluation indicators of TCs remains imperfect. The necessity to deepen academic research in this area, taking into account the financial condition of the state, demographic indicators, and the population’s standard of living, has determined both the choice and the relevance of the present study.

The transformation of local self-government and the decentralization of public finances have become key determinants of sustainable regional development in the modern world. Territorial communities, as basic units of local governance, are acquiring greater financial autonomy, which necessitates the formation of effective instruments for the management, distribution, and use of financial resources. In this context, the study of the financial system of territorial communities, their organizational and economic development, and the strategic approaches to strengthening their financial capacity represents a matter of both theoretical and practical importance.

The relevance of this monograph is determined by the growing role of territorial communities in ensuring social and economic stability, improving the quality of public services, and enhancing competitiveness at the regional level. Despite the positive dynamics of financial decentralization, significant challenges remain, including the insufficient efficiency of budget planning, the lack of diversified funding sources, and the imperfect system of performance evaluation[52,c.110]. Addressing these issues requires the development of modern tools and mechanisms of financial strategy, as well as the application of innovative approaches to financial governance.

The purpose of this monograph is to provide a comprehensive study of the processes of formation, management, and strategic development of territorial community finances. Special attention is devoted to the construction of organizational and economic strategies, the elaboration of methodological tools for financial development, and the assessment of the effectiveness of strategic initiatives[62]. By combining theoretical foundations with practical recommendations, the monograph aims to contribute to the advancement of financial management at the community level.

The scientific novelty of the work lies in the conceptualization of the strategic model of financial development of territorial communities, the systematization of tools for its implementation, and the improvement of evaluation indicators that reflect the efficiency of financial decision-making. The practical significance is expressed in the possibility of applying the proposed methods in the activities of local self-government bodies, thereby strengthening the financial sustainability and investment attractiveness of territorial communities.

The structure of the monograph reflects the logic of the research. The first section outlines the theoretical and methodological foundations of the financial system of territorial communities. The second section analyzes current trends, challenges, and foreign experience in financial management at the community level. The third section presents the tools for the strategic development of territorial community finances, including the construction of organizational and economic strategies, the formation of financial instruments, and the evaluation of strategic effectiveness.

CHAPTER 1

THEORETICAL AND METHODOLOGICAL FOUNDATIONS OF TERRITORIAL COMMUNITY FINANCES

1.1 Conceptual approaches to the definition and functions of territorial community finances

The strategy of organizational and economic development of territorial communities aims to create favorable conditions for financial growth, a continuous process of reproduction, and effective governance of the community. In other words, it is necessary to establish conditions under which each territorial community, in accordance with the objective, unified process of intensive expanded reproduction, together with legally and economically independent enterprises, organizations, and institutions operating within it, would transform into a single, well-governed yet flexible entity[30,c.208]. Therefore, issues related to the formation of a rational strategy for the organizational and economic development of territorial communities are highly relevant.

The objectives are, first, to construct a rational organizational and economic management structure of territorial communities; second, to determine whether, in organizing the community system, it is appropriate to study the cycle “science – production – sales – finance”; and third, to propose the key functions of the territorial community management system.

The rational organization of community management is defined by objective factors, the interaction of which is of considerable importance for management quality. These are primarily connected with the community’s position in the economic sectors of Ukraine, the specific conditions of its reproduction, and the foundations of its organizational and economic structure.

It has been established that, in organizing the community system, it is advisable to study the cycle “science – production – sales – finance” [1]. Accordingly, a territorial community should incorporate the organization of scientific and technological development of production; the diversification of product range and nomenclature at

the enterprises within the community; the improvement of technological processes; product and service sales (logistics) across all community divisions; financial management of the community; information support; and other relevant issues.

Within a community, the reproduction process is oriented toward continuous and dynamic growth of production, ensuring the output of final products and the provision of services that meet consumer demand[18]. Under such conditions, it becomes possible to implement the necessary cycle “science – production – sales – finance.” This can be achieved if community management focuses on the core directions that are of greatest importance for implementing the economic strategy of reproduction development across the entire territorial community[24].

In this context, the main directions for further improving the efficiency of community management organization in regulating the entire cycle of intensive expanded reproduction may include: enhancing the organization of community finances and economic processes as the basis for management; forming effective core enterprises and rationally organizing their management; establishing efficient communication between the community head and enterprise managers; ensuring accountability of functional managers for specific processes; and improving the management of individual stages of the reproduction process within the community.

Accordingly, the main tasks in forming a rational organizational and economic structure of a territorial community may include:

- organizational and economic justification for incorporating research and development, sales, financial-credit, and foreign trade units into the community association;
- improving and shaping an efficient production structure in terms of profile, specialization, size, and number of enterprises within the community;
- effective allocation of responsibility among production units and processes;
- creating organizational and economic prerequisites for effective interaction among community actors.

1.2 Methodological principles of strategic financial development of territorial communities

The goal of decentralization is a successful community. However, without a clear development program, it is difficult to achieve this goal, and efforts may prove ineffective. Therefore, in line with European practice, local communities should be developed, enriched with experience, and acquire practical skills. For development to be effective, it is necessary to form a strategy whose driving force is the community itself, bearing the full responsibility and creative initiative. It is the community (possibly through the indirect activity of its leadership) that determines its development path: presenting itself in the most advantageous way to generate profit and seeking its local identity. The directions of strategy formation for achieving this goal are shown in Figure 1.1.[36,c.85]

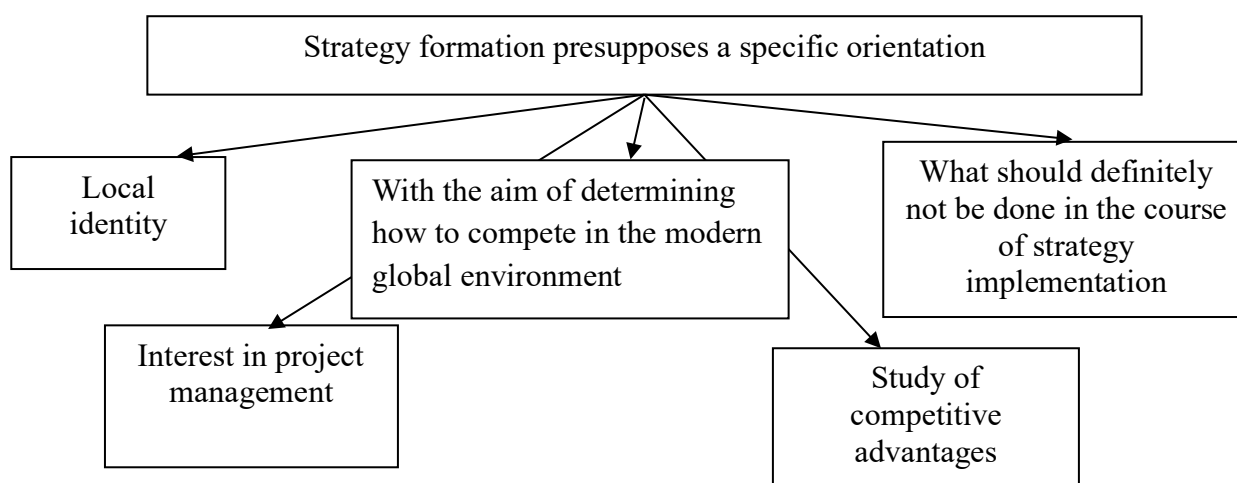


Figure 1.1 - Directions of strategy formation for achieving the set goal

Once such a local identity is established, horizontal and vertical channels can be developed through which this strategy may be implemented within a short timeframe (typically, a project for a territorial community is designed to align with its cultural, mental, economic, and logistical orientation). Financial resources are always insufficient, and there is no community in the world that possesses enough funds to satisfy all its needs. Considering that the world is changing dynamically, along with evolving needs and the required financial resources, limited community assets must be

directed toward a clear and well-defined course to ensure competitiveness among other communities. A community strategy is a document that explicitly articulates the aspirations of the community in achieving its goals.

A strategy may serve to identify local identity, or it may be designed to determine how to compete within the modern global environment, where information flows without boundaries and competition focuses on talent, ideas, and human capital.

Commencing activities without clearly defining the ultimate goal does not always yield positive outcomes and may result in wasted financial, human, logistical, and technical resources[20]. Therefore, the role of the strategy is to outline step by step the organizational and economic course toward the final objective, allowing for timely intervention in individual processes for adjustment and improvement of the ultimate outcome. A strategy is not only a step-by-step plan of necessary actions but also an outline of steps to be avoided. For example, if a community developing through tourism changes its focus by launching a project to construct a plant for building equipment manufacturing, such a new strategy would inevitably fail from the outset.

Overall, the decentralization reform was intended to bring services closer to people, with responsibility as its central element: responsibility for positioning among competitors, for attracting investors, for maintaining identity, and for the ability to formulate a market proposition. The absence of a strategy threatens a community with losing visibility, missing opportunities to engage investors, or ultimately facing the risk of being absorbed by a stronger community. Therefore, an essential element of a community strategy is interest in project management and the study of competitive advantages.

Figure 1.2 [33] presents the developed mechanism for forming a strategy for managing the organizational and economic development of territorial communities. It identifies the subjects of strategy formation, including community leadership with public involvement, representatives of central authorities, non-governmental organizations, entrepreneurs with strong business education capable of inspiring investor confidence, and the Center for Information and Training Support of territorial community managers.

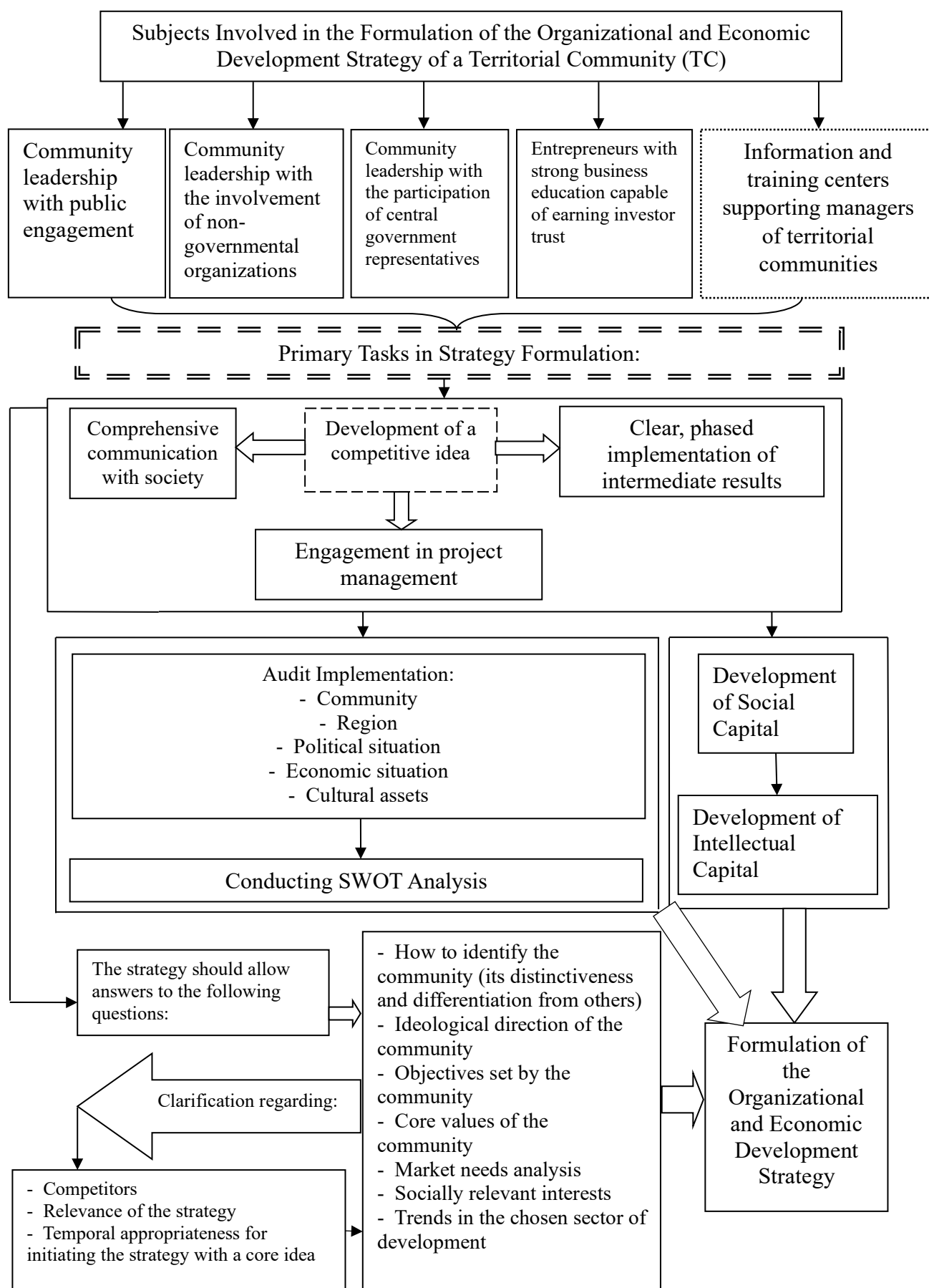


Figure 1.2 - Mechanism of strategy formation for managing the organizational and economic development of territorial communities

Each territorial community must have a strategy for comprehensive development, the foundation of which should be its economic component. Researchers note that in the development of territorial communities, the concept of strategy encompasses both ideological and economic aspects. From an economic perspective, strategy means the ability to achieve new economic objectives and foster economic growth under conditions of limited resources[28]. From an ideological perspective, it represents the community's vision of the future—an understanding of what can be expected tomorrow, how the community envisions itself collectively, and how it positions itself in a highly competitive world.

Thus, strategy is a necessity—a plan several steps ahead that outlines how to move toward a clearly defined goal and what resources are required. It is a document that demonstrates to investors the seriousness of intentions and the community's readiness to take responsibility for decisions made. It is a long-term plan that must be implemented daily. A crucial stage is drafting the plan and identifying responsible actors, which serves as a roadmap.

Such a strategy can be developed by community leadership with the involvement of the public, representatives of central government, or non-governmental organizations specializing in project development. The primary task in formulating a strategy is clear and comprehensive communication with society (in this case, the territorial community concerned) and a well-defined step-by-step implementation of intermediate results[11]. Public discussions during strategy development ensure that the community understands what outcomes are expected, how resources will be allocated, and that economic effects are not always immediate. Scholars also point out that inclusivity in this process is often selective: maximum public involvement in all details does not always guarantee the desired outcomes, especially in the short term. Politics is a competition of ideas, and the foremost task of modern decentralized governance is to generate such ideas, discuss them with active citizens, propose ways of achieving them, and—most importantly—deliver them in real time through economic development. Since local authorities are elected by the community, they are obliged to achieve the economic and strategic goals (including pre-election promises)

they put forward during elections.

The economic aspect of strategic community development remains central. Nonetheless, relations between authorities and business remain challenging[34]. Citizens place high expectations on new local leaders to promote innovation tailored to regional needs. Properly functioning local economies enable the development of healthcare, education, infrastructure, and overall quality of life.

On the one hand, when a community is broadly and deeply integrated into developing its regional strategy, it becomes the owner of that strategy, effectively “employing” the political team it has elected to implement it. Professionals are essential to ensure its realization[42]. On the other hand, authorities must build strategies on principles of partnership, never making unilateral decisions. Open discussions with all community groups are required. The other side of this process must also be acknowledged: one cannot expect authorities to develop and implement a strategy without civic engagement at every level. A document written behind closed doors remains there, never translated into action. Writing a strategy merely to satisfy investors or for formality’s sake is a dead end, inevitably doomed to failure. For instance, allocating regional development funds to repair a “cemetery access road” under the guise of a development project cannot be considered a valid economic development strategy.

Every city, town, or association of villages must have a strategy developed collaboratively by representatives of industry, healthcare, education, economics, culture, religion, and other sectors[45]. Given the difficult circumstances surrounding business support, business structure development should be among the strategy’s priorities.

By conducting a SWOT analysis, communities can assess their development strengths and identify focal areas: whether in tourism, hospitality, catering, or specific industries, alongside corresponding labor market needs.

CHAPTER 2

ANALYSIS OF THE FINANCIAL SYSTEM OF TERRITORIAL COMMUNITIES

2.1 Current trends and challenges in the financial management of territorial communities

At present, certain towns with populations of up to 95,000 demonstrate negative business trends: instead of expansion, entrepreneurship is declining relative to population size, pointing to shadow economic activity. In such towns, the number of employed persons is disproportionate to the economically active population, and wage levels are below regional averages. Around 72% of businesses in these towns pay wages of only 5,000–5,500 UAH per month—effectively the average minimum wage. This suggests that businesses either lack conditions for growth, fail to cooperate with local authorities, or withhold wages in cash, depriving local and regional budgets of millions in revenue.

For major cities in Lviv Oblast, job creation and investment attraction in the most promising sectors are key priorities. As Zinoviy Karpinskyi, Director General of LLC Ekraan, notes, the modern investment market reflects a trend: when an investor requests rental premises within a territorial community and does not receive a prompt response, they will immediately turn to another community or region. Communities must be responsive and transparent, ensuring efficient communication with investors. Factors such as tax rates, government openness, and transparency of operations are tools for effective competition, not mere attributes[44].

For example, Ivano-Frankivsk has positioned itself as a “weekend city,” attracting visitors year-round, with recreational development as its strategic focus.

According to T. Baretskyi, Director of the Regional Development Agency, the tools of strategy consist of interrelated and complementary components:

1. Economy – enabling the community to identify revenue opportunities and its competitive advantages.
2. Social sphere – including healthcare, education, culture, and the quality of life

for residents, serving as an indicator of community well-being. If these needs are unmet, people will leave.

3. Environment and ecology – directly dependent on both the economy and social sphere, while also being a priority due to European integration commitments.

Balancing these three spheres creates the optimal foundation for an economically sound strategy.

Timeframes are also critical in strategy design. As of 2024–2025, strategic plans typically span seven years—longer than the five-year electoral cycle. Thus, one council initiates the strategy, while another completes it. It is crucial that economic and strategic priorities remain consistent despite political changes. Lviv provides an example of good practice: during strategy drafting, a Strategic Committee composed of respected public figures is established to ensure continuity and independent implementation[53]. This committee meets annually to monitor progress, assess shortcomings, and analyze reasons for underperformance.

Comparisons of business processes across cities demonstrate varying models of economic development. For instance, Stryi is more production-oriented, with a “long-term economy” driven by industries such as woodworking and automotive components (e.g., Leoni) that sustained the region during the COVID-19 crisis. By contrast, Lviv operates a “short-term, fast-return economy” centered on services, where revenue circulates quickly and generates added profit. Strategic development should therefore draw lessons from such diverse experiences and adopt best practices.

Formulating a strategy for organizational and economic development requires identifying a community’s competitive advantages—whether in population potential, territorial size, industrial, recreational, or cultural base, supported by logistics infrastructure (airports, roads, railways), export potential, favorable geographic location, or management capacity. Success in implementation will depend on workforce quality, spanning schools, universities, vocational institutions, and training centers. Territorial communities must invest in professional specialists with the competencies and trustworthiness to guide development. Building social capital—including education, life expectancy, and material well-being—is therefore a

prerequisite for sustainable growth. Sociological research, debate clubs, and competitiveness councils can further help define community strengths and positioning. The combination of these components ensures steady progress in strategy implementation[62]. Through the available toolkit, community development can be effectively directed.

Sociological research, debating clubs, competitiveness councils help to determine the place of the community in the hierarchy, its strengths. The totality of all components will ensure the gradual movement of the strategy's implementation. Thanks to the available tools, it is possible to direct the community's development.

2.2 International experience in the strategic development of local community finances

Thus, the organizational and economic strategy of a territorial community (TC) should not only be a formal document that demonstrates compliance with the requirements of higher levels of government or investors, but above all a working instrument of management, coordination, and communication. A strategy devoid of real mechanisms of implementation, stages of monitoring, and public involvement remains declarative.

The effectiveness of the strategy depends on the balance between short-term, medium-term, and long-term objectives. In the short-term perspective, communities most often expect visible results, for example, repairs of social infrastructure, improvement of public spaces, or small but noticeable projects that increase the quality of life[5]. However, such projects cannot replace systemic economic transformations, which require time, investment, and partnership. The medium-term perspective includes the development of sectors that are specific to the region (tourism, industry, services, logistics), while the long-term one involves the formation of human capital, innovative infrastructure, and stable connections with external markets.

It should be emphasized that the strategy of community development is a dynamic process. It requires constant adaptation to changes in the external environment:

fluctuations in the national economy, migration processes, global crises (such as the COVID-19 pandemic), environmental challenges, as well as opportunities associated with European integration[7]. Communities that are capable of rapid and flexible adaptation to such changes ensure their resilience and competitiveness.

The economic component remains the basis of sustainable development. The presence of local businesses, the attraction of investments, the support of small and medium-sized entrepreneurship, the development of industrial parks or innovation clusters – all this forms the financial capacity of a territorial community. Without economic growth, it is impossible to support the social and environmental dimensions of the strategy.

Therefore, the organizational and economic strategy of a territorial community must be an integrated system document that unites the vision of the future (ideological aspect) with concrete mechanisms of achieving economic results (practical aspect). Its formation requires cooperation between authorities, businesses, the public sector, and scientific institutions, while its implementation – professionalism, responsibility, and constant public dialogue.

The organizational and economic development of a territorial community (TC) will be facilitated by funds for the implementation of the project. These may include own funds, state funds, investors' funds, donors, grants won by the community, or credit financing[9]. To attract such funds, it is necessary to conclude agreements with European partners. For example, centers for the provision of administrative services today in communities were created precisely with these funds; communities were proactive, submitted applications, integrated into the environment, and actively used it. Investors come to a certain territory with their business model, being interested in the cheapness of labor force and resource base. An example after the Second World War can be Japan, which sewed cheap blouses for export (to America), starting with cheap labor. In this case, it is necessary to start with something; the main point is not to set it as the ultimate strategy, but to have a basis for development, to move to higher added value, where one encounters competition, and for this it is necessary to declare oneself and be understandable to the investor.

The initiative should be shown by entrepreneurs who have good business education, absence of language barriers (English, Chinese, etc.), and the ability to inspire trust in the investor. The issue of money is not even set as a priority; in our view, the priority is trust, since the investor comes with funds and new technologies, which will allow the TCs to be competitive in the global format. Today, TCs do not compete within Ukraine; borders in the economy are now blurred – this is global competition.

If one develops an organizational and economic strategy, then first of all it is necessary to speak about systemic measures for its implementation. A striking example can be the problematic issue of waste. If one assumes that the problem will be solved by the construction of a waste-processing plant, this is not the case. The explanation is simple: such a plant is an expensive project, both in terms of construction and in terms of waste processing. Therefore, here, paying attention to the strategy, one should build its clear system. If the strategy concerns waste, then it is necessary to establish a system of citizens' handling of household waste from its formation along the chain to processing. After all, a landfill is the consequence of incorrect waste management (the issue concerns waste sorting).

A waste-processing plant should not stand in every city; on the contrary, a system of sorting should be established. In Ukraine, there is still no such plant, and those that are planned to be built would not operate without waste (about 40% of waste is subject to processing, the rest needs to be landfilled). Even the best plants in Europe, especially in the Netherlands, which costs 0.5 billion euros, carry out incineration, and still 10% of waste remains for landfilling. The prospect of building an expensive plant in a certain part of a Ukrainian region (by German or Dutch giants) aims at repaying part of the investments[11]. This is possible if a certain tariff for waste processing is introduced, but if the tariff is regulated at the state level, its payback period can extend for 20–30 years.

Summing up, it can be asserted that the community must identify what it specializes in and what conditions for the implementation of products (services) exist today. Often, having incredible cultural heritage (an authentic type of craft), the community does not use effectively enough the opportunity to implement products

(services) independently. It does not develop and does not promote itself due to a lack of experience in how to do it, or due to lack of resources (for example, the Internet). Today, fairs are widely used as a form of advertising their activities. Mountain regions of our state are especially colorful in this regard, where musical instruments, embroidery, pysanky, cheeses, clothes are produced. If there is an available resource, it is necessary to learn how to use it correctly.

To attract more tourists to a certain region (TC), one can open children's camps (cooperating with specific stakeholders who have experience in conducting such activities), add one's community to photo tours (presenting the best examples of local crafts, organizing master classes, selling products directly to tourists)[16]. The trend towards locality and local products is popular in Europe. Local authorities, declaring the absence of roads as an obstacle for visiting locations, form a position of inactivity. If a program is developed together with the community and it is determined who will be responsible for what, this will make it possible to include in the tourist tour the visits to selected and community-prepared objects. This will allow obtaining certain funds, and if such tours are sufficient, then it will be possible to collect them for road repairs, which will solve a number of accompanying obstacles on the way to community development.

Thus, in order to raise the economy of the region, on the one hand, it is necessary to form partnerships between the authorities and business. First of all, it is necessary to change the approach at the legislative level to attracting investors (if one considers a land plot needed for business, it takes several years to put it into operation due to bureaucratic restrictions, and by such a way attracting an investor is hopeless). On the other hand, there are also opponents of partnerships between authorities and business. A businessman should be independent and free in his actions, based on law and contacting the authorities through electronic communications, digitalization[25]. He should have sufficient information from the Internet about the region he is interested in and base his future plans on this. Another path is the basis for the development of corruption. From this we can conclude that the head of the TC and his deputies, managers should know about the needs of business and help as much as possible.

According to Ivan Lukeria, adviser to the Minister of Communities and Territories Development of Ukraine, one example of partnerships between authorities and business is the experience of Slovenia[47]. There, the mayor of one city personally traveled to the investor and convinced him of the need to build a plant precisely in the territory of his TC. Negotiations lasted two years. The plant was planned to be built in the field of mechanical engineering; the negotiations concerned benefits, exemption from land tax for the investor, and practically all city budget funds were invested in infrastructure (communications, electrification, water, roads). In two years, the plant was indeed established on the territory (approximately 2010); today, about 60% of the city works at this plant and around the industrial hub created.

2.3 Systems of rational organization and management in territorial communities

To develop a strategy, often enough is fantasy, a separate hook that can be developed, made into a story, and presented as a tourist object, adding recreational places, and then maintaining the atmosphere.

For the formation of a strategy, it is necessary to conduct sociological research regarding tourists – who comes, for how long they stay, how much money they leave. It is also necessary to conduct sociology of community values, to understand where they are ready to move, how they will perceive innovations, how they will react to the formation of the strategy[14;63]. The presence of young people is the best indicator of the perception of changes (generation of new ideas). For the older generation, Maslow's pyramid works, where comfort and accompanying needs are in the first place, while for young people today the number one priority is the possibility of self-realization. And precisely the involvement of youth (young talents) is the source of ideas, creativity, which will allow developing the region in a new way. After all, traditionalists (people born before 1945), Generation X (1965–1980), Y (1981–1995), and Z (since 1996) – these are different worldviews. Generations X and Y retain thinking in the Soviet pattern; the mentality has not yet changed, the notion of “bourgeois” is hateful, and the stereotype immediately works that businessmen want

only to steal and earn for themselves. Such thinking does not allow realizing that people can also benefit, but in the long term (human mentality requires everything at once, since money was invested, and in this way the strategy does not work)[22;34]. Therefore, the requirement for the community is to be more educated, to develop, to be interested in trends, to have a proactive position, to be more demanding. A change of mentality will allow changing approaches to the development of territories, and this is a long evolutionary path.

There is also such a feature: the community reacts sharply to injustice, inefficiency, but unfortunately later it lacks the strength and consolidation of efforts to build something, because it is easier to break than to build[52]. An important element of development, which since the moment of Ukraine's independence was missed, is investment in culture.

Political reforms give results practically immediately, economic reforms – after 6 years and more (depending on the trust of the investor, which needs to be gained). The strategy is closely intertwined with the economic situation in the community.

Alongside a rational organizational and economic management structure, four systems of organization of management of production, scientific potential, sales, and finances of the TC are considered, that is, the rational organization and management in the TC.

The first system – organizing the management of science and technology of the TC. Thus, the successful implementation of the strategy of development in the TC depends on how high economic efficiency of science and technology can be ensured[3]. An important precondition in this is the organization of the process of renewal of production with the application of scientific and technical experiments. The management of science and technology in the TC must be organized so that highly effective, uninterrupted, complex management of all processes of research and development is ensured, up to the introduction of new products into production.

It is determined that the main tasks in the organization of management of science and technology at the TC level can be:

- the creation of such an organization that will allow the head of the TC to fully

carry out the development of science and technology;

- rational and unified leadership of scientific and technical capacities;
- comprehensive management of the process of renewal of production through the use of flexible organizational forms;
- the creation of conditions for improving the ratio between costs and revenues during scientific and technical work, and for the effective use of material and intellectual potential in the field of science and technology.

Thus, the proper organization of scientific and technical works in the TC will create favorable conditions for the implementation of the process of renewal of production and sales of products at a high level and in a short time.

At the same time, the research emphasizes that for mastering the process of renewal (development and implementation of new products, modernization of fixed assets, introduction of new technologies), TG entities must possess the appropriate capacities (R&D, design, production of rationalization means, etc.).

For TG entities, under research and development as well as design potential one should understand the number, qualification, and labor efficiency of employees in the R&D field, the degree of equipment provision, the level of its management, and the organization[7,c.360]. When introducing new products and technologies, a close connection with the reproduction of fixed assets must be ensured. The available potential must also be utilized in carrying out repair works for reconstruction and modernization. Modernization appears as the main form of reproduction of fixed assets in the interest of increasing production efficiency. It presupposes a close interconnection between investments into the renewal of fixed assets and capital repair. Each TG entity must have capacities that ensure the production of the projected output of products.

It has been established that it is advisable within the association of territorial communities to create a centralized R&D potential, which will be used for applied fundamental research and renewal processes that have significant importance for the development of TG. At separate TG entities, it is also advisable to have R&D potentials that will be oriented toward servicing and improving products and technologies. It is

necessary to preserve and build up this potential with the purpose of scientific enrichment of the production process.

The research and design work of TG entities should be subordinated to the deputy head of TG for science and technology (important prerequisites for this being the spheres of R&D development). If in research and design works several hundred persons are engaged at a high intensity of research activity, which is characterized by rapid changes in sales conditions, it is advisable to create a scientific unit (R&D department) within the TG[9;38]. One of the ways of improving research activity may be the establishment of contractual relations between the TG and higher education institutions or Academies of Sciences.

The second system – organizing the management of production within the TG. Within the context of the study, it has been outlined that rational organization of production management in the TG will create prerequisites for ensuring continuity of the production process with low costs, as well as the release of high-quality products that meet contractual conditions, mastering flexible restructuring of production in accordance with changes in market conditions, achieving efficiency of production and material savings, better utilization of fixed assets when introducing new products, machinery, equipment, and technologies, and also effective use of labor resources. In this case, it is necessary to proceed from the fact that the production process is carried out at the enterprises of the TG, and the directors of enterprises will bear full responsibility for this.

It has been established that at the level of the association of territorial communities, the management of the production process will mean:

- development of proposals for the production program of the TG and its enterprises, which will ensure the effective release of high-quality products and require the mobilization of material and intellectual resources of the TG;
- effective organization and management of relations of cooperation and integration of production among TG enterprises;
- timely resolution of problems that arise at TG enterprises in fulfilling production programs, as well as assistance in solving these problems;

- generalization of the best practices of production, as well as development and implementation of the corresponding rules in the organizational sphere for effective production management, including preventive measures for preventing and eliminating accidents;

- coordination and direct leadership of important work areas when introducing new products, etc.

At the same time, the study takes into account the aspects that the organization of production is one of the main tasks of the entire managerial activity of the TG entity, which receives assignments and, together with cooperation partners, organizes their implementation[11]. The execution of production in the TG should encompass all types of activities aimed at fulfilling annual tasks. Therefore, management within the TG entity may include the tasks of operational planning and production management.

Thus, the management of production in TG entities will be directed toward solving issues of: organization of production management in the TG entity, organization of dispatching activity, and, under continuous operation – a shift management system, streamlining management relations between the enterprise (entity) director and the head of production, as well as the heads of production units.

The third system – rational organization of sales management in the TG will take into account the acceleration of the cumulative process of reproduction, starting from product development to their realization on markets with high financial results. In this connection, issues arise concerning unified management of export as well as sales of products in the domestic market. According to the author, TG sales units will actively influence the formation of the production profile and the program of research and development works. The sales unit in the TG will ensure effective market research and product sales, rational commercial processes of contract preparation, order acquisition, as well as effective consumer service. Thus, problems of reducing order fulfillment terms, quick adaptation to changing conditions of the world market, and improvement of consumer service can be solved.

It has been substantiated that the required flexibility for implementing sales and export of products in many cases will demand rapid restructuring of production,

changes in technology and organization of production corresponding to the market situation, as well as consideration of the ratio between costs and results[41]. All this will represent requirements for the entire management system and for each employee in particular. An important direction for improving sales activities is the use of functional managers who will be responsible for the external market.

The process of management and analysis in the TG system presupposes the use of financial and economic information of various kinds, based on the mathematical theory of information, which studies the methods of determining and evaluating the amount of information, where the sets from which only the necessary data are chosen, or the probabilities of selecting certain data, are known[50]. On the basis of the mathematical theory of information, processing and use of planning, normative, statistical, accounting, and operational sources of information are carried out.

The creation of rational sources of information within the TG should be based on such principles: identification of informational needs and determination of ways of effectively satisfying them, objectivity of reflecting processes of production, circulation, distribution, and consumption, use of natural, labor, material, and financial resources, unity of information from different reporting sources (accounting, financial, tax, statistical, and operational reporting), as well as planning data, elimination of duplication in primary information, rapidity of information ensured by the use of new communication means.

The interrelation of information and financial analysis in the person of the bodies conducting it is twofold: firstly, the bodies conducting the analysis play the role of controller of economic information; secondly, analysis bodies are the main consumers of informational data.

In this regard, one of the important stages of organizing analytical work within the TG is verification of initial data. The study of information, its analysis is used in three directions: syntactic, semantic, pragmatic. Syntactic assessment of economic information is related to the sign system, with the symbolic informational language, which can change when improving electronic computing technology. Semantic analysis of economic information proposes to study and evaluate the content of its

informational programs and subprograms[18]. Pragmatic assessment of economic information determines its expediency for certain practical purposes, for solving managerial tasks of the TG.

The study of usefulness and rationality of financial and economic information in conditions of its systematic accumulation is a complex process since a radical change in the interrelations of economic phenomena and processes is underway. Therefore, in the TG system, it is not always possible to use already existing indicators for forming sources of information. Existing indicators must correspond to the criterion of informational usefulness (expediency).

Accordingly, the information management system of the TG can be characterized as follows. In the TG system, managerial information is heterogeneous, the scheme of interrelations of its separate kinds is complex[24]. The volume of information is systematically growing, which is accompanied by insufficiency of data for managerial decision-making. The formation of sources of financial and economic information is complicated when moving from TG entities to TG leadership, from TG as a whole to the macroeconomic environment. At the same time, difficulties of its quantitative and qualitative analysis are increasing. Financial and economic analysis of TG activity uses informational data in the process of retrospective, operational, and perspective analysis, experiencing shortcomings and advantages of the existing system of economic information[9]. Semantic analysis of financial and economic processes of TG activity and its participants is special in that they are considered as relatively separate systems.

It is assumed that local self-government bodies of TG of large administrative-territorial units will independently create web-resources for providing electronic administrative services, however, this will require significant financial resources [3].

In this connection, the creation of local computing and corporate networks is a basic element of the IT infrastructure of local self-government bodies of TG. At the same time, it is worth rationally approaching the issue of combining wired and wireless components of these networks, taking into account various parameters of this process, in particular: the volume of information to be transmitted, information security, etc.

In this context, it has been determined that for effective functioning it is expedient to implement a strategy of organizational and economic development of the TG and systems of organization of management of production, scientific potential, sales, and finances of the TG and its entities, which simultaneously may solve tasks connected with:

- improvement of the basic organizational and economic structure that corresponds to qualitative changes in the division of labor and cooperation at all stages of the reproduction process;
- creation of scientific and technical potential and rational organization of workers' activities with the purpose of increasing their creative activity;
- organization of cooperative relations within the TG and among other economic entities;
- search for complex organizational solutions for improvement of production and management organization, using elements of digitalization;
- creation of prerequisites in the system of organization of economy and management for integration of sales;
- improvement of TG management for performing tasks of regional interaction of management bodies at all stages of the reproduction process and among them;
- rational organizational interrelation of management of reproduction stages and technological lines, ensuring continuity of the process of comprehensive management with the use of appropriate technology.

Along with this, the organization of sales management in TG entities depends on the centralization of sales processes within the whole TG structure, the size and place of the entity in the reproduction process, the degree of production specialization, as well as the assortment and specific requirements put forward to products and services for use in the domestic and external markets.

Thus, TG entities will develop and implement such organizational solutions that would allow increasing the efficiency of trade and sales activities in the process of reproduction[29;38]. This concerns the organization of sales, as well as the structure and place of those responsible for sales in the TG management system. It is important

that the volume of products realized in the market should increase with the same or lower costs. When organizing the study of market conditions, it is always necessary to take into account that this task is complex, and all units of the TG are engaged in its solution.

The fourth system – organizing the management of finances of the TG.

The formation of the organization of financial management of territorial communities is conditioned by a number of important factors:

1. the finances of a territorial community cover the territory of several settlements;
2. the absence of experience in managing the finances of a territorial community;
3. the introduction of direct inter-budgetary relations between the budget of the territorial community and the state budget;
4. the concentration of significant financial resources in the budget of the territorial community [1; 4; 5].

In the context of the study, it has been established that when forming a rational organizational and economic management structure in the TG, it is necessary to take into account the factors determined by the conditions of reproduction and management:

- place in the TG management system (economic independence, implementation of TG tasks);
 - territorial location (remoteness from the TG management apparatus);
 - size of the enterprise and economic potential (large, medium, small enterprise);
 - technology and organization of production;
 - type and characteristics of products and services (consumer goods, means of production, financial services, etc.);
 - degree of production specialization, including labor resources and equipment;
- performance of tasks at certain stages of the reproduction process (research institutions, foreign trade units, financial and credit participants, etc.).

Therefore, in the organizational work of the subjects of the association of territorial communities, it is necessary to take into account the following key aspects:

- preparation and implementation of measures in the field of organization of the

economy and management should be aimed at the rational and effective execution of the tasks assigned to the entities;

- it is necessary to develop and implement a comprehensive organizational solution. This refers to coordinated measures of organizing the reproduction process at all its stages, including ensuring the necessary proportions, creating organizational-economic and organizational-production units (division into production links, workshops, and sections), determining the management structure and performing important managerial processes, as well as the organization and processing of information using digitalization tools;

- all organizational decisions of the entities must accurately reproduce the specifics of all processes and organically combine with the organization of the entire TG[55].

At the same time, the main functions of the TG management system have been proposed, which consist in:

- development and implementation of the long-term development plan of the TG; the main directions here being product, goods, and technology development, reconstruction and modernization of fixed assets, expansion of the sales sphere and necessary changes in labor resources, as well as related changes in the division of labor and cooperation, and also development of a strategy for the provision of financial services, etc.;

- rational organization of all stages of the reproduction process and its management, as well as cooperative relations within the TG with the aim of precise task fulfillment and acceleration of the entire production cycle; ensuring unified and flexible management, planning of TG activities.

CHAPTER 3

TOOLS FOR THE STRATEGIC DEVELOPMENT OF TERRITORIAL COMMUNITY FINANCES

3.1 Construction of the strategy for the organizational and economic development of territorial communities

For effective and stable development of territorial communities (TG), there arises the need to develop a strategy of financial development of the TG. The issues related to defining the principles of constructing a strategy of financial development of the TG, developing an action plan for improving the strategy of financial development of the TG, determining the factors influencing the formation of the strategy of financial development of territorial communities, and identifying the positive consequences of implementing the strategy of financial development of the TG are relevant.

The scientific school of development of finances of territorial communities is evolving on the basis of research by I. Alekseiiev, O. Amosha, B. Andrushkiv, M. Bilopolskyi, M. Bondarchuk [3], O. Velychko, M. Voinarenko, N. Demchuk, L. Katan, M. Kozoriz, O. Kuzmin, A. Krysovatyi, M. Krupka, T. Smovzhenko, O. Moroz, N. Khrushch, A. Cherep, and many other scholars. Among contemporary studies of this issue, the works of V. Antonenko, O. Batanov [1], O. Berdanov [2], V. Kuibida, T. Kutsenko [5], H. Lebed [6], R. Matviichuk, N. Soshko [61], A. Tkachuk [56], and many other scholars and practitioners, who substantiate in different ways the elements of forming a strategy of financial management of territorial communities, should be highlighted.

The aim of the study is, first, to propose factors influencing the formation of the strategy of financial development of territorial communities; second, to outline the positive consequences of building an effective strategy of financial development of TG; third, to define the principles of constructing a strategy of financial development of TG; and fourth, to propose an action plan for improving the strategy of financial development of TG.

In the conditions of the modern period, for local self-government bodies of newly created communities, it is more important than ever to know and understand the nature of local finances, to comprehend the mechanism of their functioning, to be able to analyze the processes and phenomena associated with the formation, distribution, and use of monetary funds, to identify the forms, methods, and means by which local finances can be most fully utilized as one of the instruments of effective influence on all processes of socio-economic development of their community[63;65]. It is precisely through local finances that certain relations of self-government bodies are formed with almost all enterprises, institutions located on their territory, and the population of this territory. The reform of local self-government must ensure the capacity of local authorities to independently resolve all local issues owing to their own resources.

In this regard, the construction of an effective strategy of financial management of TG is the main instrument for implementing the key directions of state, regional, and local policy of financial and socio-economic development.

Accordingly, factors influencing the formation of the strategy of financial management of territorial communities (TG) as a business model of the development of the national economy of Ukraine have been identified (Fig. 3.1)[33].

Undoubtedly, in solving current problems of TG financial management, the action of the outlined factors limits the maintenance of a high pace of local finance reform and causes difficulties. However, there arises an opportunity to avoid shortcomings in this field, in particular, a favorable environment is created for positive changes in the sphere of local finances.

In this context, the main directions of the TG financial strategy have been highlighted:

- analysis and assessment of the financial and economic state of the TG;
- development of the accounting and tax policy of the TG;
- development of the credit and insurance policy of the TG;
- management of TG revenues and expenditures, product sales, and profit;
- selection of investment policy;
- assessment of TG achievements, and others.

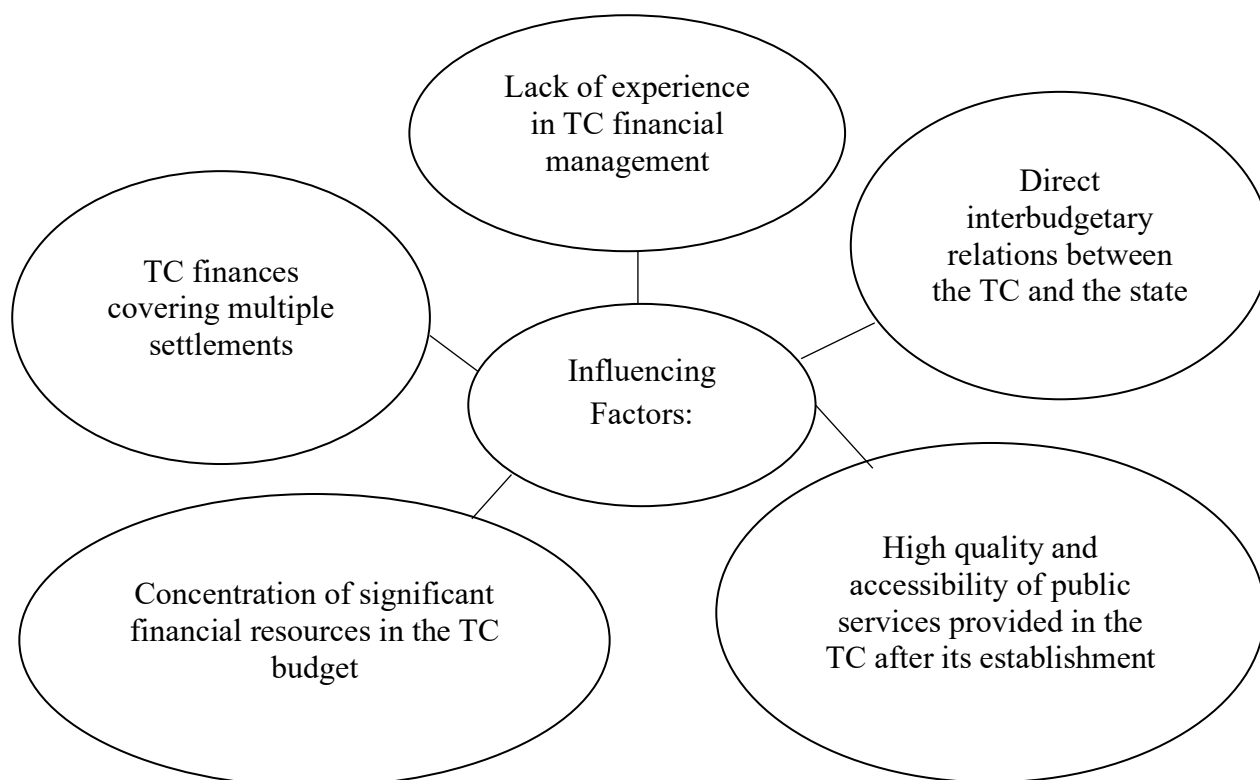


Figure 3.1 - Factors Influencing the Formation of the Strategy of Financial Management

However, the choice of one or another strategy does not guarantee obtaining the projected effect (income) due to the influence of external factors, in particular the state of the financial market, tax, customs, budgetary, and monetary-credit policy of the state.

The development of direct inter-budgetary relations between the budget of the territorial community and the state budget will allow (calculated using a universal formula) receiving a clearly defined volume of inter-budgetary transfers for forming the revenue part of the TG.

I agree with the opinion of many researchers that the state regional policy in Ukraine has acquired European features and has received competitive formula-based financing from the State Budget of Ukraine[38]. Regions have gained the ability to independently plan and finance their own development. The associations of territorial communities have obtained significant financial resources, their budgets have become comparable to the budgets of cities of regional significance.

Therefore, the positive consequences of a formed effective strategy of financial

management of TG development can be outlined (Fig. 3.2).

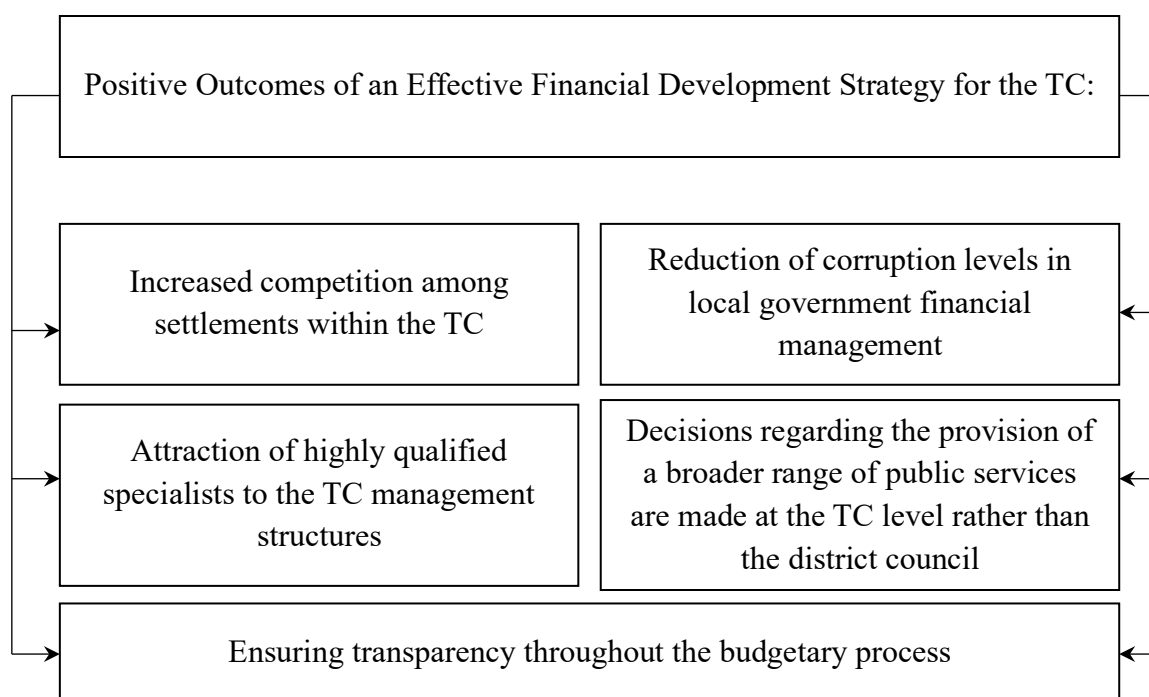


Figure 3.2 - Positive Consequences of an Effective Strategy of Financial Management of TG Development

The analysis of the experience of Ukrainian territorial communities allows asserting that strategies of financial management have become a legitimate and widespread means of identifying the most pressing problems of territorial development in Ukraine and substantiating the mechanisms for solving these problems. Compliance with the action plan according to the developed strategy of financial management of TG will allow:

- raising the authority of local self-government bodies, making their actions predictable and understandable for all residents;
- awakening in the territorial community a sense of belonging to decisions aimed at effective development of the territory;
- harmonizing the interests of all subjects of local development and consolidating the territorial community to solve problems vital for it;
- determining, on the basis of consensus, the priority tasks of socio-economic development of the territory, measures for their implementation and those responsible

for them, as well as sources of financing[42].

Thus, the involvement of citizens in the strategy of financial management of the territorial community (TC) will be built upon the corresponding principles (Fig. 3.3)

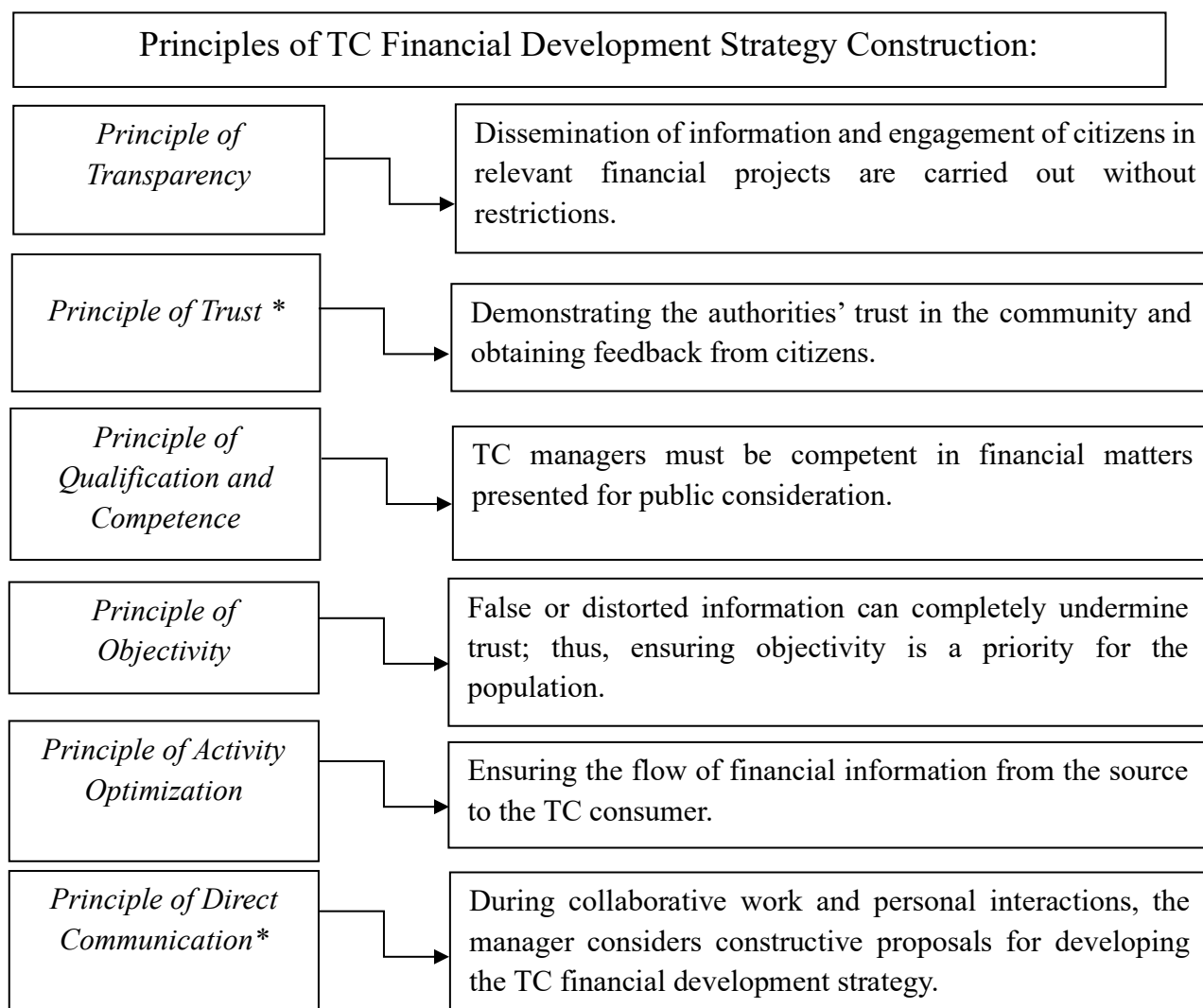


Figure 3.3 - Principles of constructing the strategy of financial development of the territorial community

First and foremost is the principle of openness, the importance of which is evident, since the involvement of citizens in various financial projects, as well as the dissemination of information, must be carried out without restrictions. All members of the territorial community must have free access to all information[5;1;63]. The principle of trust presupposes the constant demonstration of trust in the authorities and the provision of high-quality feedback from citizens.

The principle of qualification and competence means that the leaders of territorial

communities must be competent in all financial issues submitted for public discussion. In general, in many territorial communities, leaders lack the relevant experience, which complicates effective management and the financial development of the community.

Objectivity is also an important principle and priority, since false information can completely discredit a leader and undermine the population's trust in local authorities as a whole.

The principle of activity optimization ensures the transmission of complete and accurate financial information from the source to the consumer within the TC.

During joint work and personal communication, the leader must take into account useful proposals for the development of the strategy of financial development of the TC, therefore the principle of direct communication will ensure qualitative communication without excessive distortion of information.

It has been established that it is objectively impossible to involve all citizens and social groups without exception in the development of a strategic document. Therefore, it is important to narrow the circle of those who will represent them. This can be done by identifying those citizens who are most active in public life and, consequently, interested in reflecting their interests in this document. It is important to identify those who can exert a decisive influence and provide the necessary resources at the stages of forming and implementing the financial strategy – they should be involved in partnership formation [1; 2]. This is facilitated by the preparation of a strategy for involving stakeholders in the process of developing the strategy of financial management of the TC.

Thus, the construction of the financial management strategy of the TC encompasses a wide range of managerial decisions regarding problems oriented toward the future and connected with the overall purpose of activity, while being influenced by uncontrolled external factors. The subject matter of the financial management strategy of the TC includes:

- problems directly related to the mission of self-government bodies. The mission is future-oriented and, for the most part, aimed at increasing the efficiency of these bodies by ensuring the interconnection of goals, resources, and results;

- problems and solutions related to any element of the territorial management system, if this element is necessary to achieve the goal but is currently absent or insufficient;

- problems related to uncontrollable external factors.

Therefore, the strategy of financial development of the TC will be implemented through:

- the creation of an integrated information-analytical system, which presupposes the rationalization and optimization of the execution of functional processes and technological procedures, the establishment of interaction between information systems of entities within the public administration sector, the conduct of methodological and other activities aimed at the effective use of information resources;

- the improvement of the training system, the enhancement of the professional and qualification level of specialists in the field of local finance and information technologies;

- the strengthening of regulatory and methodological support for processes connected with changes in the system of financial management of the TC.

At the same time, a scheme for comparing the effectiveness of the financial development strategy has been developed, which takes into account goals, planned parameters, intermediate results of implementation, achievement of planned parameters, elimination of reasons for non-fulfillment of the plan, adjustment of the strategy, etc. (Fig. 3.4).

A conceptual model for the formation of the financial development strategy of territorial communities has also been developed, which includes the goal, principles, approaches, methods, as well as stages and tasks (Fig. 3.5). The goal is to increase the level of financial autonomy and capacity of the TC on the basis of a service-oriented approach. The principles of this model include all those discussed in detail above, namely: the principle of openness, trust, qualification and competence, objectivity, activity optimization, and direct communication.

As for the approaches, it is proposed to include the resource-functional, asset-oriented, goal-oriented, and service-oriented approaches.

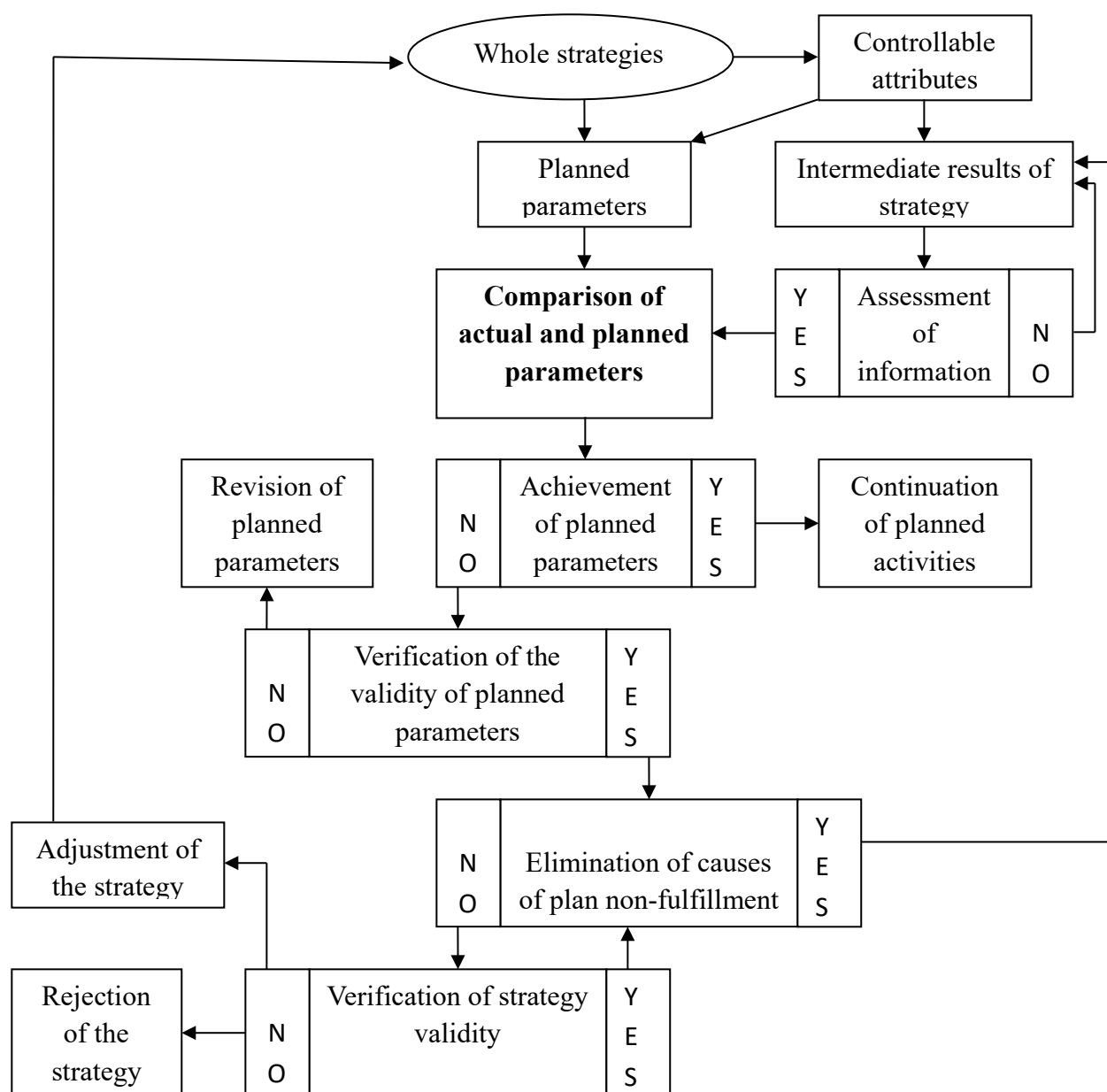


Figure 3.4 - Scheme for comparing the effectiveness of the financial development strategy of the territorial community

The service-oriented approach presupposes that territorial communities must develop their services for citizens, such as administrative service centers (ASCs), ensure opportunities for electronic submission of documents or requests, provide access to complete and reliable information regarding the activities of the territorial community, projects in which the TC participates or plans to participate, etc. At present, a significant number of citizens are even willing to pay for services provided online or in comfortable conditions of an ASC with electronic queues, where one can register online and not waste much time in queues and visiting numerous structures [35;1].

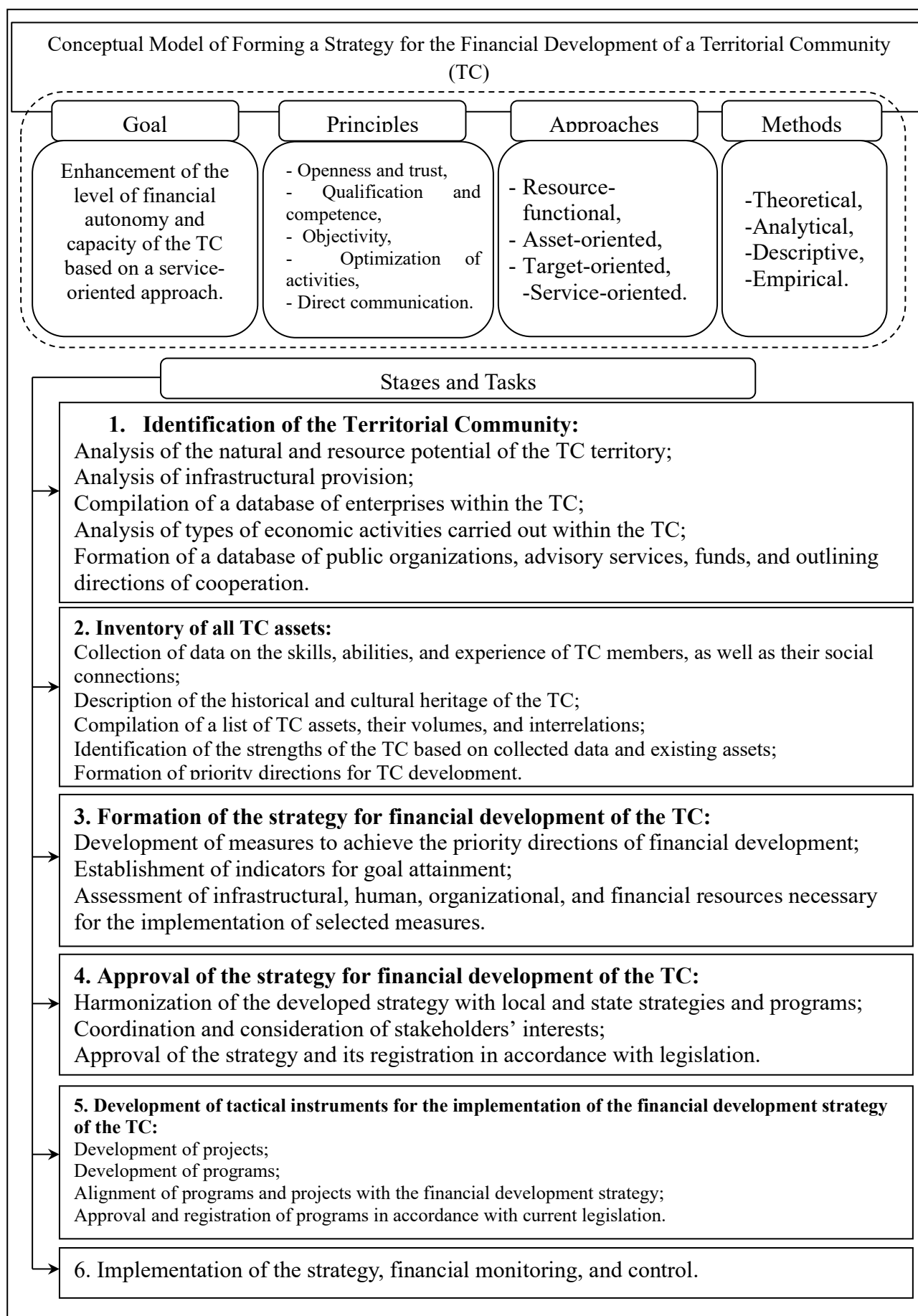


Figure 3.5 - Conceptual model of forming a strategy for the financial development of the TC

Therefore, the service-oriented approach is based on ensuring the provision of high-quality service-oriented services for the population, which will increase the level of comfort of life in such territorial communities. Moreover, the paid nature of such services will represent another source of revenue for the budget of the given community and will allow further development of the TC.

3.2 Formation of tools for the strategic development of territorial community finances

The methods of forming the strategy include theoretical methods, analytical, descriptive, empirical, etc.

The first stage of forming the financial development strategy is the identification of the territorial community, which includes the analysis of the natural-resource potential of the TC's territory, infrastructural provision, the collection of a database of enterprises located within the TC, the analysis of types of economic activity carried out within the TC, and the formation of a database of public organizations, advisory services, and funds, as well as outlining directions of cooperation[48;51]. This stage is extremely important, since territorial communities have existed in their current form relatively recently, and some are still in the process of creation. It is important to understand which resources are available in the territory of the community, and which are lacking for its full functioning. The opportunities of joint municipal projects can be actively used to provide certain resources, to build the necessary infrastructure, etc.

In order to understand specifically what is lacking and what should be prioritized in the future, it is necessary to know what and in what quantity exists in the territory of the community. For completeness of information, it is also necessary to collect data on which enterprises operate in the territory of the TC, and which could be created with the available resources, etc.

The next stage is the general inventory of all assets of the territorial community, which includes the collection of data on the skills, abilities, and experience of TC members, as well as their social connections; the description of the historical and

cultural heritage of the TC; the creation of a list of TC assets, their volumes and interconnections; the identification of the strengths of the TC on the basis of the collected data and available assets; and the formulation of priority directions for the development of the TC[10]. Thus, on the basis of complete and reliable information collected during the inventory, the priority directions of development of the territorial community are formed.

The third stage is the very formation of the financial development strategy of the TC, which includes the development of measures to achieve the priority directions of the financial development of the TC, after which the formulation of indicators for achieving the goal and the assessment of infrastructural, personnel, organizational, and financial resources necessary for the implementation of the selected measures takes place.

Next, it is necessary to approve the financial development strategy of the TC. This stage presupposes the harmonization of the developed strategy with local and state strategies and programs[16;12], the coordination and consideration of the interests of stakeholders, the approval of the strategy, and registration in accordance with the legislation.

After this, it is necessary to develop tactical instruments for the implementation of the financial development strategy of territorial communities (TCs), namely, the elaboration of projects and programs, the alignment of programs and projects with the financial development strategy, as well as the approval and registration of the program in accordance with the applicable legislation.

The final stage is the implementation of the strategy, financial monitoring, and control. Financial monitoring is also an integral component, since, first, it ensures continuous control over the proper use of funds and the correct maintenance of financial documents and reporting; and second, it reduces the level of corruption and the irrational distribution of funds[42]. Therefore, monitoring and control are mandatory at all stages.

In Ukraine, a significant number of international programs already exist that, in one way or another, relate to territorial communities and the decentralization process

(Table 3.1).

Some of them concern the improvement of the quality and variety of services that can be provided at the level of territorial communities, gender equality in all spheres of TC management, the promotion of democracy, combating corruption, and so forth.

Some of these programs and projects aim to provide different types of assistance (financial, technical, informational) to strengthen the autonomy of territorial communities and improve the qualitative and quantitative indicators of their activities.

Among such programs, an important role is played by the program “Decentralization Offering Better Results and Efficiency” (DOBRE), implemented in Ukraine by Global Communities and the United States Agency for International Development (USAID).

Table 3.1 - Programs and projects supporting territorial communities in the decentralization process

Project or Program Title	Volume of Assistance	Start Date	End Date
USAID Project “Governance and Local Accountability” (HOVERLA)	USD 74 million	19.03.2021	20.03.2026
PROSTO Project “Support to Service Accessibility in Ukraine”, 2021–2023	SEK 30 million	13.09.2021	30.09.2023
Program “Support for the Reform of Decentralization in Ukraine / U-LEAD with Europe: Ukraine Program for Empowerment at the Local Level, Accountability, and Development”	EUR 152.3 million	01.01.2016	31.12.2023
Program “Decentralization Offering Better Results and Efficiency” (DOBRE)	USD 67 million	08.06.2016	30.09.2022
Project “Support to Decentralization in Ukraine” (DESPRO)	CHF 9.3 million	24.12.2007	24.06.2020
Project “Support to Decentralization in Ukraine – Phase II” (SKL)	SEK 41.7 million	08.09.2014	31.12.2022
Project “Partnership for Local Economic Development and Democratic Governance” (PLEDDG)	CAD 19.5 million	27.03.2015	31.12.2020
U.S. Peace Corps Project “Community Development”	USD 5 million	01.04.2013	31.12.2022
Council of Europe Program “Decentralization and Public Administration Reform in Ukraine”	EUR 1.9 million	01.03.2018	30.06.2022
OSCE Project “Support for Good Governance in Local Communities as a Component of the Decentralization Reform”	EUR 610 thousand	01.09.2018	31.03.2022
Project “Socially Responsible Business as a Driver of Decentralization in Ukraine. Creating a Shared Success Story”	CHF 100 thousand	06.12.2019	31.03.2020

Project or Program Title	Volume of Assistance	Start Date	End Date
Course Development for Strengthening Local Self-Governance in Ukraine (PULSE)	USD 8.2 million	14.12.2015	13.12.2020
Gender-Responsive Budgeting (GRB)	SEK 70.5 million	01.01.2014	31.12.2021
E-Governance for Accountability and Community Participation (EGAP)	CHF 9.4 million	01.05.2015	30.06.2023
Support for E-Governance for Decentralization in Ukraine (EGOV4UKRAINE)	EUR 9.4 million	01.04.2017	31.03.2022
UNDP Project “Civil Society for Democracy and Human Rights Development in Ukraine”	USD 4.3 million	01.04.2017	31.03.2022
EU Project “Strengthening Public Financial Management Systems of Local Governments in Ukraine” (LOGICA)	EUR 3.1 million	01.11.2017	31.07.2020
Council of Europe Program “Promoting Local Democracy in Ukraine”	EUR 1.5 million	01.07.2018	30.09.2021
Council of Europe Program “Strengthening Civil Participation in Democratic Decision-Making in Ukraine”	EUR 600 thousand	01.12.2018	30.08.2020
OSCE Project “Fostering Dialogue on Reforms in Ukraine”	EUR 105 thousand	01.04.2019	31.12.2020
Local Self-Government and Rule of Law in Ukraine (FBA)	SEK 35.7 million	01.10.2014	31.12.2020
Expert Deployment for Governance and Economic Growth (EDGE)	CAD 18.8 million	10.11.2014	31.07.2019
Project “Governance Reform in Eastern Ukraine II”	EUR 3 million	01.04.2017	31.03.2020
Swiss-Ukrainian Project “Development of Civic Competences in Ukraine” (DOCCU)	CHF 1.6 million	01.09.2013	31.12.2018
Swiss-Ukrainian Project “Decentralization for the Development of Democratic Education” (DECIDE)	CHF 4.4 million	01.02.2020	31.01.2025
UN Program for Recovery and Peacebuilding (UN RPP)	USD 80 million	01.11.2014	31.07.2022
Project “Decentralization Brings Transparency and Efficiency in Education and Healthcare” (DIIEMO)	USD 740 thousand	01.09.2018	30.09.2020

Such actions of the U.S. Government are aimed at assisting domestic territorial communities in order to stimulate local economic and social development and strengthen local self-governance. Figure 3.6 presents the areas of activity under the DOBRE program. Interestingly, the program does not operate throughout the entire country but only in 10 target regions.

There is also another project that can be considered a continuation of the previous one: as DOBRE ends in 2022, the USAID project “Governance and Local Accountability” (HOVERLA) will last until March 2026 and aims to increase the

autonomy and financial capacity of territorial communities, improve service quality, and enhance transparency in the activities of TC managers.[46;61]Seven regions and fifty communities are involved in the program. An important aspect of the program is encouraging participants to engage in inter-municipal cooperation and implement their own joint projects.

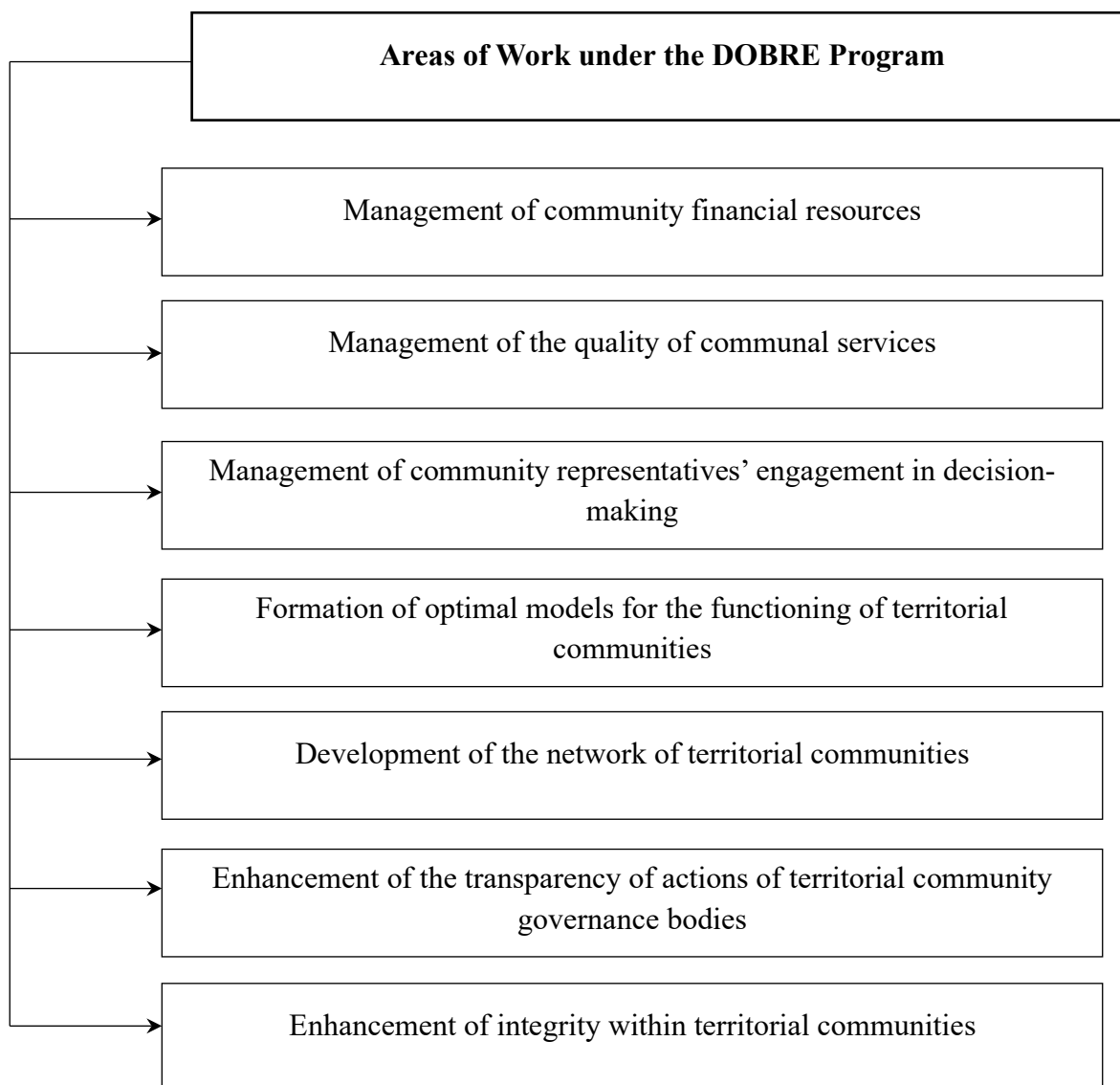


Figure 3.6 - Areas of activity under the DOBRE program

It is important to note that different programs had their own criteria for selecting territorial communities as participants.

However, in our view, it is advisable not to select target regions, but to analyze specific territorial communities, since the region's overall indicators may be high, while a significant number of its communities may still require assistance [53].

One of the methods that the state could introduce to improve the effectiveness of

governance at the TC level is the establishment of its own program of assistance and informational support for territorial communities.

In our opinion, such a measure is necessary due to the expiration of a significant number of international projects and programs due to the ongoing war.

The existing and completed programs have shortcomings, as many of them operated only in certain target regions or covered only a limited scope of activity[60;64]. In addition, they sometimes duplicated each other: for example, many of the above-mentioned programs focused on holding seminars and trainings aimed at reducing corruption or increasing transparency.

The analysis of implemented programs also indicates their limited attention to the issue of financial management at the level of territorial communities.

Within the proposed program, it would be advisable to establish a Center for Informational and Training Support for Managers of Territorial Communities (Figure 3.7). Its peculiarity is that, unlike existing programs, it would operate not for several years but permanently, and it would not focus on several selected regions or specific territorial communities but would support all of them.

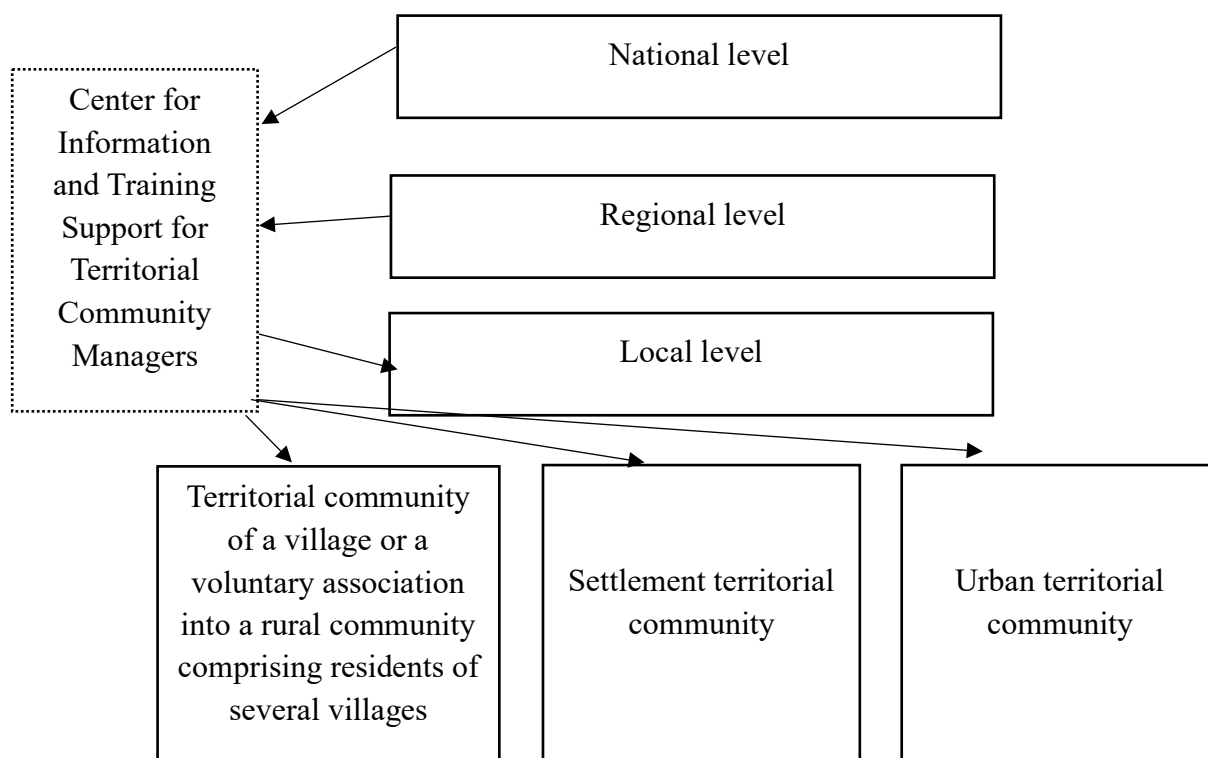


Figure 3.7 - Place of the Center for Informational and Training Support for Managers of Territorial Communities within the TC management structure

The Center would aim to provide informational assistance to territorial communities in the legislative, legal, economic, organizational, and managerial aspects of their activities.

It would be financed 50/50 from the state and local budgets, and after three years of operation, the ratio would shift to 30/70, and eventually it would function entirely at the expense of territorial communities and local budgets. Such measures are necessary to encourage territorial communities to actively use the Center's services.

The main functions of the Center should be:

- providing consultations and assistance in ensuring informational support regarding the legislative framework for the activities of territorial communities;
- conducting audits of the financial activities of territorial communities;
- analyzing the social activities of territorial communities;
- enhancing the transparency of the actions of TC managers and reducing corruption;
- assessing the level of satisfaction of community residents with the activities of territorial community managers;
- creating an online learning platform for employees at different levels of TC governance.

In addition to the evaluation and analysis of the above-mentioned aspects, it is also important to provide information on possible instruments and methods of improvement aimed at enhancing the socio-economic development of the community[28;39].

An important area of activity of the Center should be the training of employees of the administrative bodies of a territorial community in drafting and submitting applications for participation in existing and future projects, programs, and grants. Each individual community or an association of communities has employees who may be assigned the functions of searching for such funding or training programs, collecting the necessary information, preparing the project, and submitting the relevant documents[19;31;40]. Such actions are entrusted to a team that assists in initiating, executing, and monitoring a range of conditions in order to achieve the final goal.

Thus, the Center should ensure activities aimed at training personnel at the local level, including direct training, small groups, and one-on-one technical consultations. It is also important, where necessary, to invest in hardware and software of information technologies for municipal offices to support the above-mentioned functions, as well as the functions of financial and budget management, tax administration, and urban planning.

As already noted, there exists a significant number of such programs and projects funded by the governments of the United States, the European Union, Canada, as well as by individual international organizations. Substantial funds are allocated to these programs and projects. Therefore, strengthening the participation of territorial communities in international programs should be regarded as one of the key directions of their development.

At this stage, Ukraine participates in programs focusing on the development of the regulatory framework for decentralization and the activities of territorial communities, accounting, budgeting, taxation, and the provision of accessibility to certain administrative functions. However, in developed countries there exist a considerable number of projects for the further development of municipal and territorial communities.

For example, there is the OECD Project on Decentralised Development Co-operation (DDC). Such projects are already focused on the localization of the Sustainable Development Goals (SDGs), creating opportunities for the exchange of best practices and experiences among economically developed countries. The OECD's work in the field of decentralized development co-operation (DDC) is aimed at assisting cities and regions in collecting better data for transparency and accountability of global impact, enhancing the exchange of resources and knowledge to ensure mutual benefit, as well as improving the coordination of multi-level and multi-stakeholder partnerships for policy coherence and more effective implementation of the SDGs.

Such projects typically aim to analyze recent trends and evolutions in order to understand new paradigms and to provide policy recommendations for effective multi-level governance at the central, regional, and local levels.

The topics of such projects are no longer about providing basic and vital needs, but rather about supporting the localization of the SDGs, such as in the projects implemented by the OECD in Tuscany, Italy; promoting health care, agriculture, and food security as in the OECD projects in Flanders, Belgium; improving water supply as in the DDC project in France; or even promoting gender equality, as in the project in the Basque Country, Spain.

Based on the obtained research results, it has been established that in constructing a strategy for the effective financial development of a territorial community, an essential element of their activity is the attraction of investments from external and internal sources[19;20]. This process is complicated by certain factors and requires a clear strategy and justification of each implementation stage, with special attention to joint investment in its various forms.

Joint investment of a territorial community is proposed to be considered as the process of investing material and intellectual assets into entities that are participants of the territorial community, with the involvement of internal and external sources under different conditions of the environment in which such an association operates. The state and banks are the oldest participants in the investment process. They create conditions and ensure the development and improvement of the system of monetary and credit relations. Within the focus of joint investment, the state may participate in individual projects, in particular of a social orientation[65]. The state may also serve as a stabilizing guarantor, which, through its participation, provides a higher level of credibility to certain ideas. Banks, in turn, inherently possess numerous approaches to investment in general, as well as in specific forms such as joint investment.

It is evident that the need for investments by different participants or projects implemented within a territorial community cannot always be satisfied solely by the participants themselves (including financial institutions)[22]. Therefore, the necessity arises to employ new sources of attraction, primarily financial resources. One such source is crowdfunding, which, along with the more complex process of crowdfunding, occupies a significant place in the market of crowd-financial technologies.

As a result of the implementation of a financial management strategy of a territorial community, it is expected to achieve: the organization of interdepartmental coordination of local finance management; the provision of technological support for financial management of a territorial community on the basis of an integrated information and analytical system; the improvement of financial management in terms of the preparation and execution of the community's budget; the enhancement of the efficiency of the use of financial and material resources of the territorial community and the transparency of the budgetary process; the harmonization of the system of financial management of a territorial community with international standards.

In this regard, the financial strategy of a territorial community cannot be considered in isolation from the aspects of the state's financial policy – a set of measures aimed at accumulating finances in order to solve national socio-economic and political tasks[8]. The external, macroeconomic environment of an organization always exerts a stronger influence on the activities of a territorial community than the internal, microeconomic environment. Therefore, the effectiveness of the financial strategy of a territorial community largely depends on the priorities of the state's financial policy, its validity, and realism.

A component of the financial strategy of a territorial community is prospective financial planning, oriented towards achieving the main parameters of its activity. The financial development strategy of a territorial community will enable managers and citizens to actively plan the future, rather than merely react to events that have already occurred[9]. The application of the financial development strategy of a territorial community at the local level will assist public sector leaders in envisioning the future and managing it in the public interest. This enhances the image of the authorities in the eyes of those they serve – voters and taxpayers. It is for this reason that many American cities and counties have already successfully implemented financial management strategies. Others are in the process of developing long-term planning programs.

3.3 Evaluation of the effectiveness of the implementation of community financial development strategies

Issues related to the analysis of the interaction of territorial communities (TCs) with the budgetary system of Ukraine, with the informational support of interbudgetary relations of TCs, and with the use of effective models for evaluating the revenue part of the TC budget, are highly relevant.

The aim of the study is, firstly, to identify the elements of interaction between territorial communities and the budgetary system of Ukraine; secondly, to outline the principles of using rational sources of information for the formation of the revenue part of the TC budget; and thirdly, to outline and adapt a model of effective revenue planning for a specific TC. It has been established that the lack of significant experience in the functioning of TCs has led to the incorrect allocation of funds and their functional use.

In this regard, the necessity has arisen to consider issues concerning the proper and effective modeling of TC revenues while simultaneously utilizing rational sources of information.

In the course of the study, it was found that the creation of rational sources of information in TCs is based on the following principles: identifying informational needs and determining ways of effectively meeting them; objective reflection of processes of production, circulation, distribution, and consumption; the use of natural, labor, material, and financial resources; unity of information from different reporting sources (accounting, financial, tax, statistical, and operational reporting), as well as planning data; elimination of duplication in primary information; and speed of information ensured by the use of new means of communication [3].

In this context, one of the important stages of organizing analytical work within TCs is the verification of initial data. The study of information and its analysis is applied in three directions: syntactic, semantic, and pragmatic[36]. The syntactic evaluation of economic information is related to the sign system, to the symbolic information language, which may be modified with the improvement of electronic

computing technology. The semantic analysis of economic information proposes studying and evaluating the content of its informational programs and subprograms. The pragmatic evaluation of economic information determines its appropriateness for particular practical purposes, namely for solving managerial tasks of TCs.

We agree with the opinion of researchers on this issue that local self-government bodies of TCs of large administrative-territorial units will independently create web resources for providing electronic administrative services; however, this will require significant financial resources. In this regard, the creation of local computing and corporate networks is a fundamental element of the IT infrastructure of TC self-government bodies. At the same time, it is important to take a rational approach to the issue of combining wired and wireless components of these networks, considering various parameters of this process, in particular: the volume of information to be transmitted, information security, etc.

The authors of the study have conducted a search for effective models for evaluating the revenues of territorial communities, which will allow them to ensure a stable strategy of financial and socio-economic development. In this context, a model for planning the revenue part of local budgets has been adapted, which has been proposed for use [13]. Revenue modeling of the budget was carried out according to three component elements and the sequence of their application (Fig. 3.8).

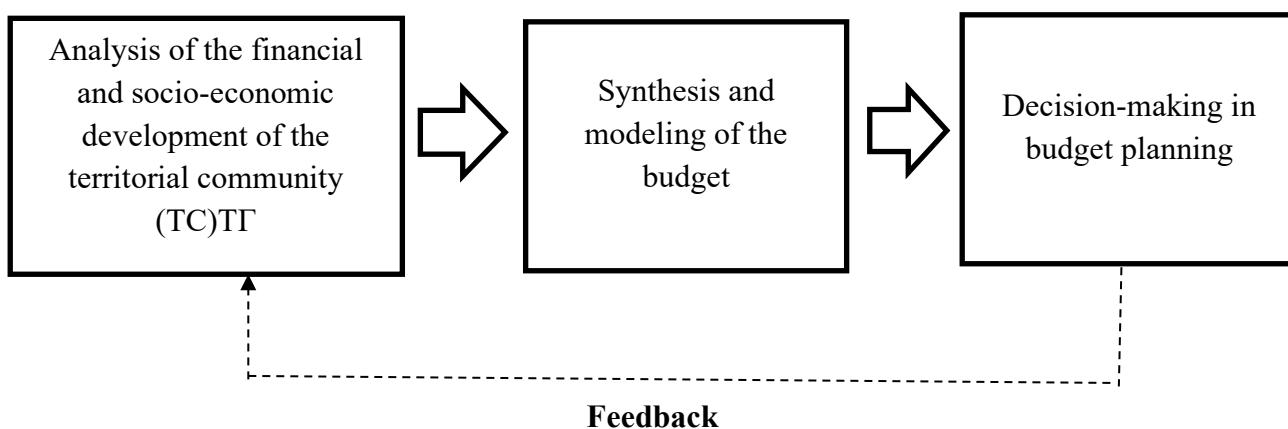


Figure - 3.8. Approaches to modeling the planning of the TC budget

It is evident that the revenues of territorial communities should be sufficient to solve important socio-economic tasks. Accordingly, modeling TC revenues is an

extremely relevant issue, associated with the need to develop and practically apply modern methods and models that would allow obtaining the most accurate and reliable forecast data on the revenues and expenditures of TCs, which in the final result would significantly reduce the subjectivity of the procedure of their balancing. Let's consider the example of Zhovkva TC.

In the context of the study, it can be concluded that the state, during periods of instability and uncertainty, will actively influence the strategic development of TCs by impacting the revenue part of local budgets through the application of state subsidies and subventions.

It has been established that the interrelation between information and financial analysis, in the form of the bodies that conduct it, is bilateral: firstly, the bodies conducting the analysis play the role of controllers of economic information; secondly, the analysis bodies are the main consumers of informational data[24].

The indicator of revenues per capita points to the financial capacity of TCs. Revenue indicators are calculated as follows: the share of a community's own revenues, according to treasury data, is divided by the statistical data on the number of inhabitants residing in the community. Alternatively, the annual revenue is divided by the number of inhabitants residing in the respective territory. Communities with higher revenues possess greater financial opportunities for development.

The capacity of TCs, in addition to revenue per capita, also includes expenditures, and an important part of these are capital expenditures. If a community spends funds on expenditures, these may include salaries, energy resources, and medicines, while capital expenditures are directed specifically toward the development of the community (repairs, street lighting, territorial development)[16;45]. The greater this share, the more one can speak about the development of territories.

The indicator of the share of wages in expenditures reflects the efficiency of spending earned funds. If expenditures amount to, for example, 200 million UAH, but wages account for approximately 60% of all engaged structures (administrative apparatus, education, healthcare, etc.), then the greater the share of wages in the structure of expenditures, the higher the percentage of "budget consumption." This

indicates an insufficient amount of community revenues, while the available funds are compelled to be spent on salaries (if, out of 100%, 80% goes to salaries, then 20% remains for development). When comparing the structure of capital expenditures, we can observe that in some communities they amount to 1–2% of all revenues, which in practice means almost zero territorial development.

This may be indicated by a number of subjective factors. However, legislative changes in 2021 will oblige local communities to conduct their activities more publicly (mandatory publication of budgets, calculations for budgets, and taxes). Ensuring the transparency of community activities can already be monitored on the Unified Web Portal for the Use of Public Funds (website <https://spending.gov.ua/>), which will become one of the instruments for reducing corruption risks in the spending of budgetary funds. The more civic activists raise questions to their leadership regarding spending, its utilization, and submit information requests for data on salaries, bonus payments, and declared incomes, the more this will encourage officials to refrain from corrupt practices. Such instruments will discipline them.

Such an indicator as expenditures for the maintenance of the administrative apparatus characterizes the development of the community (various payments depend on the specific situation: retirement, dismissal, downsizing, etc. of one of the members of the administrative apparatus involves a payment that increases, on a one-time basis, the expenditures for the maintenance of the administrative apparatus). On average, from 11.9% to 29.8% of the earned funds are spent on the maintenance of the administrative apparatus (if more than 30% of the community's earned funds are spent on the maintenance of the apparatus, it is worth analyzing the reason: whether the staff is too large, or the salaries are too high)[19;35]. Large expenditures do not always mean high salaries; there may be a staff of twenty people, each of whom receives only the minimum wage. The lower the income per capita, the higher the expenditures for maintaining the apparatus.

The Law on Local Self-Government and Service in Local Self-Government Bodies specifies the rates and taxes, and while bonuses may not be paid, the minimum level of income defined by legislation must still be received by a manager. There is a

proportional relationship: the lower the income of the community, the higher the expenditures on the maintenance of the administrative apparatus. For example, if there is a staff of 20 people and income of 20 million, then expenditures on the apparatus amount to 10%. The increase of revenues in certain territorial communities will be offset by the expenditures for wage payments. Such communities often lack industrial enterprises, major farms, or other significant businesses. Since income depends on the number of jobs and profits from land lease payments, each community should carefully analyze how it develops in its specific case and from what sources it earns money.

The issue of community revenues should be urgent and take priority. Communities that receive insignificant revenues but maintain a permanent staff (head, deputy, secretary, elder, chief of staff, lawyer, land surveyors, financial department as a separate legal entity, department of education, either within the structure or as a legal entity, social protection center as a legal entity, child welfare service – this is the minimum list of positions that a community must employ, and which are subject to minimum statutory salaries and official pay scales) must pay fixed sums of expenditures regardless of whether the community is large or small[18].

Analyzing the size and number of communities, there are cases where large communities do not employ a lawyer or architect. Responsibility lies with the heads of village or settlement councils to introduce necessary staffing units into the council. However, under the law on local self-government, there is no legally fixed standard staff, despite such decisions being made. This issue remains a problem of community operation. The structure and staffing numbers fall not under the authority of the head but are the exclusive competence of the council session, and under the Law of Ukraine on Local Self-Government, decisions and amendments regarding this issue must be adopted at a plenary session[50;51]. The head may initiate such a matter, but if the head does not, one-third of the deputies may initiate consideration of the issue.

If the question arises of filling a particular position (such as an architect) and a request for this was submitted three times a year, the community must decide whether it is worthwhile to establish such a position in the staff or whether it is more reasonable to compensate travel costs to the regional center to resolve the problem, or to resolve

the issue through the Administrative Service Center (CNAP)[53]. Conversely, if there are about fifty requests from community members and entrepreneurs concerning urban planning documentation, planning, zoning of the territory, etc., then it is necessary to employ an architect to ensure a more comprehensive understanding of the territory.

During the COVID-19 pandemic, the level of revenues declined due to quarantine restrictions[55]. Wage levels decreased, part of the economy moved into the shadow sector, which resulted in tax under-receipts to the local budget. Communities that were the first to amalgamate received a significant share of infrastructure subsidies from the state, which enabled them to function more efficiently and attract funds for their own development.

When discussing the responsibility and powers of territorial communities, it should be emphasized that neither regional nor district administrations are vested with decision-making functions. Thus, if a community has high expenditures on the maintenance of the administrative apparatus (and the budget and staffing levels are the exclusive competence of local council sessions), once the session approves the budget, such expenditures must be paid. Therefore, communities must understand that by electing village or city council deputies and not monitoring their activities, they are ultimately delegating spending decisions to them, which will be implemented by the local council. Other government bodies have no influence on these decisions. A Cabinet of Ministers resolution only establishes the rate and allowances (for representatives of local authorities: village head, deputy, elder), while the amount of bonuses is not regulated at all[59;62]

Therefore, the viability of the community is determined by an optimally selected staff that is creative, motivated, active, and innovative. Nevertheless, territorial communities face a shortage of personnel, especially in rural areas. An analysis of the financial management of communities in the region provides an understanding of the average level of development and allows the evaluation of which communities are better or worse in terms of development.

At present, Ukraine offers a large number of grant programs, but competition is also intense and has increased. If earlier in the Lviv region there were 10–30

communities uniting settlements (every second or third used grant funding), today there are already 73 communities (1928 settlements), and competition continues to grow. The issue of territorial boundaries has also become blurred in the race for investors, intensifying competition, and those who were proactive from the start received the best prospects by being first. In each region, there is usually a top ten of active communities that strive to participate in everything, while the rest complain that they have no one to prepare projects (due to the absence of in-house or contracted specialists)[19;63]. Some communities, since their establishment, have included in their small staff two creative employees in the department of economics and investment. They deal with writing grant applications, reviewing investment projects, and acquiring knowledge (at the community's expense) through competitions, seminars, and training to enhance the informational and investment attractiveness of the community's territory.

Another observed trend in the years since the creation of territorial communities is that year after year the same TCs submit applications for cultural events and promotional activities in their territory. This raises the question of why other communities remain passive – do they not need such activities? Causes of passivity may include a lack of information about such events, inability to work in teams, lack of time for such initiatives, or absence of clearly assigned tasks for cultural workers to achieve specific results. Therefore, for financial sustainability, communities must develop, publish, and discuss with residents a development strategy.

When a community does not understand where it is heading, when deputies at a session approve a budget solely as a “budget for patching holes” or for earning money through laundering funds in infrastructure projects, this leads to degradation. It is necessary to identify the community's strengths and implement innovations. A community will develop if residents feel comfortable, do not wish to leave the community, have access to jobs, and if young people do not plan to go abroad. Only then will an investor be interested – one who seeks a workforce, developed healthcare and education, and a community that understands territorial planning, where leadership works for the benefit of the community rather than for corrupt schemes.

All of this, taken together – development and a well-thought-out strategy – will

improve the overall financial performance of the community. Decentralization has demonstrated that Ukraine has a large number of successful managers in communities who have proven that local decision-making is far more effective than decisions once made at the level of Kyiv or the region[51].

In our opinion, it is advisable to divide the indicators that can be used in evaluating the activities of territorial communities into three groups: general indicators, which concern various aspects of such activities; expenditure indicators; and revenue indicators, since the budget is fundamental for a territorial community, and the corresponding indicators allow the analysis of the structure of revenues and expenditures (Table 3.3).

Table 3.3 Indicators for Assessing the Efficiency of Territorial Communities (TCs)

№	Group / Indicator	Unit of Measurement	Formula for Calculation	Normative Values
1. General Indicators				
1.1	Population permanently residing within the TC	thousand persons	Sum of residents of settlements belonging to the TC	Increase
1.2	Number of pupils enrolled in general secondary education institutions located within the TC	thousand persons	Sum of pupils in settlements belonging to the TC	Increase
1.3	Number of higher education students studying in HEIs within the TC	thousand persons	Sum of students and applicants in settlements belonging to the TC	Increase
1.4	Area of the TC	thousand km ²	Sum of areas of settlements belonging to the TC	Stability or increase
1.5	Number of general secondary education institutions of levels I–III	units	Sum of educational institutions in settlements belonging to the TC	Increase
1.6	Number of preschool education institutions	units	Sum of preschool institutions in settlements belonging to the TC	Increase
1.7	Number of administrative service centers (ASC)	units	Sum of ASCs in settlements belonging to the TC	Ensuring sufficient coverage of the TC population's needs
1.8	Number of fire stations	units	Sum of fire stations in settlements belonging to the TC	Ensuring sufficient territorial coverage of the TC
1.9	Number of outpatient clinics	units	Sum of outpatient clinics in settlements belonging to the TC	Ensuring sufficient coverage of TC needs
1.10	Number of secondary medical care institutions	units	Sum of medical institutions in settlements belonging to the TC	Ensuring sufficient coverage of TC needs

№	Group / Indicator	Unit of Measurement	Formula for Calculation	Normative Values
1.11	Land profitability of the TC	thousand UAH	Ratio of land payments per year to the community's territory	Increase
1.12	Tax capacity index of the TC budget	%	Ratio of tax payments per 1 resident in the TC to tax payments per 1 resident in Ukraine	Increase, > 0.9
1.13	Ratio of basic grant to total budget revenues	%	Volume of basic grant / total budget revenues	Decrease
1.14	Fiscal return of the TC territory	thousand UAH/km ²	Ratio of general fund revenues to the community's territory	Increase
1.15	Share of TC revenues from state budget transfers	%	Volume of transfers / total budget revenues	Decrease
1.16	Number of cooperation projects	units	Sum of cooperation projects implemented in the current year	Increase
1.17	Volume of funds attracted through cooperation projects per resident *	thousand UAH	Sum of budgets of cooperation projects implemented in the current year / number of TC residents	Increase
1.18	Number of international programs and projects promoting TC development *	units	Sum of international programs implemented in the current year	Increase
1.19	Share of employees involved in training programs and projects *	%	Number of TC administration employees involved in training programs and projects / total number of TC employees	Increase
1.20	Indicator of community engagement in TC activities *	%	Number of initiatives from TC residents / number of TC residents	Increase
2. Revenue Indicators				
2.1	Total budget revenues including transfers	thousand UAH	Sum of all budget revenues	Increase
2.2	Share of tax revenues in the TC budget	%	Tax revenues / total TC budget	Increase
2.3	Share of personal income tax (PIT) in the TC budget	%	PIT revenues / total TC budget	Increase
2.4	Share of corporate profit tax in the TC budget	%	Corporate profit tax revenues / total TC budget	Increase
2.5	Share of rent payments and fees for use of other natural resources in the TC budget	%	Rent payments / total TC budget	Increase
2.6	Share of environmental tax in the TC budget	%	Environmental tax / total TC budget	Increase
2.7	Share of non-tax revenues in the TC budget	%	Non-tax revenues / total TC budget	Increase
2.8	Share of revenues from property and entrepreneurial activity in the TC budget	%	Revenues from entrepreneurship / total TC budget	Increase
2.9	Share of revenues from administrative services in the TC budget	%	Administrative service fees / total TC budget	Increase
2.10	Share of own revenues of TC budgetary institutions	%	Own revenues / total TC budget	Increase
2.11	Share of revenues from capital operations in the TC budget	%	Revenues from capital operations / total TC budget	Increase
2.12	Share of official transfers in the TC budget	%	Transfers / total TC budget	Decrease
2.13	Share of state budget grants in the TC budget	%	Grants from state budget / total TC budget	Decrease
2.14	Share of state budget subventions	%	Subventions from state budget / total	Decrease

№	Group / Indicator	Unit of Measurement	Formula for Calculation	Normative Values
	in the TC budget		TC budget	
2.15	Share of local budget subventions in the TC budget	%	Subventions from local budgets / total TC budget	Decrease
2.16	Ratio of basic grant to total budget revenues	%	Basic grant from state budget / total TC budget	Decrease
2.17	Share of local taxes and fees in the budget of a capable TC	%	Local taxes and fees / total TC budget	Increase
2.18	General fund revenues per resident (excluding transfers)	thousand UAH	General fund excluding transfers / number of TC residents	Increase
2.19	Budget grant dependence level	%	Ratio of basic/reverse grant in TC budget revenues	Decrease
2.20	State financial support for education per resident	UAH	Transfers for education / total TC residents	Decrease
2.21	State financial support for education per pupil	UAH	Transfers for education / total TC pupils	Decrease
2.22	State financial support for housing and utilities (HUS) per resident	UAH	Transfers for HUS / total TC residents	Decrease
2.23	State financial support for culture per resident	UAH	Transfers for culture / total TC residents	Decrease
2.24	State financial support for physical culture and sports per resident	UAH	Transfers for sports / total TC residents	Decrease
2.25	State financial support for capital expenditures per resident	UAH	Transfers for capital expenditures / total TC residents	Decrease
3. Expenditure Indicators				
3.1	Share of wage expenditures for general government functions in budget revenues	%	Wage expenditures for local government staff / TC budget revenues	Decrease
3.2	General fund expenditures per resident	thousand UAH	General fund expenditures / total TC residents	Increase
3.3	Housing and utilities (HUS) expenditures per resident	thousand UAH	HUS expenditures / total TC residents	Increase
3.4	Cultural expenditures per resident	thousand UAH	Cultural expenditures / total TC residents	Increase
3.5	Education expenditures per resident	thousand UAH	Education expenditures / total TC residents	Increase
3.6	Education expenditures per pupil	thousand UAH	General fund expenditures / total TC pupils	Increase
3.7	Expenditures on administrative staff maintenance per resident	thousand UAH	Expenditures on administrative staff maintenance / total TC residents	Decrease
3.8	Expenditures on physical culture and sports per resident	thousand UAH	Sports expenditures / total TC residents	Increase
3.9	Capital expenditures per resident	thousand UAH	Capital expenditures / total TC residents	Increase
3.10	Share of wages in general fund expenditures	%	Wage expenditures / TC general fund	Decrease
3.11	Share of capital expenditures in total budget expenditures	%	Capital expenditures / total TC budget expenditures	Increase
3.12	Ratio of administrative staff maintenance expenditures to general fund revenues	%	Wage expenditures of administrative staff / TC general fund (excluding transfers)	Decrease
3.13	Social security expenditures per resident	thousand UAH	Social security expenditures / total TC residents	Increase

Among the main indicators belonging to the group of general indicators, it is worth highlighting the population permanently residing in the territorial community:

$$Qp = \sum_{i=1}^n Pi \quad (3.1)$$

where Qp = total number of residents of settlements belonging to the territorial community,

n – number of settlements included in the territorial community,

P – population of one settlement.

The indicator is measured in thousands of units, and a positive trend is its increase, since this will demonstrate the efficiency of the activities of the governing bodies of the territorial community, an increase in the birth rate, and a decrease in migration to other territorial communities.

The indicator of the community's territory area is calculated as:

$$S = \sum_{i=1}^n Si \quad (3.2)$$

where S – the total area of the settlements belonging to the territorial community,

n – the number of settlements included in the territorial community,

Si – the area of one settlement.

The indicator is measured in thousand km². Growth or stability is important for this indicator. A negative trend is its decrease, which would indicate the loss of land or the withdrawal of some settlement from the territorial community.

The next important indicator is the number of pupils studying in general secondary education institutions located in the territorial community:

$$Qpu = \sum_{i=1}^n PUi \quad (3.3)$$

where Qpu = total number of pupils studying in general secondary education institutions located in the settlements belonging to the territorial community,

n – the number of settlements included in the territorial community,

PUi – the number of pupils studying in general secondary education institutions located in one settlement.

The indicator is measured in thousands of units, and a positive change is its

increase, as this will demonstrate an increase in the number of children in the territory and the rejuvenation of the population[35-37].

This indicator should be assessed together with the indicator of the number of higher education students studying at higher education institutions in the territorial community

$$Q_{st} = \sum_{i=1}^n ST_i \quad (3.4)$$

where Q_{st} = total number of students studying at higher education institutions

located in the settlements belonging to the territorial community,

n – the number of settlements included in the territorial community,

ST_i – the number of students studying at higher education institutions located in one settlement.

The indicator is measured in thousands of units. A positive trend is its increase. Together with the previous indicator, it characterizes the processes of rejuvenation of the population and the efficiency of the territorial community, since in an inefficiently functioning community the initial processes often include attendance at external educational institutions or the relocation of young families with children to other settlements.

Another important indicator is the number of general secondary education institutions of levels I–III, defined as:

$$Q_{sc} = \sum_{i=1}^n Q_{sci} \quad (3.5)$$

where Q_{sc} – the number of general secondary education institutions of levels I–III located in the settlements belonging to the territorial community,

n – the number of settlements included in the territorial community,

Q_{sci} – the number of general secondary education institutions of levels I–III located in one settlement.

The indicator is measured in units, and its positive trend is stability. The value should be optimal and meet the needs of the population, but it cannot increase indefinitely, as this would indicate inefficient use of funds and resources allocated for

education.

The number of preschool education institutions (units) is defined by the formula:

$$Qpsc = \sum_{i=1}^n Qpsci \quad (3.6)$$

where Qpsc– the number of preschool education institutions located in the settlements belonging to the territorial community,

n – the number of settlements included in the territorial community,

Qpsci – the number of preschool education institutions located in one settlement.

The indicator is measured in units, and its positive trend is stability. The value should be optimal and meet the needs of the population, but it cannot increase indefinitely, as this would indicate inefficient use of funds and resources allocated for education.

The indicator of the number of administrative service centers is defined by the formula:

$$Qcas = \sum_{i=1}^n Qcasi \quad (3.7)$$

where Qcas– the number of administrative service centers located in the settlements belonging to the territorial community,

n – the number of settlements included in the territorial community,

Qcasi – the number of administrative service centers in one settlement.

The indicator is measured in units and should reach a value that ensures a sufficient level of coverage of the needs of the territorial community's population.

The number of fire stations is defined as:

$$Qfd = \sum_{i=1}^n Qfdi \quad (3.8)$$

where Qfd – the number of fire stations located in the settlements belonging to the territorial community,

n – the number of settlements included in the territorial community,

Qfdi – the number of fire stations in one settlement.

The value of the indicator should ensure a sufficient level of coverage of the territory of the territorial community.

The indicator of the number of outpatient clinics is defined as:

$$Qa = \sum_{i=1}^n Qai \quad (3.9)$$

where Qa – the number of outpatient clinics located in the settlements belonging to the territorial community,

n – the number of settlements included in the territorial community,

Qai – the number of outpatient clinics in one settlement.

This indicator should reflect a sufficient level of coverage of the needs of the territorial community's population.

The number of secondary medical care institutions is calculated according to the following formula:

$$Qsec = \sum_{i=1}^n Qseci \quad (3.10)$$

where $Qsec$ – the number of secondary medical care institutions located in the settlements belonging to the territorial community,

n – the number of settlements included in the territorial community,

$Qseci$ – the number of secondary medical care institutions in one settlement.

As with the previous indicators related to healthcare, it should ensure a sufficient level of coverage of the needs of the territorial community's population.

The next important indicator from the general group is the indicator of land profitability of the territorial community, which is measured in thousand UAH and calculated as:

$$Qlp = \frac{\sum_{i=1}^n Qlpi}{S} \quad (3.11)$$

where Qlp – total land payment for the current year in the settlements belonging to the territorial community,

n – the number of settlements included in the territorial community,

$Qlpi$ – land payment for the current year in one settlement,

S – the total area of the settlements belonging to the territorial community.

The tax capacity index of the territorial community budget shows the amount of

tax payments per 1 resident and is calculated as:

$$TCI = \frac{\sum_{i=1}^n TPI}{Qp} / \frac{TTP}{P} \quad (3.12)$$

where TCI – tax capacity index of the budget,

nnn – the number of settlements included in the territorial community,

TPI – the amount of tax payments by one settlement of the community,

Qp – total number of residents of the settlements belonging to the territorial community,

TTP – total number of tax payments in Ukraine,

P – total number of residents of the settlements belonging to the territorial community.

The next indicator is the ratio of the basic grant to the total amount of budget revenues, calculated as:

$$Rbs = \frac{Tbs}{TBR} \quad (3.13)$$

where Rbs– the share of the basic grant in the total amount of budget revenues,

Tbs– the amount of the basic grant,

TBR– the total amount of budget revenues in the current year.

The indicator of the fiscal return of the community's territory is measured in thousand UAH per square meter of territory and is calculated as:

$$FR = \frac{\sum_{i=1}^n FRI}{S} \quad (3.14)$$

where FR – fiscal return indicator of the territory in the settlements belonging to the territorial community,

n – the number of settlements included in the territorial community,

FRI – revenues to the general fund from the territory of one settlement,

S – the total area of the settlements belonging to the territorial community.

The value of the indicator is evaluated by comparison with the indicators of other

territorial communities and should increase dynamically.

The next indicator is the share of the territorial community's revenues derived from state budget transfers. The indicator is measured as a percentage and is calculated as follows:

$$RBT = \frac{BT}{TBR} \quad (3.15)$$

where RBT is the share of transfers in the total volume of budget revenues, BT is the amount of transfers from the budget in the current year, and TBR is the total volume of budget revenues in the current year.

Equally important, in our opinion, are indicators that are rarely used for the assessment of territorial communities' activities, particularly those related to their engagement and international cooperation.

We propose the use of such an indicator as the number of cooperation projects, which is calculated as:

$$Pr = \sum_{i=1}^n Pri \quad (3.16)$$

where Pr - is the total number of cooperation projects implemented in the current year in the settlements belonging to the territorial community, nnn is the number of settlements included in the territorial community, and Pri is the number of cooperation projects of an individual settlement.

The indicator is measured in units. Growth of this indicator is considered important.

In addition to the quantitative analysis of projects, it is also necessary to assess the volumes of funds attracted through them, since one large project may exceed in value a dozen smaller ones.

The indicator of the volume of funds attracted through the implementation of cooperation projects per capita is calculated as follows:

$$VcperH = \frac{\sum_{i=1}^n Vci}{Qp} \quad (3.17)$$

where Vc- is the total amount of funds attracted through cooperation projects

implemented in the current year in the settlements belonging to the territorial community, nnn is the number of settlements included in the territorial community,

V_{ci} - is the budget of cooperation projects implemented in the current year by an individual settlement

Q_p - is the total population of the settlements belonging to the territorial community.

The indicator is measured in thousands of hryvnias. Its value should increase.

Alongside cooperation projects, it is also necessary to analyze international projects. Thus, the indicator of the number of international programs and projects aimed at fostering the development of the territorial community is calculated as:

$$PI = \sum_{i=1}^n PI_i \quad (3.18)$$

where PI - is the total number of international projects and programs implemented in the current year in the settlements belonging to the territorial community,

nnn - is the number of settlements included in the territorial community, and PI_i is the number of international programs and projects of an individual settlement.

The indicator is measured in units. Growth of this indicator is important.

The indicator of the volume of funds attracted through the implementation of international projects and programs per capita is calculated as follows:

$$VI_{perH} = \frac{\sum_{i=1}^n VI_i}{Q_p} \quad (3.19)$$

where VI is the total amount of funds attracted through international projects and programs implemented in the current year in the settlements belonging to the territorial community, nnn is the number of settlements included in the territorial community,

VI_i - is the budget of international projects and programs implemented in the current year by an individual settlement,

Q_p - is the total population of the settlements belonging to the territorial community.

The indicator is measured in thousands of hryvnias. Its value should increase, which will characterize the community's active participation in international projects.

An important indicator is the share of employees involved in training and professional development programs and projects, calculated as:

$$\text{ShA} = \frac{Q_a}{T_a} \quad (3.20)$$

where ShA - is the share of employees involved in training and professional development programs and projects

Q_a - is the number of employees involved in training and professional development programs and projects in the current year

T_a - is the total number of employees of the territorial community administration.

The indicator is measured as a percentage, and its value should increase.

The final important indicator in this group is the indicator of community engagement in the activities of the territorial community:

$$\text{ShE} = \frac{Q_i}{Q_p} \quad (3.21)$$

where ShE - is the share of population engagement in the activities of the territorial community

Q_i - is the number of initiatives from the residents of the territorial community in the current year

Q_p - is the total population of the territorial community.

The indicator is measured as a percentage, and a positive trend is its growth.

To address the problems of the territorial community's strategic development, it is essential to ensure effective financial management of the community as a whole and of each participant in particular, to diagnose potential crisis situations, to manage financial risks within the community, as well as to oversee information support, innovative development, and many other aspects.

CONCLUSIONS

The comprehensive study of the financial system of territorial communities, its theoretical underpinnings, practical challenges, and strategic development tools has allowed for a wide range of scientific generalizations and applied recommendations.

The results of the monograph provide grounds for the following conclusions. Essence and significance of territorial community finances. Territorial community finances constitute a fundamental subsystem of local self-government and a crucial determinant of regional socio-economic development. They integrate budgetary, investment, and resource management processes, ensuring the provision of public services, the implementation of local development programs, and the improvement of living standards. A key conclusion is that the financial autonomy of communities is not an end in itself but a mechanism for strengthening competitiveness and long-term resilience.

Theoretical and methodological foundations. The research has refined the conceptual framework of territorial community finances by clarifying their functions, principles, and role in decentralized governance. Methodological principles for strategic development have been formulated, emphasizing the integration of financial planning with socio-economic objectives, the adaptability of strategies to external and internal factors, and the necessity of introducing innovative approaches to financial management.

Current challenges and analytical findings. The analysis has revealed that, despite notable progress in financial decentralization, Ukrainian territorial communities still face significant constraints: insufficient diversification of income sources, dependence on state transfers, inefficient budget planning, and low levels of investment attractiveness. International experience demonstrates that successful communities achieve financial sustainability by combining fiscal autonomy with transparency, participatory governance, and digitalization of financial processes.

Systems of organization and management. Rational organization of community finances requires a systemic approach that unites budgetary mechanisms, institutional structures, and managerial innovations. Strengthening organizational and economic

development is possible through modern management practices, professionalization of staff, digital transformation, and the introduction of corporate culture elements that encourage responsibility and efficiency in financial decision-making.

Strategic instruments of financial development. The proposed tools for strategic development include financial strategies, investment partnerships, crowd-technologies, and targeted budgetary instruments. Their implementation allows communities not only to optimize financial flows but also to attract additional resources, enhance self-sufficiency, and respond flexibly to socio-economic changes. Strategic financial planning, separated into an independent functional direction, is recognized as the foundation for sustainable development.

Evaluation of effectiveness. A system of indicators has been suggested for measuring the effectiveness of financial strategies in territorial communities. Unlike traditional budgetary metrics, this system evaluates both economic outcomes (revenue growth, investment inflows, budget balance) and social outcomes (quality of services, population well-being, public satisfaction). Such an integrated assessment enables comprehensive monitoring and timely adjustment of financial policies.

Scientific novelty and applied significance. The scientific novelty of the research lies in the conceptualization of a comprehensive model for strategic financial development, which unites theoretical generalizations, empirical analysis, and practical tools. The applied value is manifested in the possibility of using the developed recommendations by local self-government bodies, regional authorities, and policymakers for enhancing financial capacity, investment attractiveness, and competitiveness of communities.

Future perspectives. The findings of the monograph highlight the need to deepen further research in several directions: the impact of global economic transformations on community finances, the use of digital and financial innovations (blockchain, e-governance, fintech), and the development of participatory budgeting as a mechanism for strengthening citizen trust and involvement in financial decision-making.

In summary, the monograph substantiates that the financial sustainability of territorial communities is the cornerstone of successful decentralization, social

stability, and regional competitiveness. The proposed conceptual and practical solutions contribute to the modernization of local financial systems, ensuring their capacity to meet contemporary challenges and to promote long-term socio-economic progress.

The results of the study on the organization of territorial community (TC) entities have revealed the necessity of developing a rational strategy for the organizational and economic development of TCs as a whole, as well as a system of management for production, scientific potential, product and service distribution, and the finances of TC entities (participants). Consequently, the construction of four management systems has been examined—covering production, scientific potential, distribution, and finance—along with the proposal of the key functions of the TC management system.

Directions for formulating a strategy to achieve the stated objectives have been proposed. A mechanism for shaping the strategy of organizational and economic development management of TCs has been developed, which identifies the stakeholders involved in this process, including community leadership, representatives of central authorities, representatives of civic organizations or the local community, entrepreneurs and investors, as well as the Information and Training Support Center for TC managers.

In the process of developing a financial development strategy, it became necessary to identify the factors influencing the formulation of financial management strategies for territorial communities as a business model for the development of Ukraine's national economy. The main directions of the financial strategy of TCs have been outlined, and the positive outcomes of establishing an effective financial development management strategy have been emphasized.

The conceptual model of financial development strategy formation for territorial communities has been improved. This model incorporates the objectives, principles, approaches, methods, as well as the stages and tasks of development. In particular, the model presupposes a service-oriented approach: territorial communities should advance citizen-oriented services, such as administrative service centers (ASC), ensuring opportunities for electronic submission of documents or requests, and

providing access to complete and reliable information regarding the activities of the TC, as well as projects in which it participates or plans to participate.

The study established that a considerable number of international programs already exist in Ukraine, which in one way or another relate to territorial communities and support them in the decentralization process. Some of these programs and projects are aimed at providing various forms of assistance (financial, technical, informational) to enhance the autonomy of territorial communities and to improve both the qualitative and quantitative indicators of their performance. Among such programs, a significant role is played by the initiative Decentralization Brings Better Results and Efficiency (DOBRE), implemented in Ukraine by Global Communities and the United States Agency for International Development (USAID).

One of the methods that the state may implement to enhance the effectiveness of management at the level of territorial communities is the establishment of a dedicated assistance and information support program in the form of an Information and Training Support Center for TC managers within the TC management structure. Its distinctive feature, in contrast to existing programs, is that it would not operate for only several years but on a permanent basis, and it would not focus solely on selected regions or specific territorial communities but provide assistance to all. The Center would be intended to support territorial communities by providing information on legislative, legal, economic, organizational, and managerial aspects of their activities.

Furthermore, the indicators for evaluating the effectiveness of TC activities have been grouped into three categories: general, revenue, and expenditure indicators. These also include proposed indicators related to the participation of TCs in cooperation projects and international initiatives. Such indicators will make it possible to assess the effectiveness of implementing the TC development strategy.

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