

**SECTION 1.**

ECONOMIC THEORY, MACRO- AND REGIONAL ECONOMY

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## **CHALLENGES AND PROSPECTS FOR THE ECONOMIC CAPACITY OF SMALL COMMUNITIES IN THE PROCESS OF DECENTRALIZATION IN UKRAINE**

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Decentralization in Ukraine involves the transfer of a significant volume of powers and financial resources to local self-government bodies. However, many small territorial communities face difficulties in fulfilling the delegated functions due to a limited economic base, shortage of qualified personnel, and weak investment potential. As a result, a mismatch arises: formal autonomy is not always accompanied by actual capacity for self-governance. This situation complicates the implementation of sustainable development strategies, increases socio-economic disparities among communities, and casts doubt on the effectiveness of the decentralization reform.

In this context, analyzing the key factors of economic capacity of small territorial communities and developing practical ways to strengthen it as a foundation for sustainable local development under decentralization is a relevant and significant scientific task.

The economic capacity of a community is its ability to independently generate and efficiently use financial, labor, and material resources to meet the needs of the population and achieve long-term development goals. This is an integrated category that includes the following components:

- *financial autonomy* – the ability to generate income without excessive dependence on transfers;
- *investment attractiveness* – the ability to attract external resources;

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– *institutional capacity* – the level of administrative competence of local authorities;

– *social cohesion* – active involvement of residents in solving local issues.

In the current environment, key challenges for small communities include: depopulation and labor migration, which reduce the tax base; outdated infrastructure requiring investment; low levels of trust in local authorities; lack of strategic planning in territorial governance.

Existing research and examples of functioning territorial communities indicate that the effective use of local resources, support for creative entrepreneurship, development of energy cooperatives, and attraction of donor funding can significantly enhance the economic capacity even of small communities.

To strengthen economic capacity, it is advisable to implement:

1. A program-targeted approach to community financial management;
2. Improvement of managerial competencies through systematic training and internships;
3. Development of inter-municipal partnerships — pooling the resources of several communities to address shared problems (waste, water supply, transportation);
4. Support for local businesses through microgrants, simplified regulatory procedures, and the development of business incubation infrastructure;
5. Involvement of citizens in decision-making through participatory budgeting and transparent competitions.

In conclusion, small communities can become full-fledged participants in sustainable development processes only if they possess real economic capacity. This requires not only financial resources, but also strategic thinking, institutional resilience, and public engagement. State support for such communities, expansion of cooperation opportunities, and the introduction of flexible development mechanisms are essential conditions for sustainable and balanced national development.

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