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## **EFFECTIVE MANAGEMENT OF MUNICIPAL OF PROPERTY IN THE CONTEXT OF DECENTRALIZED PROCESSES IN STATE DEVELOPMENT**

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### **ЕФЕКТИВНЕ УПРАВЛІННЯ КОМУНАЛЬНИМ МАЙНОМ У КОНТЕКСТІ ПРОЦЕСІВ ДЕЦЕНТРАЛІЗАЦІЙНОГО РОЗВИТКУ ДЕРЖАВИ**

*The question of state management decentralization is considered in the article. The problematic aspects of rent, privatization and the sale of municipal property are established. The volumes and dynamics of income from rent and privatization of municipal property in the structure of local budget income of Lviv are determined. The attention is pointed on the question of efficiency of income increase in the local budget due to rent and privatizing of property, which are owned by local community. The relevance of the experience of European countries, which provides for two stages of decentralization, is substantiated. They are based, firstly, on the transfer of all powers in the sphere of budget services to local governments; secondly, on ensuring the financial independence of local authorities. Improvement of the managerial decision-making process at different levels of government should be carried out primarily through consultations with the civil society institutions.*

*Розглянуто питання процесу децентралізації державного управління. Встановлено проблемні аспекти оренди, приватизації та продажу комунального майна. Визначено обсяги та динаміку надходжень від оренди і приватизації комунального майна в структурі доходів місцевого бюджету м. Львова. Акцентується увага на питаннях підвищення ефективності наповнення дохідної частини місцевого бюджету за рахунок оренди і приватизації майна, яке перебуває у власності територіальної громади. Обґрунтовано актуальність використання досвіду європейських країн, який передбачає два етапи децентралізації. Вони базуються, по-перше, на передачі всіх повноважень у сфері бюджетних послуг органам місцевого самоврядування; по-друге, на забезпеченні фінансової самостійності цих органів місцевої влади. Удосконалення процедури прийняття управлінських рішень на різних рівнях державної влади запропоновано здійснювати насамперед шляхом проведення консультацій з інститутами громадянського суспільства.*

**Keywords:** *decentralization; local government; financial support; municipal property; privatization; rental property.*

**Ключові слова:** *децентралізація; місцеве самоврядування; фінансове забезпечення; комунальне майно; приватизація; оренда майна.*

**Problem statement.** The question of providing of stable development of administrative systems is actual nowadays, having regard to the necessity of low-laying area normalization of socioeconomic life of our state. In the process of transformation of local self-government a fundamental value has the appropriate level of financial security of administrative units. That is possible on condition of observance of constitutional principle of independence of local budgets. It is thus necessary to take into account a crisis situation in a country and realization of the first reforms of decentralization, that touch administrative territorial structure and formation of financial independence of respective local communities.

Note that decentralization of financial resources of the State budget of Ukraine takes place in parallel with provision to the local self-government additional functions for the regulation of socioeconomic development of their subordinate territories. Thus, the achievement of the real financial possibility of local communities assists concentrating of management process on a local level. One of the ways of financial and material resources increase in local communities is improvement of assets management that are in their communal property. As a result of it, the decision of communal problems of any territory will give an opportunity to reduce the budgetary cost of maintenance of unprofitable municipal objects; to extend the base of taxation of income tax enterprises and financial institutions of municipal property; to increase the volumes of investments in the real estate of communal enterprises that have a strategic value for development of territory. Note that it, on the whole, positively will affect economic and social development of cities and will assist the increase of revenue base of local budgets. The foregoing confirms actuality of consideration of problems of rent and privatization of objects of municipal property in part of forming of additional sources of own revenues of local budgets.

**Analysis of recent research and publications.** The problem questions of decentralization of budgetary resources of Ukraine are investigated by such known scientists, as V.N. Tverdohlibov, O.V. Slobozhan, Y.I. Hanushchak, J.M. Kazyuk, B.M. Danylyshyn, A.O. Monayenko, Y.V. Pasichnyk etc. Such scientists-financiers devoted their researches to the theoretical and practical questions of local budgets forming and providing of terms of local self-government financial independence: I.O. Lunina, D.A. Dmytruk, O.P. Kyrylenko, O.D. Vasylyk, S.I. Yuriy, M.I. Kul'chyts'kyi etc. At the same time the analysis of researches of Ukrainian scientists of reform of administrative territorial structure in Ukraine and development of decentralized processes - gives an opportunity to mark the necessity of deep study of methodological and practical aspects of the system of decentralization of finances, that, at the same time, requires clarification and regulation of already accepted norms of legislation in the sphere of housing and municipal property.

**Article purposes.** The aim of this article consists of determination of directions of stable development of administrative units by the increase of local budgets income from the municipal sector of economy in the conditions of financial decentralization process development and spreading of decentralized processes in state administration.

**Statement of the main results of the research.** On the modern stage of development of Ukraine as the independent and democratic state, its integration to European society, the greater value is devoted to the problem of local budgets reformation. The Ukrainian Government, as the realization of fiscal policy in 2017, plans to continue the realization of local self-government reform, decentralization of local finances with the aim to increase the level of financial independence of local authorities. Thus, in modern conditions local finances and local budgets will become the basic financial guarantors of existence and development of democracy; will be granting high quality social services to the population [1, c. 2;5].

It was noticed that quite a bit attention during recent year was given to the question of improvement of public financial management not only by Ukrainian government, but also by foreign donors and creditors of Ukraine, for example such as MIF not correct (International Monetary Fund), World Bank or European Union. The basic reforms were conducted exactly under the pressure of latest structures, regardless of: whether reformative processes incurred and were included to the program of reformation, prepared by Ukrainian power; whether contained in the documents worked out by external investors. The aim of domestic legislation changes, that were recommended by foreign partners, was an achievement of transparency of budgetary process, budgetary consolidation, strengthening of financial control, input of the long-term budgetary planning and principles of forming of debt state policy.

Thus, in 2015 the first stage of budgetary decentralization was carried out: changes were accepted to the Budgetary and Tax Codes of Ukraine in relation to a transmission to the local self-government of additional budgetary powers and fixing of stable sources of revenue for realization of rights and obligations in the field of management of socioeconomic development of territories. The expansion of rights for the local self-government is the priority of adopted changes in making decision and granting of budgetary independence to them in relation of own budgets filling, and also expenditure responsibilities implementation.

In January 1, 2016, the Ukraine-European Union Association Agreement inured that a considerable step on the way of integration of Ukraine to the European community was made. The decision condition of this integration is realization of right of territorial communities on local self-government and providing of their possibility to

execute own powers. Based on advanced aspects of foreign experience - local self-government in Ukraine must be one of main catalysts of our state economy growing and to be based on creation and functioning of capable and effective local communities [2].

The inalienable right of local communities is possession, use and disposing of property objects, including the use of the landed resources on the basis of right of ownership. The rights for territorial communities are envisaged in a legislative act "On local government in Ukraine" and complemented by the norms of the Land Code of Ukraine. The municipal ownership of land is sufficiently a difficult and problematic aspect of realization of rights for local community with strengthening of decentralization in a country. This in particular applies to:

- demarcation of boundaries of towns, villages and other settlements is incomplete (only 50 settlements out of 29,772 had formally registered boundaries by the end of 2015), which undermines the legitimacy of any decisions regarding land allocation made by local councils. It undermines investment climate and is a source of land conflicts in several regions. The process of establishment of new administrative units – community – adds complexity to the boundary issue;

- the low level of registration in Cadaster of municipal land provides opportunities for non-transparent practices and leads to foregone opportunities in terms of development and local budgets income. All state land within the urban settlements (except land under the state enterprises) was already transferred to municipal property, however remains outside the Cadaster and Registry, which makes the rights of tenants and users of such land weak and rental transactions non-transparent and local government unaccountable [3]. For example, there are over two thousand apartments in municipal property of Lviv, which are 95% rental. Now about 200 free apartments are expecting tenants or will be put up for auction [4].

The rental income for using property that is community property and revenues from the sale of this property present small part of local budgets profits. However, from the moment of realization of the first steps of decentralization of power there is an increase of income to the local self-government budgets (both in absolute and relative terms). Thus, on example of Lviv budgets it can be can observed an increase of rental income for using an integral property complex and other municipal property on 15707,4 thousand UAH in 2017 comparatively to 2016. The rental income presented 0,74% of total revenues of the city budget, that was on 0,01% more than part of previous year. In relation to revenues from the sale of municipal property, the part of revenues in municipal budget grew on a 0,31% in 2017 (-11348,6 thousand UAH) and presented 35721,9 thousand UAH in composition of the gross income of city of Lviv [5]. Unfortunately, nowadays local governments face with considerable losses of financial resources because of abuses during realization (sales) of land or rights on them.

According to the Land Code of Ukraine, lands of public or municipal domain or right on them, including with the objects of the real estate of public or communal domain located on them, are subject to the sale as separate lots on competition principles (land tenders). However, this Code contains the wide list of exceptions that give an opportunity to the local self-government to carry out such operations without realization of the land tenders. For example, "grant of lot lands of public or municipal domain for the necessities of private partner within the framework of realization of state-private partnership under the law" [6]. There is also widespread practice in Ukraine of lot lands transmission to the municipal enterprises, with a next transmission them to a sublease to the building customers. In any case, as a result of such operations local budgets lose the considerable volumes of possible financial resources; competition of market conditions are violated; the wide circle of abuses appears in the budget sector; corruption spreads.

There are some cases of abuse of imperfect legislation in the field of a municipal property management, that acquire publicity in our region. According to the Lviv town council news, the circumstance rises attention: during 2016 a legal management turned in municipal property a 260 square meters of illegally remote municipal property and 4 hectares of land; freed legally and actually one apartment by an area of 40 square meters; an about 5 million UAH of debts were credited back to municipal budget from legal and physical entities (based on submitted claims); managed to sue on the basis of canceled judgment one apartment of 22,4 square meters. In addition, during December, 2016 twelve petitions were appealed to the courts, in relation to that, the real estate was separated from property of territorial community of Lviv - about obtaining on demand of this property and abolition of state registration of right of ownership on these apartments. As a result of consideration of complaints an arrest was imposed on four apartments, the total area of 6770,5 square meters, that were left from ownership of territorial community of Lviv [4].

The main priority of realization of privatization in 2016-2019 - the privatization of objects by competitive methods. The sale of property of territorial community at auction should be transparent, open and with advantageous for it, should provide maximal income for appropriate local budget. If an object is really valuable, then an expert estimation of its starting price, as a rule, should differ from the final price [4].

On the basis of results of analysis of methods of local budget income forming (on the example of city of Lviv): rental income, revenue from sale of objects of community property, it is possible to make a conclusion, that the rational use, maintenance and timely updating of municipal property; creation of attractive conditions for investment capital must be the primary purpose of activity of local self-government. Thus, the local self-government should be maximally interested in growth of own financial base, including providing of efficiency of municipal property management. The priority tasks of local government for the increase of local budget income from rental property in municipal ownership and increase of efficiency of privatization of municipal property for local government should be :

- establishment of the economically justified and reasonable sizes of rent through the preferential use of competitive methods of transfer of property into rent;

- strengthening of control over rental income of municipal property of territorial community and reduction of rental debts;
- realization of transfer of municipal property for the small business entities: for using – on the terms of rent by holding competition, for ownership - by purchase or sale at auction;
- maximal limitation of privatization of municipal property that is profitable and brings income to local budget on a regular basis;
- realization of near-term sale of municipal property that needs serious capital investment and is economically inadvisable and having no prospects for a local economy;
- strengthening of control over assessment of communal property that is subject to privatizing;
- providing of transparency and publicity of making decision in relation to determination of method and terms of privatization, including all procedures from preparation and sale of objects of community property, thus preventing corruptions.

#### **Conclusions of the research and recommendations for further research in this area.**

For every separate country (region), the realization of principles of budgetary decentralization on the certain stage of development has high enough risk without possessing positive aspects. One among that is domination of local interests above regional or even national. The estimating advantages/disadvantages of processes of centralization/decentralization is one of most problems to balance between such competitive approaches of realization of budget policy. Consider that for the certain stage of development of noted territory, there is an optimal set of parameters, that characterizes the continuity of their existence.

Then the main task of fiscal decentralization is a search of financial resources to fully ensure the financial independence of local government. In turn, financial and material resources of local budgets must satisfy implementation of own and delegated powers of local self-government in relation to implementation of all their tasks and programs of development of certain administrative unit. One of the sources of local budgets financial resources forming and indicator of realization the decentralization reforms in Ukraine is the increase of rental income and sale of unprofitable municipal property. The changes in fiscal decentralization will affect the substantial results in a nearest period of time. The most importantly, - decentralization of power is conducted not for the sake of power, it must be based on European key thesis - irreproachable providing of human and citizen rights.

On the whole, the question of effective municipal property management, its rent and privatization requires the development of new approaches in the practice of state administration and liquidation of gaps in a current legislation. It will contribute to the local budgets income forming and settlement of the most responsible sector for the state - life support of local government.

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