

UDC: 351

**Viktoriia Volodymyrivna Rylska,**  
*graduate student of the Dept. of philosophy,  
theory and history of public administration of  
the National Academy of Public Administra-  
tion under the President of Ukraine, Head of  
the Department of Social Welfare, Kalanchak  
district state administration Kherson Region,  
Ukraine, Kherson region, 75800, Kalanchak  
town, Str. Hersonska, 11, tel.: (067) 657 71  
55, e-mail: viktoriyarulskaya80@gmail.com  
ORCID: 0000-0002-2682-7837*

**Рильська Вікторія Володимирівна,**  
*аспірант кафедри філософії, теорії та іс-  
торії державного управління Національної  
академії державного управління при Пре-  
зидентові України, начальник управління  
соціального захисту населення, Калан-  
чацька районна державна адміністрація  
Херсонської області, Україна, Херсонська  
область, 75800, смт Каланчак, вул. Хер-  
сонська, 11, тел.: (067) 657 71 55, e-mail: viktoriyarulskaya80@gmail.com*

ORCID: 0000-0002-2682-7837

**Рыльская Виктория Владимировна,**  
*аспірант кафедри філософії, теорії та історії державного управління Націо-  
нальної академії державного управління при Президенті України, начальник  
управління соціальної захисту населення, Каланчацька районна державна  
адміністрація Херсонської області, Україна, Херсонська область, 75800, пгт Калан-  
чак, ул. Херсонська, 11, тел.: (067) 657 71 55, e-mail: viktoriyarulskaya80@gmail.com*

ORCID: 0000-0002-2682-7837



---

## DECENTRALIZATION EFFECT IN NORTHLAND COUNTRIES: EXPERIENCE FOR UKRAINE

**Abstract.** In the article is explained the state of institutional environment of public-private partnership in Ukraine in light of government efficiency using performance indices of Governance Research Indicator Country Snapshot (GRICS). The main factors that drastically reduce the quality of today's institutional environment are political instability and high level of corruption.

It today's situation, the state priority measures should stabilize the political situation, strengthen the position and role of the public sector, position the state as a reliable business partner in the world economic system and as a responsible member of public-private partnership inside the country.

**Keywords:** socio-economic development, public-private partnership, infrastructure projects, institutional environment of public-private partnership, ownership structure, public economy, GRICS indices, political and corruption risks in public-private partnership, anti-raider laws.

### **ЕФЕКТ ДЕЦЕНТРАЛІЗАЦІЇ У КРАЇНАХ СКАНДИНАВІЇ: ДОСВІД ДЛЯ УКРАЇНИ**

**Анотація.** У статті проаналізовано історію проведення децентралізації у зарубіжних країнах та її основні моделі. З метою виявлення проблемних аспектів при проведенні децентралізаційних реформ визначено специфіку їх здійснення у таких країнах, як Норвегія, Швеція та Фінляндія. На основі скандинавського досвіду узагальнено позитивні та негативні сторони здійснення децентралізації, а також визначено шляхи впровадження реформ з децентралізації влади в Україні.

**Ключові слова:** децентралізація влади, централізація, гілки влади, розподіл влади, місцеве самоврядування, територіальна громада.

### **ЭФФЕКТ ДЕЦЕНТРАЛИЗАЦИИ В СТРАНАХ СКАНДИНАВИИ: ОПЫТ ДЛЯ УКРАИНЫ**

**Аннотация.** В статье проанализирована история проведения децентрализации в зарубежных странах и ее основные модели. С целью выявления проблемных аспектов при проведении децентрализационных реформ определена специфика их осуществления в таких странах, как Норвегия, Швеция и Финляндия. На основе скандинавского опыта обобщенно положительные и отрицательные стороны осуществления децентрализации, а также определены пути реформ децентрализации власти в Украине.

**Ключевые слова:** децентрализация власти, централизация, ветви власти, распределение власти, местное самоуправление, территориальная община.

---

**Target setting.** Strong local government is the key to effective economic, social and humanitarian policy, one of the fundamental drivers of democracy that can effectively meet the challenges of the modern world. Therefore, maximum decentralization of power is one of the main principles of the developed world and European countries. These rules are reflected in the European Charter of Local Government, but so

far these principles in Ukraine, as one of the signatories of this document, function only on paper. The analysis of the historical experience of the Scandinavian countries concerning the process of becoming decentralized aims to change national trends of local community of power and make the most efficient influence on separation of powers and strengthen responsibility between the central and local authorities.

**Analysis of the recent research and publications.** The most important fact is that it is impossible to build a fundamentally new system of public administration without improving the local organization of authorities. In almost all European countries the process of decentralization of power was accompanied by a territorial reform which led to the consolidation of local units.

The analysis of recent research and publications that covered the problem showed that scientists such as V. Averyanov, V. Alexeev, I. Koliushko, P. Kondyk, N. Nyzhnyk, L. Pashko, V. Tymoshchuk and others dedicated much attention to different aspects of administrative and territorial reform.

Despite the significant contribution of these scientists in the development of theoretical and practical aspects of decentralization, a number of problems remain unresolved, particularly in terms of features the introduction of the European experience of the implementation of the reform of public authorities.

**The main purpose of the article** is to develop modern approaches for implementing an optimal model of decentralization of power in Ukraine on the experience of the Scandinavian countries, identifying their strengths and weaknesses, justified achievements of application in developed countries in the field of decentralization.

**The statement of basic materials.** All the Scandinavian countries at different times had their major reform of public administration, but the improvement management is an ongoing process, that is why it is difficult to say whether the reforms have been completed or not. Because after the comple-

tion of one phase of the reform, it passes smoothly into the new reform. For the success of the reform is important not only legal content of regulations, but its institutional and communication component. That is why the main objective of the visit is to strengthen knowledge on communication on the reform process. Unlike the Scandinavian countries, in such a big and quite heterogeneous country like Ukraine, this communication is essential for such reform like decentralization, [1, p. 5].

There have been large-scale reforms in the public administration in many countries over the past few decades. New approaches had emerged in organization of public authorities, public service began to focus on high level and efficiency in meeting the needs of society, processes of self-organization of citizens were prioritized, etc. It is not a coincidence that important part here is decentralization of power, which is often specific to a particular political and administrative system. Before turning to the features of decentralization in the Scandinavian countries, try to outline the main approaches to interpretation of the term.

In the political science literature and literature of public administration is used mostly administrative and managerial approach to the interpretation of decentralization which is based on delegation of authority and accountability "from top to bottom". Evidence of this is in the definition that is taken from the Encyclopaedia of Public Administration: "decentralization is a process of transfer of part of the functions and competences of higher levels of management to lower ones" [2, p. 166] (meaning transferring of power from central

government to the local authorities and local governments). The authors also mention about the centralization as a reverse process. These processes are described together as the characteristics of the relationship between subject and object of management, showing real balance in the distribution of authority and responsibility in decision making.

The level of decentralization depends on the general political situation, credibility of the political forces, human and financial resources held by the local authority. Decentralization of power and management can not exist outside the state.

It is held on the initiative and under the control of the central authority. It is also impossible for decentralization to exist if local authority is weak, limited in its actions and only conducts policy of the central authority. Democratic reform of public administration is only possible in case of incorporating real power on the ground in all spheres of politics. Currently, each district has its specific causes and forms of decentralization. The course and evolution of a relation between the central and local authority are always unique. The Scandinavian countries were not an exception.

Among the common features that are inherent in this group of countries are: strong central authority, somewhat weaker power at the regional level and relatively high level of local autonomy. The model of local government of Scandinavian countries is characterized by functionality aspects and participation, that is in the political process not only the state is involved, but also lower levels of administration. A system of horizontal control is implemented in which

each local level has its own power and responsibilities that do not overlap with higher levels [3, p. 71].

In Finland local authorities are responsible for services that provide daily well-being of citizens. Studies show that Finns appreciate municipal services which are well used.

The functions and responsibilities of local authorities in Finland:

- running elementary and secondary schools, vocational and polytechnic education;

- adult education, art classes, culture and recreation, maintaining library;

- child day care, social services for the elderly and disabled, and a wide range of other social services;

- preventive and primary health care, including treatment in specialists and dentists;

- environment protection;

- control of construction and land use in the territory;

- water, electricity, sanitation, waste management, maintenance of roads and streets;

- support for trade and businesses, provide employment on the territory.

In general, there are more than 400 communities in Finland. Most of them speak Finnish. Every tenth community is classified as a bilingual community that is the relevant number of people in the area who speak Finnish and Swedish, which are the two official languages in the country. Twenty communities speak only Swedish.

Finnish local authorities constantly improve their services seeking to ensure their quality and effectiveness. In order to provide certain types of services or perform special functions, local author-

ities often unite or start new organizations. There are 230 united authorities that provide services to the education, social security and health care in Finland.

Finnish local governments have a high degree of autonomy guaranteed by the Constitution. Every four years residents of local councils are elected through free and democratic elections.

Transparency and openness are the basic principles of the Finnish local government. Local government act (legislation) emphasizes not only on representative democracy, but also on the ability of residents and service users to participate and influence decisions at the local level. Local authorities provide information to members of the local community on current issues of the activity, plans, results, taken decisions and their impact.

Special services advise citizens on the making of the applications, deal with questions and give opportunities to express their vision of problems and their solutions. Community members have the right to propose initiatives on municipal issues. Local referendums can be carried out for this purpose.

Local authorities finance their activities with funds generated by taxes, transfers from the central government, various charges and profits from the sale. Local income tax paid by residents, property tax and corporation tax make up almost half of the revenues of local budgets. Each local authority takes an independent decision on the rate of income tax. The central government gives local authorities adequate financial assistance to ensure a wide range of public services. The transfer system from the state budget aimed at financial

equalization between the local authorities and ensures citizens equal access to services across the country.

The annual cost of local budgets account for 31 billion euros. The state budget is 38 billion [4].

Sweden, like other countries in the region, did not avoid the need for reform of local administration which took place in several stages of development. Each of them held the next reform of administrative and territorial structure, which resulted that local authorities became closer to the people and this provided a decent standard of life for all citizens. Earlier, there were more than 2 thousand communities with a small population. They felt the lack of financial resources and could not effectively respond to the challenges of that time. That is why legislative changes were adopted, which resulted in decreased number of communes. In addition to changes in the territorial structure, other reforms were carried out. In particular, since the 1970s, according to J. Chandler, there had been a shift from government with attributes of direct democracy to modern functional representative system. First of all, reforms were guided by the experience of the UK, which is characterized by agency relationship with a broad autonomy between the levels of administration, the introduction of market relations in the sphere of public services, etc. Subsequently, Sweden was able to find the optimal development model that allows local power to conduct common to the whole country government policy and provide national and local interests without limiting local initiative and implementing effective local governance in settlements. The form

of Sweden state model is unitary state, the form of government is constitutional monarchy. The state apparatus in Sweden is quite small: about 17 % civil servants work in central government, 23 % – at the regional level, while the majority of social services in Sweden are provided by municipalities, where employed nearly 60 % of civil servants. Executive power in the state belongs to the Cabinet of Ministers, which is formed by the Parliament (Riksdag). Subdivisions in the country include 21 county councils (regional level), each of which is divided into communes, in other words, municipalities (local level), in total there are 290 of them. At the state level, the Parliament, the Government and specialized state agencies provide assistance to local government. At the same time, while the competence of the state is protection of public order, defense, national road construction and so on, the bulk of local issues is within the competence of local governments, based on the principle of subsidiarity.

Thus, the Swedish communes are divided into two types of competence: the common competence within the law on local government and those which provided by special legislation. The first type includes competence relating to living condition of population and is not included in the nationwide list above (public transport, cultural development, leisure activities of citizens, landscaping, land use, etc.).

The second type has competences that are referred from regional level to local. They relate to social security, emergency services, environmental protection, etc. The study of the system of government in Sweden allows defining ways of development and improvement

of local government in Ukraine, due to the initiated reform of decentralization of power [3, p.71].

In general, at all levels of exercising of power in Sweden political parties are the main rallying implementation of policy. The vast majority of nationwide political parties have their own representation at the regional and local levels, their political programs must include sections on local government development strategy, given the specificity of individual regions and communes.

The issue of government representation in local authorities, especially today in Ukraine, is quite controversial in the reform of public administration and decentralization. Sweden solved this issue by establishing national agencies (offices, departments, associations, etc.), municipalities that operate on the rights of public associations. On the one hand, they cooperate with the government in developing collective recommendations on the issues that are considered at the local level. On the other hand, they do not directly affect the decisions. However, as a rule, these recommendations are developed by experts and government officials; they are constructive and are largely supported at the local level. In our opinion, this is a vivid example of cooperation between local governments and the state, and the essential point here is about a real representation of the state, but not about its intervene or direct impact [3, p. 72].

Quite important in the formation of decentralized processes in Ukraine is the Norwegian experience.

The origins of modern local government in Norway can be found in the law of 1837, which required that each

county, rural or urban, must form a municipality with elected representatives. Even when the Norway was part of the union with Sweden, local authorities achieved a high degree of autonomy, what allowed them to build infrastructure and expand social welfare services. Compulsory income tax was introduced in 1882 and quickly replaced the property tax as the main source of local revenues, while municipalities enjoyed freedom in setting tax rates.

The territorial reform of 1960 reduced the number of municipalities from 700 to about 450, and the gradual consolidation continued on a voluntary basis.

However, 28 of the existing 428 municipalities still have a population of one thousand people and less, so in 2014 the government launched a new reform, which should lead to further consolidation of municipalities, and possibly, counties, in 2017. The Parliament is still trying to avoid forced consolidation, but the government encourages municipalities to do so by using financial incentives and providing new features to bigger and more capable units.

19 district councils have been elected through direct elections since 1975. Their role is smaller compared to municipalities, especially since 2002, when responsibility for the hospitals was transferred to the central government. Governors represent the state at the district level and they are responsible for the supervision of municipalities. In terms of finance, local governments today have less autonomy, than it was in the 19th century, as now they are more dependent on grants from the central government and in practice can not impose the income tax rate. Local govern-

ment also has no formal constitutional or legal protection, as provided in most other Scandinavian and Baltic countries. Despite this fact, local authority is powerful, plays a key role in education, health care and other social welfare services and has 20 percent of the total employment. Norwegian Association of Local and Regional Authorities (KS) was established in 1972 by combining the Norwegian Cities Alliance and the Norwegian Association of Rural Municipalities. Norwegian Association of Local Authorities represents all municipalities and districts, as well as 500 public companies, and defends the interests of its members and the association of employers.

Expenditures of local governments in Norway make up 15,4 % of GDP or 33,8 % of total public expenditures, that is lower than in other Scandinavian countries (although Norway GDP is significantly higher partly because of oil revenues). The central government is responsible for universities and hospitals, but education and health care represent a significant proportion of local budgets. Social services are the largest section (including care for the elderly, disabled and child protection). According to the Ministry of Finance, municipal revenues in 2015 consisted of tax revenues (40 %), total government subsidies (35 %), target transfers (5 %), compensation of paid VAT (5 %) and charges or user fees (14 %). The main source of revenue is personal income tax. In 2015, the national rate was 27 %, which was distributed as follows: 11,35 % for municipalities, 2,6 % for districts and 13,05 % for the central government. These maximum rates are set annually by Parliament.

Local authorities can choose a lower rate, but the government discourages this by corresponding reduction of subsidies, and no local authorities have taken advantage of this opportunity since 1979. Municipalities also receive a share of the luxury tax (at a fixed rate of 0,7 %) and can levy local taxes on real estate and natural resource use. By 2007, the property tax was essentially limited for urban areas, so it was not available for all municipalities. Since then, the scope expanded and in 2014, 341 municipalities chose collection of property tax, which is a bit over 5 % of the total local tax revenues.

Like other Scandinavian countries, in recent years a trend of using targeted grants has been increasing. However, untargeted subsidies remain the largest source of transfers and it is the most important part for the purposes of redistribution. Thus, municipalities in Norway have many challenges and opportunities, similar to that, which face their counterparts from the EU. Municipalities are active in such areas as cross-border cooperation, renewable energy, Cultural Capital of Europe and youth exchanges, which, as everywhere, is easier for those with larger organizational resources. Municipalities are also required to implement or adhere to the EU rules in areas that are difficult for local authorities in any country, including state aid, public procurement, labor legislation and standards relating to the environment [5, p. 33]. Assessing the experience of the EU financial model of local development, division of powers between the state and sub-national units, should be taken into account “supercentralized” distribution of funds intended for development. For so-

called “transitive” countries, which occur with significant budget constraints, this tool is essential and allows territorial systems to use additional resources for co-financing development projects, while maintaining the possibility to cover current expenditures from its own resources. The major targets of the EU regional policy are regions, not municipalities or communes. Therefore, decentralized models of the EU member states often have more powers associated with the development at the regional level, while on the ground current economic and social problems are resolved [6, p. 9].

Conclusion. Thus, examining the experience of Scandinavian countries can be taken the basis for determining criteria for consolidation of basic administrative and territorial units, namely:

- the territory and population;
- functions (tasks, competence), performed by the authorities of different territorial levels;
- the degree of political and financial autonomy of local authorities;
- the mechanism of public services (through state or municipal services or involving the private sector).

The purpose of administrative and territorial reform should be improving the efficiency of public services and bring the government closer to the people. Reforms should be integrated based on scientific reasonable and credible programs, taking into account international experience, own mistakes of past years and the characteristics and potential of districts.

The more effective administrative and territorial reforms are those that were initiated directly by communities, not imposed “from above”. And



even if there is a national initiative, the transformation should be preceded by a broad public discussion.

Solving the problems of the domestic economy, in particular by external influences in environmentally unacceptable production without solving the problem of creating a constitutional resource owner, which is the local community and respect its rights, is impossible.

Territorial community is the guarantor of the consolidation of ownership and its formal reallocation if necessary. Experience shows that establishing a community-owner “from the outside” is impossible.

Without own activity, without any actual communities even the most favorable legislative initiatives will not give any long-term results, that could be reflected in the welfare of members of the community.

Applying the experience of decentralization of power in the Scandinavian countries, taking into account the particularities of administrative and territorial reform in Ukraine will help to provide both national and local interests of united communities. Implementation of this experience and the search for an optimal model of decentralization in other areas of management are promising areas for further research.

## REFERENCES

---

1. *Anatoliy Tkachuk*. The Scandinavian way. Experience with reform of administrative and territorial structure and local governments of Denmark and Sweden. — Kyiv, Logos, 2015. — 124 p.
2. *Surmin Y. P., Bakumenko V. D., Myhnenko A. M.* and others, (Red.: Kovbasyuk Y. V., Troshchinsky V. P., Surmina Y. P.) Encyclopedic Dictionary of governance. — Kyiv, NAPA, 2010. — 820 p.
3. *Sukhenko V. V.* Experience with decentralization of power in Sweden: experience for Ukraine. VV Sukhenko. NAPA Journal of the President of Ukraine (series “Public Administration”), — number 3. — 2016. — Available at: <http://www.irbis-nbuv.gov.ua> (accessed 7 March 2017).
4. *Local government in Finland*. — Prepared on the website of the Association of Local and Regional Authorities of Finland. — Available at: <http://tergromada.blogspot.com> (accessed 7 March 2017).
5. *Local governments in Nordic and Baltic countries* — skl international Hornsgatan 15 SE-118 82 Stockholm Sweden. — Available at: <http://2.auc.org.ua> (accessed 7 March 2017).
6. *Danylyshyn B. M., Pylypiv V. V.* Decentralization in the EU: lessons for Ukraine. BM Danilyshyn VV Pylypiv. Regional economy in 2016. — № 1. — Available at: <http://www.irbis-nbuv.gov.ua> (accessed 7 March 2017).