Decentralization as a Component Euroregional Development in National Economy of Ukraine

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Abstract
The purpose of the article is to determine the possibility of decentralizing state power through the functioning of such a form of cross-border cooperation as the euroregion. The analysis of the legislative norms regulating the creation and functioning of the euroregion and the role of local authorities in these processes is carried out. At the present stage of development of Ukraine, the issue of decentralization of power is extremely acute. The problem of taking into account the interests of the regions, paying attention to the peculiarities of their economic, social, and cultural development was not fully solved due to the rigidly built vertical of the central government. Recognizing the need for structural reforms of state and local administration, it should be noted that the legal system of Ukraine in its modern form offers ways to expand a number of opportunities for local authorities. An example is cross-border cooperation, which is implemented in the form of functioning of euroregions. The practical consequences of decentralization reform in Ukraine should be considered as part of a broader strategy territorial development and public administration in general.

Key-words: Decentralization, Evroregion, Cross-border Cooperation.
JEL Classification: R11, R12.

1. Introduction

In the current conditions of national development of Ukraine, the issue of reforming local authorities is one of the most pressing issues. The prospect of a decision largely determines the direction and content of political discussions, which is directly related to the formation of effective
public power in Ukraine and the establishment of true democracy. The fact is that Ukraine, as a Democratic state governed by the rule of law, can solve its main tasks only if there is a developed democratic system of government.

Along with the growing decentralization of power, the process of compensating for fragmentation and fragmentation is necessary for the success of marketing innovations, which is achieved by improving the mechanisms of integration and consolidation of the structural components of the public administration system. The optimal combination of centralization and decentralization of management is provided by the delegation of authority to a lower level within the transfer of functions to meet the needs of consumers of management services.

Taking into account the experience of developing social and economic processes in Ukraine, as well as the influence of global trends on the development of Ukrainian society, the availability of opportunities to compare living standards in EU and Ukraine, the issue of studying the possibilities of decentralization and euroregional cooperation is becoming increasingly relevant.

Recognizing the need for structural reforms of state and local administration, it should be noted that the legal system of Ukraine in its modern form offers ways to expand a number of opportunities for local authorities. An example is cross-border cooperation, which is implemented in the form of functioning of euroregions.

2. Methods

Decentralization is the transfer of significant powers and budgets from state bodies to local self-government bodies. So that those bodies that are closer to the people, where such powers can be implemented most successfully, have as many powers as possible.

The essence of the transformation proposed by the Decentralization Reform: executive authorities and local self-government bodies will finally begin to engage in their own affairs. And people will have the opportunity to create (through elections) local self-government bodies in the Community, District and region.

Euroregion is a form of cooperation between administrative divisions of neighboring countries, in which, within their competence, local authorities and local self-government of border territories carry out cooperation in the economic, social, cultural, tourist, environmental spheres through specific programs and development aimed at jointly solving existing issues and problems.
Based on this, it is safe to say that the Euroregions are involved in decentralization. This may lead to increased interaction between the border regions, which may affect the attraction of new investments in the region, the creation of new jobs.

3. Results

1. Current Trends in the Decentralization of Power

Taking into account the strategic course of Ukraine towards joining the European Union, it is necessary to take into account the exceptional importance of implementing European standards for the decentralization of state power and institutional, functional, budgetary, financial and logistical strengthening of the role of local self-government in the constitutional and legal system of the state and society.

The main direction of the reform was decentralization, because it is this process that contributes to the independent and effective activities of local self-government bodies. The legal literature notes that decentralization is the process of expanding and strengthening the rights and powers of administrative-territorial units or lower bodies and organizations, while narrowing the rights and powers of the relevant Center. As a rule, it is carried out purposefully in order to optimize the practical solution of issues of national importance, as well as the implementation of specific regional and local programs. Decentralization is a form of democracy development that simultaneously preserves the unity of the state and its institutions and expands the possibilities of local self-government. It aims to activate the population to meet their own needs, narrow the sphere of state influence on society, and reduce the cost of maintaining the state apparatus. This process contributes to direct democracy, because it involves transferring the management of a number of local-level cases directly into the hands of interested parties. So, we can note that decentralization contributes to the construction of a civil society, which we are so striving for (Yurkevich, 2017).

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Full decentralization of power is a rather complex and lengthy process, but it is necessary for the formation of independent and capable territorial communities. The system of governance that has
developed in our country – government – Region – District – village council – has deprived local authorities of the opportunity to implement effective policies in the interests of citizens living in the relevant area. The expediency of decentralization is also evidenced by the practice of foreign countries. So, for example, 85% of the budgets of local territorial communities in Poland are used without the consent of the central authorities, in Switzerland, each territorial community itself decides the percentage of taxes that it will provide to the center (Zhuravel, 2008).

In the countries of Eastern Europe, the policy of decentralization is carried out taking into account the peculiarities of the transition from a socialist system to a market economy and democracy. However, the nature and pace of reforms vary from country to country, owing, among other things, to the historical, political, ethnic, geographical and demographic differences of these countries. Thus, in 1999, the administrative-territorial system of Poland was transformed from two-level to three-level and is currently considered the most successful in terms of decentralization. The territory of Poland was regrouped and divided into 16 voivodeships (provinces), which in turn were divided into 379 districts. In addition, the reform was aimed at developing local self-government and delegating the powers of central bodies to subnational governments. The law also established joint powers of municipalities and voivodeships in the field of water supply and sewerage, public roads. Municipalities, departments became social responsible for social services, education, and culture (Popova, Koval, Antonova, Orel, 2019). According to the researchers, such a system has advantages: it facilitates the mobilization of various levels of local and regional authorities to finance projects. In general, despite the decentralization processes in Poland, Slovakia, Lithuania and Hungary, most central and Eastern European countries currently remain fairly centralized. Romania and Bulgaria, for example, retained the same administrative structures as in the socialist period, although some powers were transferred to the local level.

Countries such as Belgium, Spain, the United Kingdom and Italy have begun the process of decentralization in order to ease territorial or ethnic tensions and preserve the unity of the country. In other cases, the reasons for decentralization were more "technical" than political. Thus, in the Netherlands and Denmark, decentralization was caused by the need to improve the efficiency of local authorities. In Sweden, Public Administration is decentralized at all levels, as it allows Swedish citizens to receive a full range of social services of the same quality (Bogatyreva, 2018).

It should also be noted that in the EU, regions are subject not only to state or regional policies, but also to an extremely powerful EU cohesion policy, for which a third of the community budget is allocated. In fact, within each individual country, the issue of the distribution of powers and resources in management can be solved according to various decentralized or centralized models. However,
large-scale processes of centralized redistribution of budget resources for regional policy purposes are being implemented at the EU level. In most cases, the beneficiaries of assistance are the least developed regions. In fact, regional governments in EU member states, in addition to their own resources, have access to a large amount of common EU resources. Accordingly, when evaluating the experience of implementing decentralization reforms in such countries, this fact should be taken into account. In particular, decentralization reforms in Poland probably would not have been so successful without successfully attracting and using the largest amounts of resources allocated from the EU budget for cohesion policies (Danilishin, Pilipiv, 2016).

Most of these resources were allocated from EU structural funds, which use grant mechanisms for allocating funds and determine their target direction. Actually, this is the main difference between grants that are received from the state budget with a decentralized approach, when transfers do not have a strict requirement for targeted use, and grants that are provided from the EU budget with a clear link to a specific project that meets the goals of the European financial planned seven-year plan. However, the practice of targeted allocation of resources from the EU budget has mostly paid off and led to the development of most regions. In particular, the European Regional Development Fund (ERDF) is still the defining tool of the EU's regional policy and distributes almost 60% of all funds intended for regional development. It specializes in industrial investments, investments in infrastructure development, education and healthcare, research and development, energy and telecommunications networks, and technical assistance (Koval, Prymus, Popova, 2017; Koval, Slobodianyuk, Yankovyi, 2018; Kvach, Piatka, Koval, 2020). In fact, this fund finances a significant part of regional development projects in the EU member states, while local budgets co-finance them. It is obvious that this opportunity frees up additional resources of local budgets and allows you to implement a larger amount of powers on the ground. In Ukraine, the state fund for Regional Development (DFID) operates according to similar principles, but the mechanism for selecting development projects is imperfect, and the amount of resources that are distributed through it is insufficient. Thus, the share of ERDF in the EU budget is more than 20%, while the share of the Far Eastern Federal District is 1% of the state budget of Ukraine.

Therefore, when evaluating the experience of EU countries regarding the model of financial support for local development, the distribution of powers between the state and subnational units, it is necessary to take into account the "Super-centralized" distribution of funds intended for development purposes. For so-called "transitive" countries that face significant budget constraints, such a tool is extremely important and allows territorial systems to use additional resources to co-finance development projects, while maintaining the ability to cover current costs from their own resources.
At the same time, the main objects of the EU's regional policy are the regions themselves, and not municipalities or communes. Therefore, the decentralized models of EU member states often assign more development-related powers at the regional level, while current economic and social issues are addressed locally (Redkva, Tsekhanovych, 2021).

The formation of a rationalized mechanism for managing local affairs is mainly due to contradictions in legislative provisions concerning areas of jurisdiction between local executive authorities and local self-government bodies, as well as problems with the forms and methods of managing local committees and their local authorities. Reform the organization and functions of local self-government bodies, and therefore increase the efficiency of management activities due to objective laws of social and economic life, since control and management of local affairs depends on the implementation of social, economic and other rights and freedoms guaranteed by the Constitution of Ukraine.

2. Euroregions as a means of Decentralizing Power in Ukraine

In the context of decentralization, the goal of the national policy in the field of cross-border cooperation is to create favorable conditions for effective and mutually beneficial cooperation between the subjects and participants of euroregions and improve socio-economic development on the EU-Ukraine border.

At the same time, one of the main principles of the national policy in the field of cross-border cooperation is to ensure equal opportunities for cooperation in cross-border cooperation, and to define responsibility and authority between Central and local administrative bodies. All this will lead to the most effective solution of problems and tasks in the field of cross-border cooperation.

According to the law of Ukraine "on cross-border cooperation", the subjects of cross-border cooperation are territorial communities, their representative bodies, local executive authorities of Ukraine, which interact with territorial communities and relevant authorities of other states within their competence. Article 7 of this law defines the powers of subjects of cross-border cooperation: to conclude agreements on cross-border cooperation and ensure their implementation; to ensure the fulfillment of Ukraine's obligations under international treaties of Ukraine on cross-border cooperation; participate in the development and implementation of joint projects (programs); make decisions on joining relevant international associations and other associations; make proposals on the introduction of a special procedure for passing through the state border; make proposals, if necessary,
in accordance with the established procedure, on amendments to legislative acts on cross-border cooperation (Verkhovna Rada of Ukraine, 2018).

This, in turn, causes the need to modernize municipal property objects, inventory objects belonging to central authorities, and so on. This practice is common in the EU countries, especially with regard to road transport infrastructure, if they connect the territories of several municipalities, regions, and so on.

We get a situation where related businesses are not interested, first of all, in economically cooperating with Ukraine. European cross-border initiatives are usually aimed at obtaining cheap resources, especially wood (Tamosiuniene, Demianchuk, Koval, 2019; Openko, Stepchuk, Tsvyakh, 2019). However, along with the formation of a richer and more powerful middle class in neighboring territories, there is also a reassessment of values. Understanding the impossibility of self-isolation, globalization of the world, updating security issues, the desire to travel and explore your own history, or learn something new, but not far from home and in comfortable and safe conditions leads to the need to organize the nearest living space (Kovalyov, Brus, 2020).

The active implementation of the decentralization reform since 2015 has led to a consistent shift emphasis on local development from the level of regions to the level of territorial communities.

Decentralization of power and strengthening the capabilities of communities are of positive importance, because they bring the goals of transformation closer to the realization of people's interests. At the same time the redistribution of power and resources at the community level leads to the "leaching" of resources from the community. At the regional level, the legal capacity of the regional level of management also decreases.

Motivations regional authorities varied in a wide range: from the perception of the transfer of all power communities as the main goal of their activities to consciously slow down the formation of an association of territorial communities. (ATC).

However, the practice of harmonious construction of local bodies on a network basis is "strong communities are a strong region", unfortunately, has not become widespread. Regional policy as a system the object of which is the region as an integral territorial, economic and social system, it has faded into the background in the system of industry policies and regulatory activities authorities and remains implicit in the form of implementation. It was reduced to "acceptance general norms" and "resource allocation and search for sources of resource attraction". Important for regional development regulations are adopted non-systematically and have non-periodic separate character. Local state administrations are responsible for developing international cooperation in the fields of economy, human rights protection, environmental safety, health, education and science, culture,
tourism, etc. (Prokopenko, Omelyanenko, 2020). Regional and district state administrations may enter into agreements with foreign partners on cooperation within their competence (Verkhovna Rada of Ukraine, 2020).

The region and community should not be passive recipients of the provisions strategies that come "from above", and co-authors of their development and implementation.

Establishment mechanisms for identifying and taking into account the interests of communities, developing territories, and establishing interaction between communities both at the stage of formation and, most importantly, at the stage of implementation strategies, formation of participatory institutions at the level of communities and regions, ensuring support for the implementation of strategies – all this should become a separate strategic task within the framework of implementation of modern regional development policy.

Along the way, it is worth noting there is a significant potential for influencing this process of innovative ways of organizing communications – network software products and hardware solutions that form the conditions for implementation e-democracy, in particular e-governance, rationalization of resource use (such as "smart-town") and the like.

Modern information technologies are able to provide monitoring and transparency, speed of decision-making and implementation, quality and accessibility administrative services. Therefore, in the dimension of communities, the latest network industry is acquiring managerial instrumentality (Table 1). In fact, due to the powers granted, local authorities can become subjects of international legal relations, conclude inter-state agreements that are mandatory only for a specific region of Ukraine. This significantly expands the legal personality of local communities, expands their opportunities for implementing local projects specific only to this region (Prokopenko, Shkola, 2011).

| Decentralization tools | Action in Euroregions |
|------------------------|-----------------------|
| Political              | defining reforms, strengthening legislation, supporting initiatives and interests of public groups |
| Administrative         | redistribution of powers, financial resources and responsibilities for planning, financing and management of certain state functions from the central government and its bodies to the relevant sectoral units of local government, subordinate units at all levels of government, semi-autonomous public authorities or regional authorities, or associations (joint stock companies), as well as regional or functional authorities within a defined territory |
| Financial and economic | delegation of financial resources and powers, the formation of the revenue side of the budget from cross-border cooperation. The terms of such delegation are often discussed in negotiations between central and local authorities on the basis of such factors as: Euroregional cooperation, delegation of financial resources and powers from cross-border activities, the formation of the revenue side of the budget. Under the terms of fiscal decentralization, local authorities and private enterprises provide financial resources, the authority to collect local taxes, and also the right to determine the expenditures of local budgets in order to perform decentralized functions, semi-employment, availability of resources and opportunities. |

Table 1 - Tools of Decentralization in Euroregional Cooperation
The regulatory framework and resource base formed in this way became the basis for the preparation of the State regional development strategy for 2021-2027 (SRDR-2027) (Cabinet of Ministers of Ukraine, 2020).

The essence of the methodology is to combine the horizontal and vertical dimensions of integration of regional development planning. Horizontal integration dimension focuses on a cross-industry approach to priority selection development, as well as taking into account the expected impact of planned priorities economic development on the demographic and environmental map of the region. Vertical measurement integration is focused on the Coordination of regional development strategies with the ATC’s on the corresponding planning period (in particular, SRDR-2027) and other state (in particular, industry-specific) strategies and programs. In addition, the methodology explains how priorities of euroregional development strategies that are geographically located within the limits of relevant regions.

Improved methodology for Integrated regional planning development in Ukraine ensures the application of a reasonable specialization approach and provides for an inclusive approach to the preparation of strategic documents with the involvement of the maximum possible a wide range of interested parties from the public sector, business environment, expert group communities and representatives of various social groups living in the relevant region. The essence of the methodology is to combine the horizontal and vertical dimensions of integration of regional development planning.

The success of the decentralization of power reform at its next stage should be it is fixed by expanding the effectiveness of communities in influencing their content components development through decentralization at the sectoral level: in the fields of education, security health, social protection, energy, public transport, public transport issues security, etc., despite the fact that modern technologies significantly simplify localization processes in these areas. Accounting for regional and territorial dimensions of sectoral reforms in these areas expand the functionality of the communities themselves, filling in decentralization with new content. Integrated multi-level management contributes to the achievement of complementarity territorial and sectoral development. All this should lead to the successful operation of euroregions.

The functioning of euroregions within the modern legislative framework of Ukraine is one of the ways to decentralize state power and public administration. The development and active implementation of this form of cross-border cooperation makes it possible to focus powers in solving regional problems at the level of local administrations. In addition, it is at the expense of euroregions that interstate interaction can be carried out not only through central authorities, but also through
representatives of local communities. Stimulating the activities of euroregions already created in Ukraine and creating new ones will improve the level of interaction with neighboring states.

For the successful development of Euro-regional activities in the context of decentralization, it is necessary to identify the sides of development, which is shown in the SWOT analysis Table 2.

Table 2 - SWOT Analysis of Euro-regional Activities in the Process of Decentralization

| Strengths                                                                 | Weaknesses                                                                 |
|--------------------------------------------------------------------------|---------------------------------------------------------------------------|
| - strengthening the legal, organizational and material self-capacity of territorial communities and local self-government bodies, carrying out their activities in compliance with the principles and provisions of the European Charter of local self-government; | - Difficulties that will arise during the revision of the borders of administrative-territorial units, most likely, will find their expression in the consolidation of territorial communities (in order to ensure their financial viability); |
| - introduction of a mechanism for local state administrations and the population to exercise control over the provision of public services by local self-government bodies and territorial bodies of central executive authorities; | - Weakening of state control of local self-government bodies over the implementation of full-scale tasks that will be transferred to them, which is complicated by the weakness of civil society institutions; |
| - introduction of standards (standards) for the quality of public services provided to the population by local self-government bodies at the basic and regional levels, quality assessment criteria; | - Aggravation of problems of the budget system in the issue of financing the powers of local self-government bodies, the threat of its failure; |
| - creation of favorable legal conditions for the widest possible involvement of the population in the making managerial decisions, as well as developing forms of direct democracy | - A decrease in the quality of local government and the legitimacy of decisions taken, due to the low level of competence of local government officials and the imperfection of the system of selection for deputy powers; |
| Opportunities                                                              | Threats                                                                    |
| - formation of an effective territorial system of local self-government bodies and local executive authorities to ensure sustainable socio-economic development of the relevant administrative-territorial units; | -The gap between communities both within the country and in the Euroregion (socio-economic status of the community) |
| - defining clear boundaries of each administrative-territorial unit, ensuring the legal status of local self-government bodies in the territory of the corresponding administrative-territorial unit and preventing the presence of other administrative-territorial units of the same level within the territory of the community; | -ineffective or lacking system of proper supervision and control by the authorities |
| - changing the status of local state administrations from general competence bodies to counter-supervisory bodies in the executive power system with the function of coordinating the activities of territorial bodies of central executive authorities in the relevant territory; | -imperfect and unstable legislation |

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It should be noted that the successful development of cooperation within euroregions may be hindered by a number of problems and difficulties that are generally characteristic of local authorities, namely: the lack of a single consolidated strategy for cross-border cooperation in the creation and functioning of euroregions; imperfect regulatory support and legal uncertainty of the powers of local authorities in the activities of euroregions; low level of involvement of grassroots territorial communities to participate in the development and implementation of specific projects within the euroregion; lack of funding for the activities of the euroregion; insufficient training of personnel and lack of experience in the development of cross-border projects, etc.

4. Conclusion

Based on the above, euroregional cooperation with the countries of the European Union should be aimed at improving living standards in Ukraine, that is, to reduce the disparity in socio-economic indicators between Ukraine and neighboring countries, development economies of border areas. Thus, decentralization opens up significant prospects for ensuring the ability of local self-government to independently solve issues of local life, in particular, increasing the role of citizens, their influence on the process of making and implementing decisions to ensure the conditions for social and economic development of society.

This can be achieved by implementing the principles of decentralization of power, when the central state authorities still have the functions of developing conceptual areas of interaction and rules of the game. Local self-government bodies representing a community, or associations of communities in accordance with their own needs, but with the help of state guarantees, directly interact with interested communities of a related party.

That is, the main ways to implement decentralization reforms in Ukraine are: the separation of powers, rights and obligations of different levels of government in accordance with the essence of a legal, democratic state and civil society, which will achieve a balance of interests in the system of Public Relations; the development and implementation of an effective regional policy aimed at ensuring uniform local and regional development; ensuring the implementation of the principle of subsidiarity as a way to overcome conflicts of interest between local executive authorities and local self-government bodies; ensuring the expansion of the rights of territorial communities to solve their life support problems.

To achieve full decentralization of power in Ukraine, a rather complex and lengthy process is needed to support eurorregional cooperation, but it is necessary for the formation of independent and
capable territorial communities. Despite the fact that there are basic legislative norms for cross-border cooperation, regulatory consolidation requires a number of issues related to the powers of local self-government bodies, the division of responsibility between different levels of Public Power and the establishment of their close cooperation in this direction.

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