

Sumy State University
Education and Research Institute for Business Technologies «UAB»
Department of International Economic Relations

QUALIFICATION MASTER'S THESIS

on the topic

«International organizations projects for local economic development in Ukraine»

Completed: student of IIm course, group ME.m.71a

Specialty 292 «International Economic Relations»

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INTRODUCTION

In today's conditions of the world's economy development the role of international financial organizations that cover the social and economic spheres of economy is growing and is one of the important factors in ensuring the economic development of countries and their regions.

To date most of the mechanisms for international financing of local socio-economic development have long been known and are widely used by cities in many countries and Ukraine including.

Among many, there are several organizations that carry out significant work directly in Ukraine. The specifics of the statutory tasks of their bodies and programs managed by them envisages a significant targeted influence on the social and political processes in the societies of the participating countries. This is primarily the United Nations and its specialized agencies, as well as the Council of Europe, the World Bank. Own programs and projects in Ukraine are carried out by the EU, a number of international economic organizations, which are associated organizations of the United Nations as well as non-state international funds and foreign government and non-governmental organizations.

Projects of international donors make it possible not only to accelerate the movement of communities to European standards, to form a solid civil society, but also to improve the infrastructure of cities by direct financial assistance. Unfortunately in Ukraine not many communities are aware of the opportunities that exist at present. Effective work of local governments, which are concerned with the socio-economic development of territorial communities, largely depends on rational planning and on the process of attracting the necessary financial resources from the outside. However, today the question of the effectiveness of international financing of local economic development remains one of the most acute and needs further research.

The theoretical and practical principles of this issue were developed in the works of O. Abakumenko, M. Baimuratova, R. Dongier, O. Drozdovska, M. Lukashev. At the same time, the issue of the effectiveness of international cooperation on local economic development remains poorly developed, which determined the relevance of this study.

The object of the work is the process of assessing the effectiveness of the implementation of international organizations projects for local economic development in Ukraine.

The subject of the work are theoretical and practical aspects of the effectiveness formation of international organizations projects for local economic development in Ukraine.

The purpose of the work is to substantiate the effectiveness of international organizations projects for local economic development in Ukraine.

To achieve the aim the following tasks were set:

- to study theoretical and methodological foundations of international organizations approaches to financing local development;
- to evaluate the international projects implemented for the local economic development in Ukraine;
- to substantiate the effectiveness of the UNDP project «Community Based Local Development».

To achieve the aim and to perform the tasks, the following methods were used: statistical, comparison, system analysis, synthesis, analogy, abstract-logical method, comparative analysis, induction, graphic, difference-in-differences, method matching observables.

The scientific and practical novelty of the research results is to substantiate the effectiveness of the implementation of international organizations projects for local economic development in Ukraine.

CHAPTER 1

THEORETICAL-METHODOLOGICAL BASIS OF INTERNATIONAL ORGANIZATIONS APPROACHES TO LOCAL DEVELOPMENT FINANCING

1.1. The statements of territorial community development with an involvement of international organizations

The experience of international financial assistance to countries shows that the inefficiency of directing funds only to increase the living standard of the population without appropriate institutional reforms in society. In this regard, at the end of the XX century, international financial institutions began to use a new paradigm of development, oriented not only on economic shifts, but also on the processes of strengthening civil society. Whereas previously the direct provision of material or financial resources to poor countries dominated, now a significant amount of support is directed at educational projects and programs related to the organization of independent activities, which can ensure the sustainable development of territorial communities.

At the same time, financial resources from donors to a large extent come directly from the disposal of local communities, by passing state authorities or other intermediary organizations. This is partly due to the fact that donor organizations were disillusioned with financial schemes that are mediated by state authorities [4].

According to the Ukrainian scientist V. Kuybida, the lack of financial capacity of territorial communities in Ukraine is the main reason for the need to reform the financing of local self-government with the attraction of funds from international organizations: «Because today 80% of the existing communities are subsidized. Of these, 95% are deeply subsidized. One third of the communities has a population of up to 500 inhabitants, another one third - up to 100 inhabitants. Such small communities can not really maintain social infrastructure and are not capable of development. It is easy to calculate based on the ability to fill the local budget, which only a territorial

community of over 5000 people can do it. And the state is obliged to help the territorial community to be capable of self-existence and development. In what way? You can do this, but not 80%. Under such conditions, communities are not self-sufficient systems» [25].

Therefore, it is possible to identify the following key statements for the development of territorial communities with the involvement of international organizations:

1. There are systemic differences between the territorial communities caused by differences in the resources that they own (or can attract), and which are necessary to implement for their development.

2. Resources are unevenly distributed among the territorial communities, forming competitive advantages or defining the weaknesses (risks) of their development.

3. Resources are relatively stable. If the competitive advantages of a territorial community are based on the possession of a single resource, then it tries to block or slow down the spread of such resources [52].

From the point of view of economic development, the territorial community is considered through the prism of the effectiveness of the use tangible and intangible resources. The task of the economic and financial policy of the development of territorial communities is to identify the most important key resources of the territorial communities, which will be the source of its sustainable competitive advantage. Under the resources of the territorial community are understood all types of its capital assets: both material and nonmaterial, including those received from international organizations.

1.2. Approaches to the definition of the local economic development conception

Although universal mechanisms do not exist, there are practices that have proven to be effective. Most of them are limited to the elements of representative democracy,

and parallel increase of elements of direct expression of will, which implies the direct involvement in the process of making budget decisions of the general population [17].

One of the main approaches to local economic development is the concept of community-based development. The approach within this concept involves active participation of people in solving local issues and meeting the needs of communities: jointly identifying ways to solve local problems and joint activities to implement the decisions made. The logic behind the replacement of the procedures is quite understandable: in a situation where the parliament or local council begins to perform inefficiently the representative functions, the involvement of representatives of the public is able to correct the situation. Various procedures for involving the public in the budgeting process are designated by the term «joint» or «participative» budgeting [37].

In year 2000, community-based development became the official operating category of the World Bank and is defined in its documents as an approach that empowers communities to participate in decision-making on the use of investment resources in local development projects [27]. The basic idea is that it is the community knows the best how life can be improved, what resources are needed for it, and can be organized to address critical local issues. In general, in the theory of development, which describes this approach, two basic terms are used:

- 1) community-based development;
- 2) community-driven development.

Usually community-based development involves the active inclusion of beneficiaries in the process of managing, adopting and implementing decisions, and community-driven development is community-based development, in which communities get direct control over decisive decisions of development projects, including management of investment funds [9]. Accordingly, the notion of community-based development has a broader conceptual field than the concept of community-driven development.

The introduction of new institutes at the local level has had a positive impact on the ability of communities to cooperate and this effect continued even after the program was completed. It has proved the effectiveness of community involvement in decision-making by analyzing the problem of local water supply in different regions of the world [9].

In Ukraine, the approach to financing local development, focused on the participation of territorial communities, is systematically implemented by the United Nations Development Program. The scientific synthesis of the principles of this approach is important for creating opportunities for its application not only by international organizations, but also by national and local authorities.

1.3. The main statements of the participatory concept in financial policy for local development with an involvement of international organizations

Given the limited financial resources, community-based development is an important approach because it reduces the burden on government institutions by optimizing the use of local finances, but at the same time, the outcomes of this approach can improve the lives of a large number of people [1]. The development of methodological foundations for the implementation of this approach in local development programs is an important task for modern economic science.

Community-based development is based on territorial communities to use their social capital for self-organization and participation in development processes.

Thus, such concepts as participation, the territorial community and social capital, are crucial for how local communities participate in decision-making [42].

An approach to local development with the participation of territorial community pre-sees:

- 1) community orientation (namely, a public organization or representative local body of a territorial community);

2) the joint responsibility of the community for the planning of the project and its members (the territorial community chooses the most urgent problem for itself);

3) transfer of resources to the community and further public control over resources;

4) the inclusion of the community in the implementation process either directly or indirectly through the management and supervision of contractors or operational functions;

5) using of public assessment and monitoring

Under this approach, local communities often collaborate with support organizations and providers of public services, including elected local governments, the private sector, non-governmental organizations and central government agencies. It allows local communities to provide social and entrepreneurial services, organize economic activity and rational use of resources, allocate welfare segments of the population with resources, improve their safety and improve the management of these resources.

The community-based approach to community-based development involves providing the community with direct funding, with the community itself deciding what these funds will be spent on. The community independently implements the project and bears the responsibility for it, monitors its implementation [9].

This method of financing serves as a financial institution that motivates the community to self-organize, initiate activities and fruitful cooperation with the authorities.

The potential benefits of this approach are quite significant. There is an explicit goal of transforming power relations to ensure representation and the right of voice for vulnerable groups of the population, which will allow them to influence decision-making [18].

At the same time, a combination of functional links between organizations of territorial communities and formal institutions (local self-governance, etc.) may arise, favorable conditions are created through appropriate political and institutional reforms, including decentralization reforms, and to formulate favorable regulatory framework.

Usually a community-based approach involves facilitating access to information through various media, as well as strengthening and improving funding for accountable groups.

Community-based projects are often viewed through the prism of how they improve the planning and delivery of public services and the sustainability of local development projects and reduce the risk of appropriating revenues by the ruling elites.

Community-based approaches have a particular problem of monitoring and evaluation, as they give citizens greater control over their resources. And this implies the need for appropriate mechanisms for ensuring accountability and transparency.

Most of these projects are aimed at decentralization through measures that promote changes in legislation or specific efforts to create the appropriate capacity for such changes [26, p. 227].

Approaches based on the participation of territorial communities apply provided:

- lack of local institutions (lack of certain markets, lack of public services, post-crisis period, immature decentralization);
- the ineffectiveness of local institutions (corruption, lack of competence, lack of accountability and responsibility, indifference of local government)

In Ukraine the community-based approach to local development is systematically implemented by the United Nations Development Program in Ukraine. This approach of UNDP in Ukraine relates to the implementation of the concept of sustainable development and the maintenance of long-term goals of the country's development. These include: reducing poverty, ensuring quality life-long education, promoting gender equality, reducing child mortality, improving maternal health, reducing the rate and speed tuberculosis, and ensuring the sustainability of the natural environment.

Community-Based Development is a joint project of the European Union and the United Nations Development Program launched in Ukraine in 2007. The project was being implemented by the United Nations Development Program in Ukraine with the support of the Government of Ukraine. At the local level it collaborates with community members (self-governing community organizations, activists and

community directors) and local authorities (village, settlement, city mayors and councils, district councils, district state administrations).

The goal of the project is to create a supportive environment for sustainable socio-economic development at the local level by promoting community self-organizing, developing and implementing small-scale public initiatives in all regions of Ukraine [21].

The project supports community-based initiatives to improve living conditions and basic social infrastructure, such as the restoration of fleas-obstetric stations, improved water management, environmental protection, energy efficiency, and local transport services.

The project works in villages, towns and small towns with a population of up to 10 thousand people. Along with assistance in the development and self-organization of community members, the project offers grant support, which can become a start-up catalyst for the implementation of their initiatives (up to 7300 euros and no more than 50% of the cost-feature of the initiative) [37].

The project involves communities in decision-making through community-based organizations and empowering them. The potential of civil society organizations is being developed in such a way that they can make decisions together with local authorities, mobilize resources, implement local priorities and support the results achieved. The potential of partners (village / city, district councils, etc.) is intensified by human resources to implement a common approach promoted by the project.

The participative concept of financial policy involves ensuring the positive dynamics of socio-economic development of territorial communities, rather than maintaining it at a certain level, therefore the basis for its realization should be the analysis of financial resources and the aggregate capital of territorial communities with international financing.

CHAPTER 2

EVALUATION OF INTERNATIONAL PROJECTS IMPLEMENTED FOR LOCAL ECONOMIC DEVELOPMENT IN UKRAINE

2.1. Projects of international organizations are being implemented in Ukraine

To date the existing system of financing of territorial communities in Ukraine is not perfect. Therefore, the provision of assistance from international financial organizations promotes local economic development and allows communities to independently choose their own vector of activities.

The programs of international organizations provide finance for the implementation of specific projects by local and regional authorities focusing on the strategic priorities identified in their regional development strategies. In any case applications for financial assistance should relate to the socio-economic development of your community in particular the quality of life, employment, etc.

The U-LEAD Program for Europe is one of the largest programs of international technical assistance for decentralized Ukraine, funded by the European Union and its member countries Denmark, Estonia, Germany, Poland and Sweden. Today in the regions of Ukraine, with the support of the «U-LEAD with Europe» program 21 modern CAS have been created.

EU Program «U-LEAD with Europe: Local Empowerment, Accountability and Development Program». Financial resources: 97 million Euro for the period from 2016 to 2020. It is implemented in Ukraine by the European Union and its member countries: Germany, Sweden and Poland through the German International Relief Society (GIZ) and the Swedish International Development Agency (SIDA). Formation of the Program's funds: the EU - 60 million Euro, Germany - 6 million Euro, Sweden - 30 million Euro, Poland - 1 million. The partner is the Ministry of Regional Development, Construction, Housing and Communal Services of Ukraine [33].

European Bank for Reconstruction and Development, Eastern European Partnership in the field of energy efficiency and environmental protection (E5P). Budget: 108 million euros. E5P is a multilateral donor fund. These funds are used to provide grants for projects in the municipal sector. E5P is involved in projects through co-financing. E5P grants act as an incentive that encourages municipal clients to receive loans from participating organizations:

1. The Development Bank of the Council of Europe
2. European Bank for Reconstruction and Development (EBRD)
3. European Investment Bank (EIB)
4. International Finance Corporation (IFC)
5. Credit Institution for Rebuilding - German State Development Bank (GSDB)
6. Ecological Finance Corporation of Northern Europe (EFCNE)
7. Investment Bank of Northern Europe (IBE)
8. World Bank (WB).

Project directions:

- Energy efficiency of public and residential buildings (Dnipropetrovsk EBRD 20 million Euro, Zhytomyr 3 million Euro, E5P 1.35 Euro)
- Restoration of centralized heat supply systems (Poltava EBRD 15 million, E5R 5 million, Lutsk EBRD 20 million Euro, E5P 10 million Euro)
- Restoration of water supply and sewage treatment systems (Nikolayev credit E5R 5.1 million) [34].

Swedish International Development Agency (Sida). Energy Efficiency Project. Financial resources: 16.1 million euros in 2010-2019

The goal is to increase energy efficiency and reduce emissions to the environment.

The project makes it possible (through a multilateral trust fund managed by the EBRD) to co-finance investment projects that will be offered by international financial institutions.

US Agency for International Development Grants (USAID)

«Decentralization – the Way to Better Results and Effectiveness” - Decentralization Offering Better Results and Efficiency - DOBRE

The US Agency for International Development plans to provide \$ 50 million for the implementation of this project during 2016-2021:

Stage I - Funding: \$ 40 million for 4 years;

Stage II - Funding: \$ 10 million for 1 year.

The project implementer in Ukraine is the American company Global Communities. The main partner is the All-Ukrainian Association of Village and Village Councils. In turn, it cooperates with the Foundation for Support of Local Democracy (FSLD), the Malopolska School of Public Administration at the Krakow University of Economics (MSAP / UEK), National Democratic Institute (NDI), Ukrainian Crisis Media Center (UCMC) [34].

All DOBRE partners will support each United Territorial Community in the process of strategic planning for community initiative and participation, which will result in the creation and financing of local economic development projects, public-private partnerships, improved service provision, and better management of public finances. Projects and initiatives supported by DOBRE will require an adequate local contribution along with the funds provided by the DOBRE project. Through a network of local government support organizations and regional civil society organizations in each partner region, DOBRE will foster new co-operation and resource mobilization for local self-government projects [34].

In Ukraine the local development approach also is being used by the United Nations Development Program relates to ensuring the implementation of the concept of sustainable development and maintaining the long-term goals of the country's development. In accordance with the UNDP program documents, the general purpose of the community-based approach is to create a supportive environment for long-term sustainable socio-economic and social development at the local level by promoting self-governance initiatives and local community-based initiatives that will do so [32].

Thus, projects of international donors allow not only to accelerate the movement of Ukrainian communities to European standards, form a strong civil society, but also improve the infrastructure of cities by direct technical and financial assistance.

2.2. Current projects of UNDP for local economic development in Ukraine

The UNDP helps government institutions, civil society organizations and people of Ukraine to disseminate the democratic practices needed to accelerate sustainable human development, strengthen civil society, promote decentralization and local governance, protect human rights and gender equality, ensure that all citizens of Ukraine have access to justice, and support of activist efforts in Ukraine.

The current projects of UNDP in Ukraine are:

1. Sustainable rural development Chernivtsi and Odessa regions

Status: ongoing

Project start date: April 2014

Estimated end date: September 2019

Focus area: democratic governance inclusive growth

Funding Support by:

United Nations Development Program

European Commission

Austrian Development Agency

Adam Smith International

Amount contributed: \$ 29 715 034

The dynamics of the allocated funds in the framework of the project is presented in Figure 2.1.

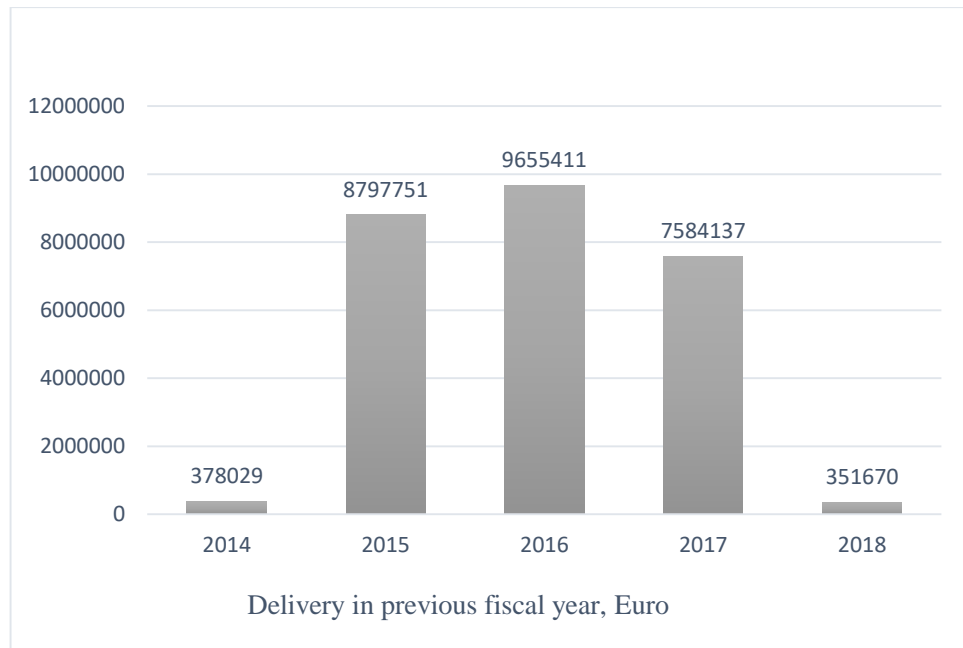


Figure 2.1. Dynamics of costs delivered in previous fiscal year for 2014-2018 in project «Sustainable rural development Chernivtsi and Odessa regions» [32].

2.The rule of law and justice at the community level in areas of Ukraine affected by the conflict

Status: ongoing

Project start date: August 2015

Estimated end date: December 2018

Focus area: democratic governance

Funding Support by:

Government of Netherlands

Amount contributed: \$ 4 089 646

The dynamics of the allocated funds in the framework of the project is presented in Figure 2.2.

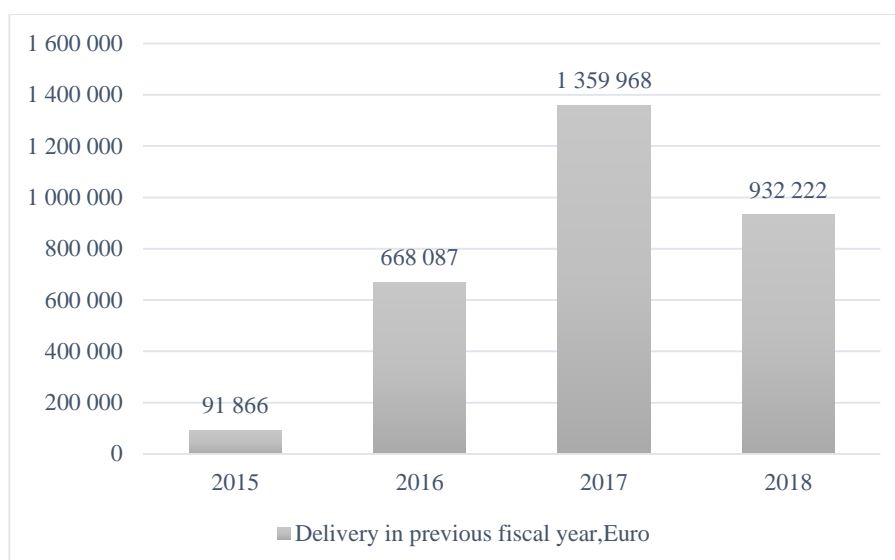


Figure 2.2. Dynamics of costs delivered in previous fiscal year for 2015-2018 in project «The rule of law and justice at the community level in areas of Ukraine affected by the conflict» [32].

3. Restoration of Governance and Reconciliation in Crisis-Affected Communities of Ukraine / SIDA-SDC funded

Project goals:

The «Restoration of Governance and Reconciliation in Crisis-Affected Communities of Ukraine» project is part of the overall Recovery and Peacebuilding Program supported jointly by the governments of Sweden and the Swiss Confederation (SIDA and SDC). With a total budget of 3.3 million Euro, the Project's aim is to overcome the negative consequences of the armed conflict in the Donbas, reduce the risk of its reoccurrence and address existing grievances. This Project establishes a reliable monitoring system for conflict-affected areas. It provides technical and advisory assistance for the reorganization of local governance and the resumption of basic services. The Project also promotes reconciliation and social cohesion.

Status: ongoing

Project start date: March 2017

Estimated end date: July 2022

Focus area: early recovery

Funding Support by:
 Government of Denmark
 Swedish Int'l Development Coop
 Government of Japan
 Government of Poland
 European Investment Bank

Amount contributed: \$5 536796

The dynamics of the allocated funds in the framework of the project is presented in Figure 2.3.

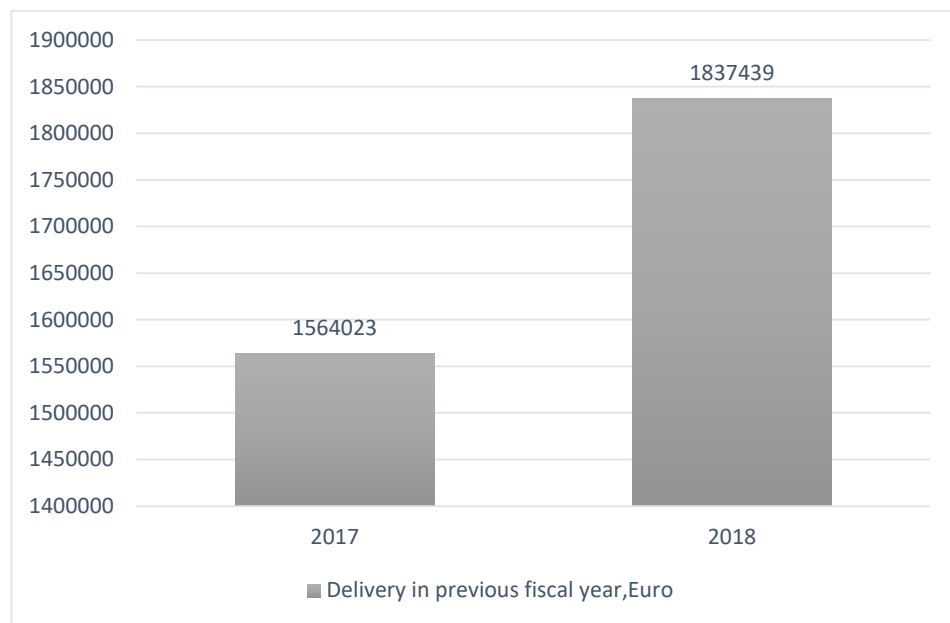


Figure 2.3. Dynamics of costs delivered in previous fiscal year for 2017-2018 in project «Restoration of Governance and Reconciliation in Crisis-Affected Communities of Ukraine» [32].

Thus, funding from UNDP comes directly to local communities within their needs. The UNDP projects contribute to the establishment of multilevel governance that is transparent, accountable and responsive to the needs of the population.

2.3. Project «Community Based Local Development» as one of the main UNDP projects for local development in Ukraine

An indispensable element in determining the economic potential of a participatory concept of financial policy with the participation of international organizations for the socio-economic development of territorial communities is the assessment of the effectiveness of its activities and tools. This assessment was made on the basis of the analysis of the results of the mechanism of participatory financing of socio-economic development of territorial communities in the joint project of the European Union and the United Nations Development Program in Ukraine «Community Based Local Development», launched in Ukraine in September 2007. The project was implemented by the United Nations Development Program in Ukraine with the support of the Government of Ukraine [32].

According to the financial mechanism the project «Community Based Local Development» provided small grants for the implementation of community-based micro projects based on the principle of self-help and private-public cooperation, where each partner has to contribute to its development. The mechanism of participatory funding under the project program provided that the share of the cost of micro projects was financed at the expense of community members (at least 5%), other expenditures were financed from the central and local budgets (45%), the project «Community Based Local Development» was approximately half of all contributions (50%) [37].

The project «Community Based Local Development» worked in villages, towns and small towns with a population of up to 10 thousand people. Along with the help in the development and self-organization of the community, the project offers grant support from international organizations, which can become the starting capital for the implementation of their initiatives (up to 7300 Euro and no more than 50% of the initiative's budget).

The other half of the budget of the initiatives of the territorial communities is financed by the contribution of the inhabitants of the territorial community (at least

5%), the private sector and funds of the state and local budgets. Thus, through participatory funding, mechanisms for interaction between residents of the territorial communities, central and local authorities the donor community and the private sector were established.

The first phase of the Community Based Approach to Local Development project began in December 2007 and had a budget of 13.3 million euros. Over 3,5 years of activity, this project has helped more than 1,000 rural communities to improve living conditions through joint efforts and in partnership with local authorities. The first phase of the Community Based Approach to Local Development project lasted until June 6, 2011. During this period, a partnership has been established with 25 regions, 209 districts and over 1100 local councils (with a population of up to 10 000 people) [38].

Within the framework of the first phase of the project «Community Based Local Development», 1303 community projects were implemented. By voting at the general meeting of the community they have chosen the priorities for their projects. Thus, 59% of the communities introduced energy-saving measures in rural schools, kindergartens and medical institutions and 21% repaired outpatient clinics/pharmacists/pharmacists and purchased medical equipment; 15% of the communities conducted or repaired the water supply system; 4% of the projects concerned school bus purchases; 1% - projects aimed at preserving the environment. The average cost of the community project was about 150 thousand UAH [37].

For community initiatives the project «Community Based Local Development» provided about 91 million UAH, about 88 million UAH was allocated from local budgets as co-financing, about 14 million UAH were collected by the residents of the territorial communities by themselves and 3 million UAH was invested by the private sector (in main business on the territory of local communities).

The second phase of «Community Based Local Development» Project, 2011-2015. The project was funded by the European Union, co-funded by the United Nations Development Program in Ukraine. The second phase of the project was a budget of EUR 17.1 million (of which 98.4% was the EU contribution and 1.6% was UNDP

contribution), which was aimed at supporting sustainable social and economic development at the local level [37].

«Community Based Local Development» stage III (financial resources: 23.8 million Euro for the period 2014-2017). The program was being implemented by the United Nations Development Program. The purpose of the program is to promote sustainable socio-economic development of the regions by creating conditions for raising the level of professionalism of local administration staff and promoting regional initiatives [32].

Specific goals. Promoting a community-based approach to local governance and sustainable development. Enhancing energy efficiency at the local level. Maintaining a database to be filled and coordinated on the ground, and a network for sharing best practices and knowledge on community mobilization and community-based governance.

Results as part of the urban development component, small towns with a population of 10 000 – 150 000 in 12 regions have been supported. 800 micro-projects have been implemented for rural communities to improve utilities and rural economic development, including 300 energy efficiency/ renewable energy projects. At least 48 multifunctional non-profit agricultural service cooperatives have been created. A community-based training course has been implemented in at least 20 region universities.

From the outset, the project established cooperation with 24 districts, 201 micro districts. 800 rural councils and 25 cities. Within the framework of the project, about 4 000 people have already been trained to implement community based local development [32].

As on December 31 2016, 133 micro projects in the field of energy efficiency were approved, 351 - energy saving, 48 - health care, 31 - water supply and 25 - economic development of the village, which in total is 543 micro projects. More than 1.9 million people in rural communities will benefit from the introduction of the third phase of the project. In addition, almost 57 000 urban residents will benefit from the implementation of 206 urban community development initiatives.

Distribution of the attracted resources as a result of implementation of the participatory financing model in the first phase of the project «Community Based Local Development» is presented in Figure 2.4.

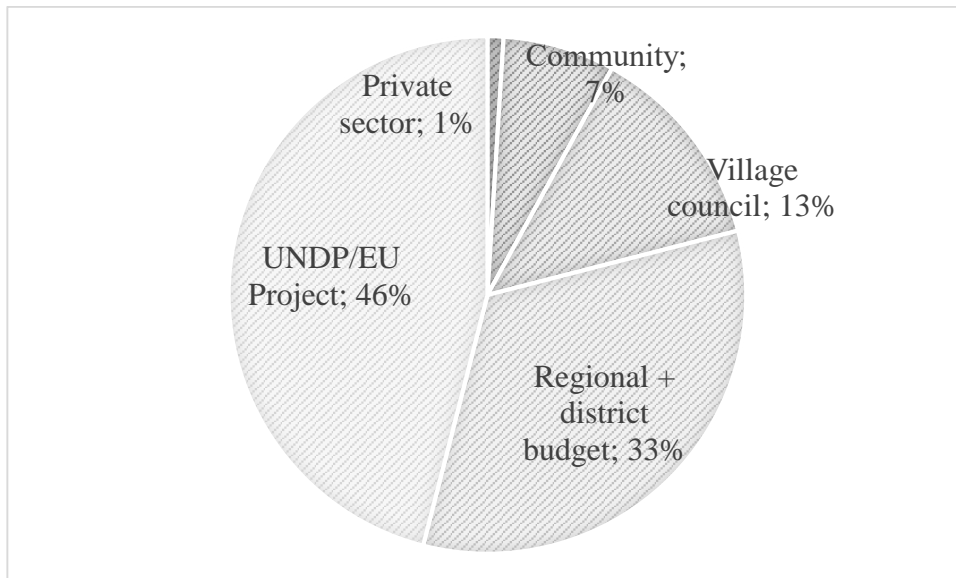


Figure 2.4. Partisipative financing of local development in the first phase of the project «Community Based Local Development» [32].

Consequently, projects of international organizations play an important role in local economic development in Ukraine. The largest organizations involved in investing in Ukrainian local development are UNDP, U-LEAD and USAID. Today their projects operate in the fields of education, ecology, infrastructure and medicine. Most of the projects are implemented at the local level. This represents a tremendous contribution to the local economic development of Ukraine.

CHAPTER 3

EFFICIENCY OF UNDP PROJECT «COMMUNITY BASED LOCAL DEVELOPMENT»

3.1. The role of modern information technologies for the economic development of local communities

In the modern world the socio-economic development of individual communities and society as a whole depends on the possibilities of attracting and efficient use of financial resources. The rapid development of the Internet environment gave impetus to the emergence and further functioning of not only new forms of entrepreneurship but also various forms of electronic funding.

Innovative forms of financing social and economic development projects are beginning to create significant competition with traditional forms of attracting funds, such as bank loans, government loans or securities issues. It is worth mentioning that at the end of the twentieth century B. Gates called modern banks «dinosaurs» as «the development of technologies will significantly reduce costs, which will destroy the banks in the form in which they are now» [29].

Thanks to globalization and the development of information technologies, new forms of public finance emerged, based not on state guarantees or statutory capital, but on public participation. In different communities, there is an understanding that the fastest and most effective way to solve the problem of finding resources for their own development is not finding cheap lending resources or lobbying for power in the interests of self-financing.

However, trends in technology development, the formation of a single information space, a reduction in the costs of coordinating actions, the rapid spread of new practices and patterns of behavior have led to the emergence of new interactions in the Internet communities that gradually shift to economic relations.

The development of information technology caused a significant reduction in transaction costs of the organization, information seeking, accumulation of experience and reputation, and led to the activity of individuals in socio-economic relations, which in turn led to the emergence of new forms of social relations organizations based on solidarity and collectivism.

The most effective methods of financing modern innovations are connected with the very environment of their functioning - the modern information space, represented by the Internet and social networks. For example, through edgofunding today, more and more are funded by innovative projects related to the development of information technology, so-called startups.

Also, person-to-person loans (p2p) became common. They are based on the mutual trust of people without the participation of financial institutions. Person to person loans aren't limited to established online sites. Person to person loans, known also as P2P loans, don't come from traditional lenders like banks, credit unions, and finance companies. Instead, you're borrowing money from another person, or multiple people. You'll pay interest on your loan, but may have an easier time getting approved for one of these over a traditional bank loan. You can set up loans informally or use crowdfunding methods instead of going through mainstream sites. To avoid any problems, discuss your plans with a local attorney and tax advisor. You may need to use a written agreement and follow certain rules to get the results you want. Local professionals are able to help, and several online services provide customized agreements [43].

Internet platforms have provided crowdfunding with a new content that is different from the traditional forms of collective financing that existed before. Not only individual entrepreneurs, but also entire territorial communities have the opportunity to jointly combine their efforts to address their development issues. Today, local communities are taking the first steps in using network technologies and crowdfunding to fund social and economic development projects [44].

In order to increase the efficiency of this process, scientific research is needed in two directions. The first one concerns the marketing of crowdfunding, and the

second is the formation of socio-economic characteristics of communities that would allow them to effectively apply collective financing tools.

Given the constant development of crowdfunding, the emergence of new goals and forms of funding, attempts to complete the definition of this concept today are premature. In the most general terms, crowdfunding can now be defined as a collective collaboration of people who voluntarily combine their financial or other resources together (mainly through Internet technologies) to support the efforts of other people or organizations.

3.2. Implementation of the funding mechanism with the participation of local communities

Modernized public councils can not immediately become the institute that has a significant impact on the formation of the budget structure. However, without reviewing their powers, the full involvement of the community in the financial process will not take place and for the sake of the deliberative bodies, whose influence is determined only by the leniency of the state authorities.

The concept of joint budgeting is a new form of social interaction based on a changed understanding of local politics. According to this idea, participants in political processes should not only be mayors, local councils, administrations, the business community and local lobbying forces, but also citizens who should be able to express their own views on decision making important for the local community [49, p. 114].

On the other hand this form gives citizens the duties of performing certain consulting, expert and representative work. Equally important instrument for the formation of financial resources of territorial communities is the creation of community funds.

The tendency to expand the number of community development funds can be explained by a number of factors, including: flexible organizational model and multifunctionality; the presence of international organizations and programs that

support the development of local communities; a global trend towards strengthening civil society institutions. A general precondition for the development of community foundations is the transition from the perception of the local community as an abstract «municipality» to the complex notion of a local community that has hidden resources and combines individuals to improve their living environment.

Like any form of local charity, community development funds create community-based mutual assistance mechanisms, using existing conditions. The altruistic inclination to help each other, according to a number of studies of behavioral economics, relates to the natural inclinations observed in all cultures.

However, the organizational forms that rely on such a predilection in different cultures are different. Community Development Funds are non-governmental charitable organizations operating in a specific area and operating on target capital. The forms of their activities are the provision of grants to grantees and services to their donors and the main results of the work - solving socially important local problems and improving the quality of life.

Having considered the definition and characteristics of the community development fund it is necessary to clarify two more aspects of its activity - what functions the fund performs and what principles it exercises when it performs its functions. The main functions of the community development fund can be divided into the following areas: fund-raising and further grants, philanthropic development, leadership in local charity [42, p.187].

As to the spectrum of sources of fund-raising it is worth referring to the study, whose results indicate that the management of community development funds among the most effective ways of forming an endowment in Ukraine is noted as follows:

- 1) receiving grants from international organizations (85% of respondents);
- 2) funds of domestic funds or organizations (68% of respondents);
- 3) state grants (33% of respondents) [21].

Such survey results indicate not only the priorities of funds, but also the financial capabilities of donors and the simplicity and transparency of procedures for allocating funds.

The current conditions for the functioning of territorial communities in Ukraine correspond to those in which microcredit can become an effective tool for financing the development of local communities: financial resources are expensive, local communities are not able to take advantage of the proposals of commercial banks.

The added benefit of micro-lending is that its consequences include not only business support and the fight against poverty, but also support for gender equality, empowerment of women, and impetus for the development of the entire community. Summing up, it should be noted that the limitation of the exclusive prerogative of public authorities at various levels to the disposal of public funds is a matter of relevance to Ukraine. There should be a complete reformatting of relations between citizens and the state. As in many other countries, a program of actions aimed at strengthening civil society should be based on the weakening of the paternalistic and authoritarian traditions that have long been formed in Ukraine [11].

It should be noted that the current trends in the distribution of community development funds and microfinance schemes, including from international organizations, suggest that over the past decades they have become not only an indispensable element of public economic activity but also a factor that has a positive impact on the local economic development.

3.3. Estimation of the participatory funding impact on the socio-economic indicators of rural communities

The purpose of the study was to identify the impact of participatory funding of the project on the socio-economic life of the participating rural communities. The immediate subject of our study were changes in the economic indicators of the development of rural communities of the Sumy region, which participated in the first phase of the project «Community Based Local Development» (2007-2011).

To analyze the results of community participation in the first phase of the project «Community Based Local Development» on the economic indicators of their

development, a difference-in-differences method was used, the essence of which is to find the difference between the socio-economic indicators of the development of the communities under study (2006 year) and after (2011) participation in the project «Community Based Local Development».

To find control communities we have applied a matching method (observation). For each community participants in the first phase identified a control community, the closest to the indicators of socio-economic development. The sample comprised 127 communities (33 territorial communities that participated in the first phase of the «Community Based Local Development» Project, 94 control communities).

Using the model described by Duflo, Glennerster and Kremer [14], we identified in the current econometric model $Y_1^T(Y_1^C)$ as the potential outcome of «participating in a project that involves participative financing» (non-participation in the project) in period 1, current period of participation in the project $Y_0^C(Y_0^C)$ and how the potential result of «participation in the project» (non-participation in the project) in period 0 to participation in the project. Rural communities belong to T group or group C. Rural communities belonging to the T group participate in the project in period 1, but did not participate in the project in period 0. Rural communities belonging to group C never took part in the project. X - a set of variables on the basis of which the investigated and control communities are subject to tricking. Then, the difference-in-differences estimator is:

$$\hat{DD} = \left[\hat{E}[Y_1^T|X, T] - \hat{E}[Y_0^C|X, T] \right] - \left[\hat{E}[Y_1^C|X, C] - \hat{E}[Y_0^C|X, C] \right]$$

(3.1)

In this case the null hypothesis $\hat{DD} = 0$ is checked against the alternative hypothesis $\hat{DD} \neq 0$.

We evaluated the impact of participatory funding of the «Community Based Local Development» Project on the change of socio-economic indicators:

-the number of permanent residents in the village;

- the number of households;
- bus connection (number per day);
- the number of streets in the village;
- the number of people who left the village per capita;
- the population employed in all spheres of activity, per capita;
- the population employed outside the village, per capita;
- the number of deceased per capita;
- the number of population engaged in entrepreneurial activity, per capita;
- the number of places in schools and kindergartens;
- the number of visits to health facilities, the general and special budget funds of the territorial communities.

Taking into account the specifics of the organizational mechanism of the «Community Based Local Development» Project we have implemented metrics based on different groups of indicators to identify control communities. Initially, territorial communities were found, similar in three socio-economic indicators:

- 1) the number of households;
- 2) the population employed in all spheres of activity;
- 3) bus service (number per day).

In addition we identified four groups of potential controlling territorial communities:

- 1) territorial communities that applied for participation in the first phase of the United Nations Development Program project «Community-Based Local Development»;
- 2) territorial communities that did not apply for participation in the project;

3) all territorial communities (who submitted and did not apply for participation in the project) taking into account the belonging of the rural community to a certain region;

4) all territorial communities (who submitted and did not apply for participation in the project), regardless of the belonging of the village to a certain area.

The results of regression analysis using the STATA software package when using each of the 4 groups of potential control community communities are given in tables 3.1-3.4 respectively.

Table 3.1 - Results of the regression analysis of the influence of participatory funding with the participation of international organizations on the socio-economic indicators of the community members of the project «Community-Based Local Development»¹

№	Socio-economic indicators of the development of territorial communities	Effect of Participatory Funding with the Participation of International Organizations
1	The number of permanent residents in the village	0.013+
2	Number of households	0.002
3	Bus service (number of trips per day)	0.142
4	Number of streets in the village	0.015
5	The number of people who left the village per capita	-0.429
6	The population employed in all spheres of activity, per capita	0.209*
7	The population employed outside the village, per capita	-0.215
8	The number of deaths per capita	-0.131
9	Number of population engaged in entrepreneurial activity, per capita	0.873
10	Number of places in schools and kindergartens	0.014
11	Number of visits to health care facilities	-0.001
12	Revenues of the general fund of the local budget	0.022*
13	Revenues of the special fund of the local budget	0.024*

Probability of error: + p <0.10, * p <0.05, ** p <0.01, *** p <0.001

¹ metrics based on indicators of socio-economic development; Control communities were found among the communities that applied for participation in the first phase of the UNDP project «Community Based Local Development»

Table 3.2. Results of the regression analysis of the influence of participatory funding with the participation of international organizations on the socio-economic indicators of the community members of the project «Community-Based Local Development» ¹

№	Socio-economic indicators of the development of territorial communities	Effect of Participatory Funding with the Participation of International Organizations
1	The number of permanent residents in the village	0.022+
2	Number of households	0.007
3	Bus service (number of trips per day)	0.138
4	Number of streets in the village	-0.051
5	The number of people who left the village per capita	-0.527
6	The population employed in all spheres of activity, per capita	0.244*
7	The population employed outside the village, per capita	-0.895
8	The number of deaths per capita	-0.199
9	Number of population engaged in entrepreneurial activity, per capita	1.108+
10	Number of places in schools and kindergartens	0.025
11	Number of visits to health care facilities	-0.008
12	Revenues of the general fund of the local budget	0.063*
13	Revenues of the special fund of the local budget	0.132*

Probability of error: + p <0.10, * p <0.05, ** p <0.01, *** p <0.001

¹ metrics based on indicators of socio-economic development; control communities found among the communities that did not apply for the first phase of the UNDP project «Community Based Local Development»

Table 3.3. Results of the regression analysis of the influence of participatory funding with the participation of international organizations on the socio-economic indicators of the community members of the project «Community-Based Local Development»¹

№	Socio-economic indicators of the development of territorial communities	Effect of Participatory Funding with the Participation of International Organizations
1	The number of permanent residents in the village	0.018+
2	Number of households	0.029
3	Bus service (number of trips per day)	0.252*
4	Number of streets in the village	0.016
5	The number of people who left the village per capita	-0.405*
6	The population employed in all spheres of activity, per capita	0.288
7	The population employed outside the village, per capita	-1.107+
8	The number of deaths per capita	-0.418*
9	Number of population engaged in entrepreneurial activity, per capita	0.683
10	Number of places in schools and kindergartens	0.059
11	Number of visits to health care facilities	-0.057*
12	Revenues of the general fund of the local budget	0.033*
13	Revenues of the special fund of the local budget	0.046*

Table 3.4 - Results of the regression analysis of the impact of participative financing on the socio-economic indicators of the community members of the «Community-Based Local Development» Project ¹

№	Socio-economic indicators of the development of territorial communities	Effect of Participatory Funding with the Participation of International Organizations
1	The number of permanent residents in the village	0.034*
2	Number of households	0.031
3	Bus service (number of trips per day)	0.084+
4	Number of streets in the village	0.010
5	The number of people who left the village per capita	-0.200+
6	The population employed in all spheres of activity, per capita	0.242**
7	The population employed outside the village, per capita	-1.251+
8	The number of deaths per capita	-0.133*
9	Number of population engaged in entrepreneurial activity, per capita	0.727
10	Number of places in schools and kindergartens	0.217**
11	Number of visits to health care facilities	-0.022
12	Revenues of the general fund of the local budget	0.042*
13	Revenues of the special fund of the local budget	0.054*

Probability of error: + p <0.10, * p <0.05, ** p <0.01, *** p <0.001

¹matching on the basis of indicators of socio-economic development; Controlling communities were found among all communities (who submitted and did not apply for the first phase of the UNDP "Community-Based Approach to Local Development" project), without taking into account the village's attitude towards a certain region

Table 3.5. shows changes in socio-economic indicators for the period 2005-2011 for the territorial communities that applied for participation in the project and those who did not apply.

Table 3.5. Change in socio-economic indicators of communities that submitted and did not apply for participation in the first phase of the project «Community Based the Community» during its period of validity.

№	Output data (variables)	Change the output	
		Territorial communities that applied for participation in the project of participatory funding with the participation of international organizations	Territorial communities that did not apply for participation in the project
1	The number of permanent residents in the village	-0.091	-0.116
2	Number of households	-0.104	-0.192
4	Bus service (number of trips per day)	0.166	0.053
5	Number of streets in the village	-0.019	0.010
6	The number of people who left the village per capita	-0.055	0.072
7	The population employed in all spheres of activity, per capita	0.105	0.004
8	The population employed outside the village, per capita	0.616	1.019
9	The number of deaths per capita	-0.042	0.204
10	Number of population engaged in entrepreneurial activity, per capita	0.655	0.850
12	Number of places in schools and kindergartens	-0.083	0.031
13	Number of visits to health care facilities	-0.001	-0.022

The data of tables 3.1-3.4 testify the positive influence of participatory funding within the project «Community Based Local Development» on the indicators of their socio-economic development, such as «the number of permanent residents in the

countryside»; «the number of people who left the village, per capita»; «the population occupied in all spheres of activity, per capita»; «the population occupied outside the village, per capita».

The study demonstrates the effectiveness of funding and social mobilization mechanisms that are included in the United Nations Development Program project «Community Based Local Development». Thanks to the participation in the implementation of micro-projects of the development of territorial communities that envisaged funding changes in the thinking and behavior of people that lead to a transition from traditional to modern, more appropriate to the requirements of lifestyle.

The results presented in tables 3.1-3.2 and table 3.5 allow us to conclude that the fact of the local community's preparation of the application for participation in the project of economic cooperation indicates the existence of internal resources for development. Applicants who have not been selected for participation in the project show better socio-economic development indicators than non-responding communities, which reaffirms the importance of organizational capacity and social activity in communities.

Therefore, the introduction of such effective tools as participatory funding, which facilitated the social mobilization of the inhabitants of the territorial communities and increased the desire of people to help themselves, is an important direction in research and using of the economic development reserves of local communities, which increase the efficiency of using available financial resources.

According to financial policy at the local level should take into account the peculiarities of economic culture in the territorial communities and be aimed at using the positive and limiting the negative potential of the local economic mentality.

In shaping the financial policy of socio-economic development of territorial communities in Ukraine, the following aspects identified in the process of studying the institutional factors of the project «Community Based Local Development» should be considered: successful management of financial resources drawn from international financial organizations; the use of community funding under conditions of dominant leadership or the weakness of institutional mechanisms for the adoption of legitimate

collective decisions; the success of the participatory funding methodology with the participation of international organizations is most likely in the context of establishing a partnership between local residents, authorities and non-governmental organizations.

Thus, the research demonstrates the effectiveness of funding and social mobilization mechanisms with the participation of international organizations, which are included in the project of the UNDP in Ukraine «Community Based Local Development». In addition, a financial policy with the participation of international organizations can become an instrument that will have a restrictive effect on the negative features of economic culture (propensity to corruption, self-sufficiency, lack of discipline, etc.) and vice versa - will promote the development of such positive features as innovation, responsibility, efficiency.

CONCLUSIONS AND SUGGESTIONS

The experience of international financial assistance to countries shows that the inefficiency of directing funds is only to increase the living standard of the population without appropriate institutional reforms in society. In this regard at the end of the XX century international financial institutions began to use a new paradigm of development, oriented not only on economic, but also on the processes of strengthening civil society. Whereas previously the direct provision of material or financial resources to poor countries dominated, now a significant amount of support is directed at educational projects and programs related to the organization of independent activities.

UNDP, U-LEAD and USAID projects in Ukraine have created opportunities for ensuring consistency and coherence of Ukrainian national policy on local economic development. These projects play a significant role in spreading community-based development methods, precisely at the time when this is especially needed to support government efforts in updating approaches to addressing local development issues through the introduction of financial decentralization approaches.

The most effective methods of financing modern innovations are connected with the very environment of their functioning - the modern information space, represented by the Internet and social networks.

Person-to-person loans (p2p) became common. Person to person loans aren't limited to established online sites. Internet platforms have provided crowdfunding with a new content that is different from the traditional forms of collective financing that existed before. Not only individual entrepreneurs, but also entire territorial communities have the opportunity to jointly combine their efforts to address their development issues. Today local communities are taking the first steps in using network technologies and crowdfunding to fund social and economic development projects

Projects of international organizations can become the basis for realization of long-term projects for regional development in Ukraine. Also approaches to community-based financing used by the United Nations Development Program

(UNDP) and U-LEAD are more focused on providing community participation in community-driven development decisions rather than ensuring the systematic use of local resources.

The effectiveness analysis of the mechanisms of community financing by international organizations and the participatory management of financial resources used in the European Union project and the U-LEAD Development Program in Ukraine. «Community Based Local Development» project proves that the way financial resources are provided by international organizations effectively affects not only on indicators of value's change orientations and norms of behavior of their inhabitants and also on the economic development of territorial communities in general.

When we formulate the financial policy of socio-economic development of territorial communities in Ukraine the following aspects should be taken into consideration: the success of participatory management of financial resources drawn from international financial organizations; the use of funding by international organizations under conditions of dominant leadership or the weakness of institutional mechanisms; the success of the financing methodology with the participation of international organizations.

Thus the research demonstrates the effectiveness of community financing and social mobilization mechanisms with the participation of international organizations, incorporated into the UNDP Project «Community Based Local Development». In addition, financial policy with the participation of international organizations can become an instrument that will have a restrictive effect on the negative features of economic culture (propensity to corruption, self-sufficiency, lack of discipline, etc.) and vice versa - will promote the development of such positive features as innovation, responsibility, efficiency.

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APPENDICES

Appendix A

**АНОТАЦІЯ ДО КВАЛІФІКАЦІЙНОЇ МАГІСТЕРСЬКОЇ
РОБОТИ**

SUMMARY

Onopriienko K.V. International organizations projects for local economic development in Ukraine. - Qualification master's paper. ERI for Business Technologies «UAB», Sumy State University, Sumy, 2018

The paper examines the impact of projects and funding from international organizations on local economic development in Ukraine. The analysis of the project «Community Based Local Development» and its impact on the socio-economic indicators of local communities have been carried out. The main aim of this study is to substantiate the effectiveness of international organizations projects for local development. The method of estimation of international projects is offered.

Keywords: international organizations, projects, local economic development, participatory funding.

АНОТАЦІЯ

Онопрієнко К.В. Проекти міжнародних організацій для місцевого економічного розвитку в Україні. – Кваліфікаційна магістерська робота. ННІ БТ «УАБС», Сумський державний університет, Суми, 2018 р.

У роботі досліджено вплив проектів та фінансування від міжнародних організацій на місцевий економічний розвиток в Україні. Проведений аналіз проекту «Місцевий розвиток, орієнтований на громаду» та його вплив на соціально-економічні показники місцевих громад. Основною метою цього дослідження є обґрунтування ефективності проектів міжнародних організацій для місцевого розвитку. Запропоновано метод оцінки міжнародних проектів.

Ключові слова: міжнародні організації, проекти, місцевий економічний розвиток, партисипативне фінансування.

Appendix B

Referral of scientific literary sources on the topic of master's thesis

«International organizations projects for local economic development in Ukraine»

Projects of international donors make it possible not only to accelerate the movement of communities to European standards, to form a solid civil society, but also to improve the infrastructure of cities by direct financial assistance. Particularly important for today is the concept of participatory funding with community participation. But there is a variety of views on this issue.

According to Dongier R. [2], community driven development gives control of decisions and resources to community groups. The author examines why and how governments and international organizations can support community-driven development, synthesizing lessons learned from accumulated experience.

In order to distinguish the statements of territorial community development we have referred to the work of Walker T.F. [5], who states the following: «There are systemic differences between the territorial communities caused by differences in the resources that they own (or can attract), and which are necessary to implement for their development. Resources are unevenly distributed among the territorial communities, forming competitive advantages or defining the weaknesses of their development» [5].

To define the concepts of local economic development we used the study of Mansuri G. [4]. The author affirm that community-based and community-driven development projects have become an important form of development assistance, with the World Bank's portfolio alone approximating 7 billion dollars. The paper reviews the conceptual foundations of community-based and community-driven development initiatives and the available evidence on their effectiveness.

In order to investigate the issue local development with an international organizations involvement we have referred to study Chase R. [1]. It has been explored

the social capital impacts of a community-driven development project in which communities competed for block grants for infrastructure investment. Has been provided both difference-in-differences and propensity score matching estimates. It has been founded that the project increased participation in village assemblies and the frequency with which local officials meet with residents and had a negative impact on collective action. There is also more limited evidence of a positive impact of the project on bridging trust and of a negative impact on group membership.

Also in the study we used the research of Kendall J. [3] Using a unique sample of net domestic product data the author investigates the connection between banking sector development, human capital, and economic growth at the sub-national level. Using disaggregate data avoids many of the omitted variable problems that plague cross-country studies of the finance growth connection and facilitates an instrumentation strategy.

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