POST-WAR RECONSTRUCTION OF STAROSTYNSKY DISTRICTS IN UKRAINE: FINANCIAL ASPECT

Kostyantyn Melnyk
Postgraduate Student at the Department of Regional Policy, Educational and Scientific, Institute of Public Administration and Civil Service of Taras Shevchenko National University of Kyiv, Ukraine
e-mail: kosleeway32@ukr.net, orcid.org/0000-0003-2861-5042

Summary
Within the framework of the study, the content of the concept of “post-war reconstruction of Starostynsky districts in Ukraine” was considered, which should be based on a resource approach. This approach about understanding by local self-government bodies (and elders in particular) of the importance of developing a multi-vector policy for the development of rural and settlement territories after the end of the war with Russia. The author of the article emphasizes that there is a direct relationship between the financial capacity of Starostynsky districts and the speed of recovery (economic, technological, social and cultural) of the territories within these districts. The article analyzes the problematic issues of the post-war reconstruction of Starostynsky districts, as well as the main tools: 1) to ensure the reconstruction of the territories of villages and towns affected by the war, which are part of Starostynsky districts; 2) to find financial resources and opportunities sufficient to fulfill the current and prospective tasks of the development of Starostynsky districts in Ukraine (fundraising is defined as one of the key tools). Twenty forms of post-war support for enterprises, farmers, and households in the territories of villages and settlements have been proposed, which will contribute to the creation of an investment attractive environment in Starostynsky districts.

Attention was drawn to the importance of stimulating fast-growing, high-tech industries, programs to support the transition of business to the circular economy, and the importance of cooperation of all branches of government, including starosta as key players in the system of local self-government, to ensure the financial capacity of Starostynsky districts. 

Key words: starosta, financial capacity of the Starostynsky districts, fundraising, post-war recovery, investment attractiveness of territories.

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1. Introduction

The full-scale Russian war on the territory of Ukraine nullified the current plans for the development of rural areas and had a negative impact on their socio-economic development, worsening the living conditions of residents in Starostynsky districts. The enemy is purposefully destroying the objects of the energy and transport sectors, as well as social and industrial infrastructure, thereby exacerbating many other problems of villages and towns that existed before the start of hostilities. Significant demographic losses, the migration of the able-bodied population abroad, and colossal daily economic losses caused by military aggression are also a difficult test for Starostynsky districts today.

In this period, special attention is paid to issues of post-war reconstruction and the search for, firstly, opportunities and resources that will allow in a short time to solve the main
problems of villages and settlements destroyed/damaged as a result of the war in Ukraine, and secondly, approaches and tools that will contribute speeding up the reconstruction processes of Starostynsky districts after the war and establishing constructive interaction between various interest groups.

In view of this, the problem of post-war reconstruction of Starostynsky districts and the financial and economic characteristics of ensuring this process appear to be relevant and important for detailed study in the field of public administration.

2. Financial support for the reconstruction of territories

According to preliminary estimates of the World Bank, the reconstruction of Ukrainian territories is estimated at the amount of “about 500-600 billion euros” according to the Reconstruction Plan similar to the “Marshall Plan” (Bjerde, 2022). In December 2022, the International Monetary Fund, against the background of the losses of Russian military aggression, estimated the need for external financing of Ukraine at the level of at least 39.5 billion dollars and another 8 billion dollars for the restoration of critical infrastructure (Ministry of Finance of Ukraine). It is obvious that the sums are approximate and need to be clarified in view of the scale of the destruction and damage assessment by industries, regions, communities, Starostynsky districts of Ukraine, as well as the development of a detailed estimate based on requests for support for the restoration of destroyed (damaged) territories, including villages and settlements that are part of Starostynsky districts.

It is estimated that the losses of the educational sector in the period from the end of February to May 2022 amounted to – 3.5 billion dollars and 8.8 billion dollars (82%) of the total amount of direct losses of institutions of the social sphere, education and health care as of January 2023. “Total indirect losses in these spheres reach 11.1 billion dollars, direct losses – 10.7 billion dollars. The necessary amount for their restoration is at least 19.7 billion dollars” (Tymchuk, Panasyuk, 2022; KSE Institute). The analysis of the countries that have experience of rebuilding the territories after the war confirms that the center of measures and plans for reconstruction should be the person and his needs for housing, education, work and proper conditions for living in a specific area. For example, in Croatia, in which the war lasted from 1991 to 1995, first of all, “we concentrated on the restoration of schools, roads, health care facilities, public infrastructure to ensure a quality life for citizens” (U-LEAD, 2022).

In the working groups of the National Council for the Recovery of Ukraine from the Consequences of the War, created in 2022, with the participation of experts, a number of proposals for the country's war and post-war recovery (Recovery Plan of Ukraine, 2022) were developed. The analysis of this Draft Plan gives reason to conclude about the declarative nature of individual measures, the difficulty of its perception for the public and international partners, on the one hand, due to the large number of areas in one document (24 areas, including the restoration and development of infrastructure, digitalization, agrarian policy), duration of implementation (10 years), on the other hand, the general budget for the reconstruction of the territories after the war in the amount of at least 25 trillion hryvnias, which is not supported by detailed calculations and studies, and in connection with this, the document contains corruption and other risks regarding the transparency and accountability of the processes of reconstruction of the Ukrainian territories, including Starostynsky districts. World Bank experts in their pre-war speeches at world forums and influential international platforms criticized the hidden elite-oligarchic type of development in Ukraine and bribery in various spheres and systems (permissive, judicial, etc).
At the same time, we understand that the implementation of the Action Plan for the restoration of Starostynsky districts and Ukrainian territories as a whole can only be effective if there are partnerships and control by representatives of civil society institutions and the international community.

In the State Budget of Ukraine for 2023, 67.35 billion hryvnias (in the total amount of expenditures of 2.6 trillion hryvnias) are planned to be directed to the “Recovery and reconstruction of the country”, of which 35.5 billion hryvnias are the funds of the Fund for the Liquidation of the Consequences of the russian's Aggression, 5.3 billion hryvnias – the Ukraine Recovery Program, 2.0 billion hryvnias – the State Fund for Regional Development (RDF) and 1.7 billion hryvnias – an emergency credit program for the recovery of Ukraine. The total resource of local budgets in 2023 – 605.1 billion hryvnias, while the reverse subsidy is not withdrawn from them for the period of martial law.

In our opinion, this is important, because the local budgets of communities, where the receipt of personal income tax per person exceeded the average indicators for Ukraine, transferred part of the funds (half remained locally) to the State budget to balance the situation with the tax capacity of the territories (a tool horizontal alignment). In addition, the State Budget also includes basic subsidies as the main tool for the fiscal capacity of local budgets in the following amounts: for the exercise of the powers of local self-government bodies in de-occupied, temporarily occupied and affected territories – 23.9 billion hryvnias and subsidies to local budgets – 3.7 billion hryvnias (Ministry of Finance of Ukraine; Lyubchenko, 2021).

It's difficult to say how much of the State financial support for the development of communities and the development of infrastructure in 2023 will be spent on the development of rural areas, at the same time, according to the Monitoring of the Reform of Local Self-Government and Territorial Organization of Power (as of January 10, 2022), it is known that development in 2021 was allocated 4.5 billion hryvnias or 5.5% (the total amount of support – 81.8 billion hryvnias) and 7.1 billion hryvnias or 5.4% in 2022 (the total amount – 131.8 billion hryvnias) (Monitorynh, 2020). Taking into account the underfunding of the State and local budgets, the limited financial capabilities of Starostynsky districts and the scale of destruction across the country, as well as the high level of inflation in the country, the specified amounts of expenditure seem quite insignificant for reconstruction.

Undoubtedly, it is difficult to solve the issue of restoration of the territories of villages and towns that are part of Starostynsky districts at the expense of exclusively internal resources. In today's realities, the financial capacity of the Starostynsky districts is strengthened at the expense of the main sources of funding: internal (revenues from taxes, fees, sales and leases of communal property of enterprises operating on the territory of villages and towns within the Starostynsky districts, etc. Therefore, it can be argued that many projects for the restoration of the affected territories cannot be implemented without the support of the state, local self-govern-ment bodies, the support of world leaders, donors of the European Union and targeted international loans allocated for Ukraine.

In our opinion, the post-war reconstruction of Starostynsky districts is a complex multifunctional process involving the state, regional, public sectors and international partners to:

creation of favorable conditions for residents of villages and towns to live and the return to Ukraine of family members who were forced to leave their homes;
economic support of territories, physical restoration of buildings of healthcare institutions, social and educational spheres, destroyed housing stock, highways, bridges, railway transport, critical infrastructure objects starting production and supporting the relocation of production to safe rear districts of Starostynsky districts;
creation of investment and resource attractiveness of the territories of Starostynsky districts by stimulating internal and external investors to open and restart businesses and gradually increase production capacities in villages and towns.

We believe that the basis of the post-war restoration of Starostynsky districts in Ukraine and the solution of a complex of issues that are within the competence of the appropriate level of management on the territory of Starostynsky districts: economic, social, ecological, management problems and spatial development (Roman, 2022) should be based on a resource approach, which is based on the understanding by local self-government bodies (and starosta in particular) of the importance of developing a multi-vector policy for the development of rural and settlement territories after the end of the war with Russia.

We agree with I. Markovych that multi-vectorism “must be formed and implemented for maximum effect in compliance with strict standards at all levels of management and with the availability of appropriate resources” (Markovych, 2016). The provision on “sufficient own financial resources” is not new and is mentioned in the European Charter under the term “financial independence” with the clarification that this includes “the right to freely dispose of one's own financial resources within the framework of one's own powers” (European Charter).

However, we associate the issue of the post-war reconstruction of Ukrainian territories with the term “capacity”, and within the scope of the study we will talk about the “financial capacity of Starostynsky districts” and its influence on the speed of the processes of restoration of the territories of villages and settlements, including the gradual restoration of financial and economic and social and cultural situation in these territories. We see that there is a direct relationship between the financial capacity of Starostynsky districts and the speed of restoration of territories within these districts.

3. Tools for ensuring post-war territorial reconstruction

We emphasize the mandatory support of Starostynsky districts (state/regional/local/international) not only through subsidizing or financing any projects, but through the stimulation of fast-growing, high-tech industries with the creation of effectively working teams for their support and mandatory coordination/discussion problematic issues with elders and residents of villages and towns whose interests will be affected by these projects.

In view of this, we consider, first of all, projects related to:

- with a tourist and recreational direction (Swarbrooke & Horner, 2020);
- the construction sector (using energy-efficient technologies) or the opening/repurposing of enterprises focused on the production of construction and roofing materials;
- supporting the processing industry (for example, the creation of clothing or accessories factories, wood and metal processing, agro-processing; support for households in the territories of villages and towns within Starostynsky districts). Separately, it is worth highlighting a promising profitable segment with minimal capital investment (profitability of business – 60-80%) – creation of enterprises for removal, storage of garbage or processing of solid household waste.

“In the countries of the European Union, about 85% of waste is recycled a second time, in Ukraine the collection system is at the initial stage (the collection rate has been reduced to 15%) (Recycling of waste);

- the transition to a circular economy within the framework of the formation of the Ukrainian green course (European Green Deal);
- agriculture as one of the key directions for the development of Starostynsky districts. In general, “agriculture is an important sector from the point of view of GDP and employment
(about 15% of the total population of Ukraine), agricultural producers provide the local population with almost 100% of the consumption of the main agricultural crops, vegetables and at least 80% of the meat consumption. Despite the potential of agricultural production, the war seriously affects not only global, but also domestic food security (Overview, 2022);

creation of agricultural cooperatives, horticulture and greenhouse farming (for example, construction of “modular” greenhouses for growing vegetables and fruits). “Due to the military actions, 40% of greenhouses in Ukraine have stopped their work, others continue to work with less output. In Ukraine, from October to November 2022, the application for receiving grants in the amount of 70 million hryvnias (about 250 jobs) has been confirmed” (Greenhouses for berry growing, 2023). Grants provide compensation by the state or local government for part of the funds for business development;

further development and support of the IT sector at the level of Starostynsky districts and liberated rural areas (creation of clusters, hubs) and implementation of digital transformation programs, such as, for example, “deployment of 4G communication for 350 villages in Ukraine (talk about restoring communication, improving of quality and will appear for the first time in certain territories) (Ministry of Digital Transformation).

It should be noted that in June 2022, the government presented a new economic strategy, within which 8 programs aimed at creating jobs through business support were launched (budget – 10 billion hryvnias, priority – export-oriented enterprises). The State program of soft loans “Available loans 5-7-9%” (State program) and other programs that allow creating “conditions for production of a higher technological level than those destroyed in the war, to stimulate the development of those areas in Ukraine whose products the world is ready to buy at the highest price” (Prodan, 2022).

The analysis of foreign and domestic sources (Local growth; Local economic development; Wójcik, 2019; Baldych and ets, 2020) allows to determine the main forms of post-war support for enterprises, farmers, households in the territories of villages and towns, which will contribute to the creation of an investment-attractive environment in Starostynsky districts:

business subsidies;
irrevocable financial support of high-tech long-term business projects and programs to support the transition of business to the circular economy from the state, local self-government bodies or international partners;
state orders, including for the provision of social services;
various subventions (educational, medical, etc);
lending to small and medium-sized businesses at low interest rates;
tax incentives for enterprises, farmers, households;
encouragement of local initiatives in the territories included in the Starostynsky districts;
target programs (projects) of development and reconstruction of territories (local, state);
public-private partnership;
leasing and investment programs to support business, in particular farmers, households;
employment programs for the unemployed, including separate programs for internally displaced persons;
free training programs for business, including financial literacy and starting your own business of various profiles (primarily, agricultural direction);
financial guarantees for opening one's own business;
special incentive banking programs for business, providing monthly access to interest from funds on deposits or dividends from the work of public-private enterprises;
assistance in the organization of start-ups or the acquisition of part of the shares (share) in the IT sector;
material and technical assistance;
local borrowing (conclusion of credit agreements with financial institutions or issuance of local loan bonds) with state support and appropriate guarantees for potential investors (banks, pension funds, insurance companies, foreign investors or residents themselves. It is about “creating favorable conditions at the local level, removing administrative barriers to attracting investments, increasing investor confidence to increase investment income (primarily long-term)” (Local growth), although, of course, this is more realistic to achieve after the end of the war;
international technical assistance resources and services;
grant programs;
development of Starostynsky districts based on the introduction of “corporate social responsibility” (Baldych and ets, 2020).

In turn, the interaction of the starosta with the members of the Starostynsk district requires constant improvement, motivation and professional growth from the elder. That is why the knowledge of the elders and their team of the basics of fundraising and writing projects, submitting grant applications will be an advantage for the start of post-war transformations in the lives of residents of these territories, which also depend on the coordinated work of local self-government bodies and state authorities.

There are many variations in the definition of the term “fundraising” in scientific sources:
“the search for funds or resources for the implementation of projects, certain activities in a certain territory at a certain time and for a certain purpose; collection or attraction of funds or resources for the organization's activities; the skill/art of attracting resources” (Exploring Organizational Self-Sufficiency, 2008);
“the art of attracting funds from private individuals or charitable organizations that provide financial resources in the form of grants; the process of collecting funds and other resources, which are mainly used to implement socially significant programs” (Fundraising, 2013);
“attraction and accumulation of resources by state bodies from various sources for socially significant goals, based on socially responsible interaction and involves voluntary and mutually beneficial cooperation” (Ogorodnyk : 2014, 198).

From our point of view, it is appropriate to define the following main stages of fundraising as a search for resources and opportunities at the level of Starostynsky districts: planning – involvement – implementation and monitoring – reporting and control – analysis of effectiveness.

Despite the fact that the term “fundraising” is associated with the active or passive collection of funds by public organizations and the non-governmental sector, the concept is much broader than simply attracting funds, and recently it is increasingly used in public administration, talking about attracting resources for the development of territories (state or municipal fundraising) or the preparation of a high-quality socially significant project, place it on the official websites of the representative bodies of the territorial community, the Starostynsky districts, the Starosta, on the pages of social networks and thus reduce the cost of the resource search process.

4. The Starosta as participant of changes in the processes of post-war reconstruction

In our opinion, the Starosta of villages and settlements in Starostynsky districts in the conditions of post-war territorial reconstruction are active participants in social, economic, cultural and political changes in Starostynsky districts. For this, the functions and areas of their
responsibility for the development of the territories of the Starostynsky districts are clearly
defined at the legislative level. Starostas are endowed with appropriate powers, according to
which they form a team to perform a range of key tasks and analyze the urgent needs of resi-
dents of Starostynsky districts.

With the start of a full-scale war in Ukraine (February 24, 2022), the work of elders in
Starostynsky districts has become more important, as they are the main figures in the organiza-
tion of aid and support for the population living in a specific Starostynsky districts. It is possible
to single out the main problem in the conflict zone for elders: ensuring the proper level of pro-
tection and safety of residents of Starostynsky districts in the event that enemy forces enter the
settlement. The Starosta must understand what actions need to be taken, regardless of the com-
plexity of the situation, continue to provide aid (not only humanitarian), services, consultations
to the population that has been subjected to armed aggression. Undoubtedly, war events disrupt
the usual work of elders, however, in the context of the post-war reconstruction of territories, it
is the elders who play a key role in establishing close cooperation in various directions for the
comprehensive restoration of villages and settlements (economic, social, ecological) with other
members of the local self-government system and a role in combining the efforts of Starostyn-
sky districts among themselves for the joint solution of problems, that is, before consolidation.
Actually, economic consolidation “is based, first of all, on the formation of strong economic
(production, trade, etc.) ties between territories, including on the basis of using the potential of
interregional and intermunicipal cooperation” (Bila, Shevchenko and ets : 2013, 18).

We note that we consider the cooperation of Starostynsky districts as an effective tool
for the post-war reconstruction of the destroyed (damaged) territories of villages and towns
in Ukraine. At the same time, in the process of restoration of the territories, the leading role is
played by the elders, who are called to defend, firstly, the interests of the residents, secondly,
to ensure the relationship between residents and local self-government bodies, thirdly, to find a
compromise with the elders of the neighboring Starostynsky districts and participants, involved
in the post-war reconstruction of territories (public authorities, business associations).

5. Conclusions

The issue of the post-war reconstruction of the Starostynsky districts in Ukraine, their
financial and economic support and the development of the territories after the war are undoub-
edly relevant and require from the public authorities innovative management solutions, a bal-
anced regional policy, material, technical and financial support for the repair of transport,
construction of roads and infrastructure facilities and the development of a detailed plan and
estimate for the restoration of war-affected territories and their inhabitants.

We consider the concept of “post-war reconstruction of Starostynsky districts in Ukraine”
as a multifunctional process for solving a complex of issues, that are within the competence
of the appropriate level of management in the territory of the Starostynsky districts: economic,
social, ecological, managerial and spatial development problems with the involvement of state,
regional, public sectors and international partners in cooperation.

We emphasize that the state's resources and efforts should be aimed at achieving a bal-
ance of socio-economic interests in Starostynsky districts, based on the needs and interests of
citizens, including those who were forced to leave their homes and plan to return to Ukraine
after the war.

In the current turbulent conditions, the presence of two important components comes to
the fore in the work of Starostynsky districts for the starosta:
knowledge, abilities and skills to effectively manage one's own resources (financial, human, first of all);

team (collective), which will be engaged in fundraising in order to attract investments for
the reconstruction of damaged territories of villages and towns.

Therefore, Starostynsky districts, which are able to activate internal reserves, attract
investments, find financial resources and, in general, effectively manage territories, gain a com-
petitive advantage in conditions of change and uncertainty. The Institute of Starosty in the post-
war reconstruction of Ukraine plays an important role in building the financial capacity of rural
areas and effective vertical-horizontal communication between the participants involved in the
post-war reconstruction of villages and towns.

In fact, the financial capacity of Starostynsky districts reflects their readiness to create
favorable conditions after the war for:

- stabilization of the socio-economic situation in the most affected settlements, provision
  of sufficient energy resources, water and other supplies for residents of villages and towns
  within Starostynsky districts, as well as access to clean drinking water and basic administrative
  services;

- rapid revitalization of rural areas and restoration of critical infrastructure, industrial and
  social;

- increasing the economic potential of the territories (villages and settlements within the
  Starostynsky districts);

- uninterrupted operation of enterprises and organizations that will work in Starostynsky
  districts and provide jobs for their residents, including the repurposing of industries taking into
  account the need to build a barrier-free space (access for people with disabilities, the sick and
  the elderly);

- improvement of living conditions of citizens and observance of the principle of accessi-
  bility and quality of service provision for residents of villages and towns within Starostynsky
  districts, including persons with disabilities (administrative, housing and communal services,
  medical, educational, transport services);

- improving the overall well-being of the population in Starostynsky districts and other
  benefits.

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