

**BUDGET-FINANCIAL DECENTRALIZATION AS A FACTOR OF
STRENGTHENING LOCAL SELF GOVERNMENT IN UKRAINE**

Batazhok Svitlana,

PhD in Economics, Professor,
of the Department of Finance, Banking and Insurance,
Bila Tserkva National Agrarian University, Bila Tserkva, Ukraine
e-mail: batazhok@ukr.net

Tkachenko Kateryna,

PhD in Economics, Professor
of the Department of Finance, Banking and Insurance,
Bila Tserkva National Agrarian University, Bila Tserkva, Ukraine
e-mail: K-Tkachenko@ukr.net

Abstract. Decentralization of the public administration system in Ukraine is one of the most urgent tasks. Decentralization is one of the forms of development of democracy, which allows creating the foundation for the independence and viability of local authorities, provides an opportunity for local authorities to participate in the development of the territory entrusted to it, promotes the effective provision of public services to the population of the region. The reorganization of the budget system is not limited to improving the relationship between the levels of the budget system, as this is not enough for real decentralization of decision-making in the issues of drawing up and implementation of independent local budgets. The main direction of research should be the separation of financial flows between the state and self-government, which is based on the division of powers, functions and responsibilities. The subject of the study is the impact of fiscal decentralization on the financial capacity of local budgets. The purpose of the article is to assess the level of budgetary and financial decentralization in Ukraine at the present stage and to find ways to further strengthen the financial capacity of communities and regions.

Keywords: decentralization; territorial communities; inter-budgetary relations; local budget revenues; financial viability; local self-government bodies.

JEL Classification: G28, H61, H72

UDC: 35.08:336.5(477)

Formulation of the problem

Decentralization of the public administration system in Ukraine is one of the most urgent tasks. Decentralization is one of the forms of development of democracy, which allows creating the foundation for the independence and viability of local authorities, provides an opportunity for local authorities to participate in the development of the territory entrusted to it, promotes the effective provision of public services to the population of the region. The reorganization of the budget system is not limited to improving the relationship between the levels of the budget system, as this is not enough for real decentralization of decision-making in the issues of drawing up and implementation of independent local budgets. The main direction of research should be the separation of financial flows between the state and self-government, which is based on the division of powers, functions and responsibilities.

Methodology of work

Methodology of work - the position of the theory of fiscal federalism, which reflects the complex schemes of relations between budgets of different levels, the concept of fiscal decentralization. Balancing financial resources at the level of local self-government bodies to finance their delegated authority. Proposals for strengthening the financial independence of local self-government bodies are developed.

The results of the work

The results of the work – grounded the necessity of launching a new model of financial provision of local budgets and intergovernmental fiscal relations, which envisages the process of distribution of functions, rights, financial resources and coherence between central and local levels of government and administration. Changes in the formation of local budget revenues are analyzed. An estimation of the level of budget decentralization is conducted. Practical recommendations for solution of problem issues are offered.

Analysis of research and publications on the problem

The questions of the reform of local self-government on the principles of decentralization of power are dealt with by Ukrainian scientists and practitioners: J. Beskid, O. Kirilenko, V. Kravchenko, I. Kogut, I. Lunin, V. Oparin, C. Ogon, O. Suntsova, V. Fedosov, S. Yurii et al. The exceptional legal norms of the problems of budgetary autonomy of the regions, requires further study, development and practical implementation of tools for increasing financial capacity.

Presenting main material

Local budgets are a special form of distribution relations, which is characterized by the separation of the part of the value of social product in funds of funds of local authorities and used for extended reproduction. Local budgets are for redistribution of value between territories, branches of the national economy, sectors of the economy and areas of social activity.

Local budgets are a set of economic relations that arise in connection with the creation and use of funds of local government funds in the process of redistribution of national income in order to provide expanded reproduction and satisfaction of social needs of society. On a material basis, local budgets are centralized funds of funds held by local authorities and are financially secured for their activities.

Local budgets are: an important factor in economic development and financial stability; macroeconomic regulation tool; leverage implementation of redistributive processes; financial base of local self-government; a tool for the implementation of the state regional policy; plans for the formation and use of financial resources of territorial entities; the main leverage of financial equalization; the main source of financial resources for the maintenance and development of local economy, the solution of local problems. Local budgets play an important role in ensuring constitutional guarantees, solving social problems, raising the level of well-being of the population.

The largest number of the budget system in each country are local budgets. Ukraine has 10838 local budgets. *Table 1* shows the dynamics of distribution of budgetary resources in the consolidated budget of Ukraine over the past five years. From the given data it is clear that there is a negative tendency to decrease the share of local budget revenues in the consolidated budget. This trend contradicts the need to strengthen the financial base of local self-government. According to this indicator, the degree of decentralization of Ukraine's budget resources is less than 25% and tends to decrease.

The share of GDP, which is distributed through state and local budgets, shows how much of the aggregate of goods and services created in the state during the year accumulates and redistributes through budgets. Local budgets (*Table 1*) have a much smaller role in the redistribution of GDP than the state budget. In 2012, the share of GDP, which was distributed through local budgets, amounted to 7.1%, and in 2016, - 7.2%. It should be noted that the share of local budget revenues in GDP is 3 - 3.5 times lower than the share of state budget revenues in GDP. This indicates a significant centralization of the country's financial resources in the state budget and the financial dependence of local authorities on central government decisions.

It should also be noted that the share of transfers transferred from the state budget to local budgets has decreased by only 1.8% over the last five years and is 53.4%. This indicates the further centralization of budget funds and their redistribution through the state budget.

Table 1: Income of the consolidated, state and local budgets of Ukraine for 2012-2016.

Indicator	2012	2013	2014	2015	2016
Consolidated budget, billion UAH	445,5	442,8	456,1	652,0	782,9
State budget *, billion UAH	344,7	337,6	355,0	531,6	612,1
Local budgets *, billion UAH	100,8	105,2	101,1	120,5	170,7
Share of state budget revenues * in GDP,%	24,4	23,2	22,7	26,9	25,7
Share of local budget revenues * in GDP,%	7,1	7,2	6,5	6,1	7,2
Share of state budget revenues * in consolidated budget,%	77,4	76,2	77,8	81,5	78,2
Share of local budget revenues * in consolidated budget,%	22,6	23,8	22,2	18,5	21,8
The share of transfers from the state budget in the revenues of local budgets,%	55,2	52,4	56,4	59,1	53,4
The share of transfers from local budgets in the state budget revenues,%	0,4	0,5	0,6	0,6	0,7

* Excluding intergovernmental transfers

Source: calculated by the author according to the Ministry of Finance of Ukraine: <https://www.minfin.gov.ua>.

The budget system in Ukraine is characterized by a rather high level of centralization of budgetary resources, which indicates the concentration of key powers at the central government level, the lack of development of local self-governance and the weakness of local budgets.

Budget and financial decentralization involves the process of allocating functions, rights, financial resources and coherence between central and local levels of government and management, resulting in increased efficiency in the management of budgetary funds. Decentralization strengthens the capacity of territorial communities and greatly enhances their socio-economic development.

The main task of fiscal decentralization is the creation of multilevel budget systems, which enables people to provide high-quality local public goods and services.

In the process of decentralization, the redistribution of rights and responsibilities between the authorities is carried out. In horizontal decentralization there is a redistribution of powers between the authorities of one level, and with vertical decentralization between the central and local authorities.

Horizontal decentralization is aimed at eliminating disparities in the levels of budgetary provision in terms of local government budgets. Its main content is the financial equalization of budgets by territorial criterion. Moreover, horizontal equalization is carried out only within the budgets of territorial communities.

Vertical decentralization aims at providing the necessary revenue sources with budgets of different levels in accordance with the current procedure for delimiting powers between public authorities and local self-government. The solution to this task is achieved by demarcating expenditures between budgets and providing them with sufficient income to finance certain expenditures.

The main task of financial decentralization is to overcome horizontal and vertical fiscal imbalances.

Horizontal fiscal imbalance is a discrepancy between the volumes of financial resources of one or several territorial units of the same level of tasks that are borne by them and provided by other territorial units of this level. Horizontal fiscal imbalances arise when one or more areas of the same level do not have sufficient financial resources to provide public and public services in volumes provided by other territories in accordance with certain standards.

These imbalances may also be due to the fact that some territories have more needs than others. One more reason for horizontal imbalances may be higher costs of public and public services within certain territories compared to others.

The main tool of horizontal alignment is the special funds of equalization. The funds of these funds in the form of universal transfers are distributed among local budgets in accordance with certain criteria for the needs of funds of these budgets.

The region, and in the long term, every territorial community that meets the criteria of a territory that needs or needs special support may receive a transfer from such a fund.

Under vertical fiscal imbalances are the discrepancy between the volumes of financial resources of a particular level of government, regional or local, and the scope of tasks and responsibilities that are assigned to it in the process of allocating competences between central and local authorities. Vertical fiscal imbalances mean insufficient financial resources and a certain level of government to provide public and public services within its mission.

Vertical fiscal imbalances can be eliminated in several ways: central government or higher territorial power can take on some of the responsibilities of providing state and public services and thus reduce the range of responsibilities of the level of government in which the vertical fiscal imbalance arose, the introduction of that level of power, which has a vertical fiscal imbalance, additional taxes, the transfer of part of its taxes by the central government to the territorial level of power that has such an imbalance, the provision by the central government of grants, subsidies and other transfers. The concrete choice of the way to eliminate vertical fiscal imbalances is determined by budget policy.

In Ukraine, fiscal decentralization began in 2015. by providing territorial communities with certain budgetary rights and sustainable sources of income for its implementation. The interest of territorial communities in merging and transitioning to direct inter-budgetary relations with the state budget with the corresponding material provision at the level of cities of oblast legal norms. Introduction of legal norms in raising the financial and economic capacity of local self-government bodies.

In 2015 159 united territorial communities (UTGs) were founded that united 793 territorial communities. From January 1, 2016 they switched to direct budget calculations with the State Treasury, which positively influenced their economic development.

In 2017 524 UTGs were created in Ukraine, which included 2525 territorial communities or 22.5% of their total, and their area is 17.7% of the total territory of Ukraine [4]. To create and modernize the infrastructure of the united territorial communities in 2016. a subvention was allocated from the state budget in the amount of 945.6 million UAH. The transfer was intended for new construction, reconstruction, overhaul of communal ownership infrastructure objects. The subvention was distributed among the united communities according to their area and the size of the rural population. Territorial communities that have united the largest rural population or rural area received the largest amount of subvention. Lyman Territorial Community in Donetsk Oblast, which is the largest community in Ukraine and has united 22 thousand rural population and 25 thousand. the urban population received 27 million. UAH subventions The ways of financial support are aimed at accelerating the processes of community association [2].

A problem for today is that the overwhelming majority of UTGs are not in line with the approved long-term plan for the formation of territories of communities in the regions. This tendency applies to each of the areas. The process of making changes to the long-term plan is rather complicated and is often hampered at the stage of approving these changes by regional councils on the ground. This means that in the absence of a mechanism for recognizing them as capable, such communities may not enter direct intergovernmental relations with the State Budget of Ukraine, not receive funds for the implementation of delegated authority for the maintenance of educational institutions and health care and not receive financial support in the form of a subvention for the formation infrastructure. Leaving without the financial support of such communities can impede the implementation of the decentralization reform [6].

At the same time, there is considerable disparity between the regions in carrying out the administrative and territorial reform. Most united territorial communities in Ternopil, Dnipropetrovsk, Zhytomyr, Khmelnytsky, Lviv, Vinnytsia and Zaporizhzhia regions. At the same time, some regions are significantly behind in the process of formation of UTGs, including Kyiv, Kharkiv and Zakarpattia oblasts. The difference between the regions in terms of the number of united territorial communities is due to the opposite attitude of local self-government bodies to the introduction of a decentralization reform.

The need to achieve financial stabilization in Ukraine raises new challenges in the field of intergovernmental fiscal relations, the optimization and streamlining of which should contribute to solving many financial, economic and political problems in the state. New approaches to determining

the amount of intergovernmental transfers have created opportunities for objective and impartial equalization of budget security of territories. From 2015, the Budget Code of Ukraine defines new types of intergovernmental transfers: basic grant, reverse grant from local budgets to the state budget, stabilization grant, educational subvention, and subvention for training of workers, medical subvention, and subvention for provision of medical measures of individual state programs. The system of balancing revenues and expenditures of local budgets has been changed by a fundamentally new system of equalization of the capacity of territories.

The regulation of intergovernmental fiscal relations, in particular the methods of balancing income and expenditure of budgets, largely depends on how the income between the levels of the budget system is differentiated. Horizontal equalization of the tax capacity is carried out separately for the income tax receipts of enterprises (oblast budgets) and personal income tax (oblast budgets, budgets of cities of oblast legal norms and districts, budgets of united territorial communities). The implementation of the equalization mechanism takes into account the value of the tax compliance index of the relevant budget (the amount of revenues from the corresponding tax per capita to the average for Ukraine). If the index value is less than 0.9 - the basic grant is given to the corresponding budget in the amount of 80% to 0.9; more than 1,1 - a reverse grant from a corresponding budget of 50% over 1.1 (sent to provide a basic grant) is transferred [1].

Indices of fiscal capacity should be calculated only on the basis of constant sources of budget revenues. Actual volumes of revenues can vary widely, which depends on changes in tax legislation and lead to revision of tax rates, tax objects, tax breaks, and the creation of free economic zones. The determinants of internal factors affecting the volume of actual revenues are the effectiveness of the work of the fiscal authorities.

A positive consequence of the reform of inter-budgetary relations is the self-formation of local budgets and the approval of local budgets independent of the timing of the adoption of the state budget (by December 25, the year preceding the planned one). The indicative planning by the Ministry of Finance of Ukraine (MFU) of indicators of local budgets and bringing them to local budgets was canceled.

The starting point for the organization of intergovernmental fiscal relations is the distinction between the revenues and expenditures of each budget, based on the division of powers between the levels of government, which should be implemented in such a way as to ensure consistency between the expenditures imposed on each budget and the resources necessary for their financing from sources of revenue. In this regard, the issue of further strengthening the revenue base of local budgets, which is the financial basis of local self-government, is of particular importance.

There have been changes in the formation of the revenue part of local budgets in the direction of increasing the resource of local budgets, decentralization of budget funds and transfer of part of the state budget revenues to local budgets:

- There are established common rules for deductions of national taxes for each budget line: personal income tax (60% budgets of cities of oblast sign region, united community, 15% oblast budgets, 25% state budget); profit tax for private sector enterprises (10% oblast budgets).
- The list of sources of general fund revenues is expanded:
 - from the State Budget: 100% of the fee for the provision of administrative services, 100% of the state duty, 10% of the profit tax of enterprises of the private sector of the economy;
 - new payments: a tax on the sale of excisable goods at a rate of 5% of the value of the sold goods;
 - Reforming the property tax, increasing the amount of property taxes (real estate tax, different from land, transport tax, land fee);
 - transfer from the budget of the development of a single tax, property tax (taxation of commercial real estate and cars with a high volume of engine), transfer from the special fund of the environmental tax (except for radioactive waste) with a simultaneous increase in the enrollment rate up to 80%;
 - Inclusion of part of the excise tax on fuel produced in Ukraine and imported into the customs territory of Ukraine (13.44%) into local self-government budgets and provides for daily distribution among them;

- enrollment of 3% of rent for the use of mineral resources for the extraction of oil, natural gas and gas condensate into budgets of cities of oblast importance, budgets of united territorial communities at the location of the relevant natural resources.
- Local bank guarantees and local borrowing from international financial institutions are simples by introducing the principle of "tacit consent" in agreeing such transactions with the MFUs.
- The right to carry out local external borrowing is granted to all cities of oblast legal norms.
- Public sector banks can be provided with funds from the budget for local budgets development and for local budgets financed from local budgets.

The practical implementation of fiscal decentralization means that local self-governments are becoming more responsible and receiving more financial resources at their disposal. Thus, fiscal decentralization has a direct impact on the level of financial autonomy, and hence of the financial independence and autonomy of local self-government bodies.

The introduction of decentralization greatly improved the financial autonomy of the combined territorial communities. Revenues to local budgets of the combined territorial communities doubled, amounting to UAH 3.9 billion, of which the volume of own income increased by 34%. The average income per inhabitant of the community has also almost doubled from UAH 640. up to 1256 UAH. The financial strengthening of communities also affects the development of the regions as a whole. In 2017 there was an increase in revenues from the single tax by 63.0%, personal income tax by 52.8%, and the excise retail tax by 41.3% [2]. Increasing revenues to local government budgets creates favorable conditions for local authorities for the proper functioning of budgetary institutions and independent solution of topical issues.

In addition to the support provided to communities through the state subvention and the State fund of regional development (SFRD), they have the opportunity to attract international financial support for the implementation of infrastructure projects. However, obtaining financial assistance requires the development of a quality project and an active position of local government (LSG).

At the same time, there are a number of unresolved problems that shape the risks for the successful further implementation of financial decentralization. Separate UTGs are created with the purpose of increasing rights and financial resources, but due to the limited economic resources and the lack of appropriate infrastructure, they cannot provide the residents with the proper quality services, to intensify economic processes. The lack of skilled staff in local self-government bodies leads to inefficient use of financial revenues for the development of territorial communities.

To objectively assess whether these actions have become steps towards achieving financial independence and independence of the LSG, consider the indicators of fiscal decentralization in Ukraine in *Table 2*.

Table 2: Indicators of Budget Decentralization in Ukraine,%

Indexes	2012	2013	2014	2015	2016
Decoupling factor	45,2	43,5	43,1	41,2	41,9
Ratio of decentralization of incomes	22,6	23,8	22,2	18,5	21,8
The coefficient of decentralization of tax revenues	23,8	25,8	23,8	19,3	22,6
The coefficient of financial dependence	55,2	52,4	56,4	59,1	53,4
Mode coefficient of decentralization of expenditures	46,6	44,8	45,5	44,6	45,1

Source: calculated by the author according to the Ministry of Finance of Ukraine: <https://www.minfin.gov.ua> [3].

The indicators of fiscal decentralization include:

- 1) the coefficient of decentralization of expenditures - the share of local budgets in the Consolidated Budget expenditures,%;
- 2) the mode coefficient of decentralization of expenditures - the share of local budgets in the Consolidated Budget expenditures (without defense expenditures),%;

- 3) the coefficient of decentralization of incomes - the share of own revenues of local budgets (i.e. income without transfers) in the consolidated budget revenues,%;
- 4) the coefficient of decentralization of tax revenues - the share of local budgets in the tax revenues of the Consolidated Budget,%;
- 5) coefficient of financial dependence - the share of subventions from the State Budget of Ukraine in the revenues of local budgets,% [2].

The decentralization of spending has decreased to 41.2% in 2015 and 41.9% in 2016 the modified coefficient of decentralization of expenditures is 44.6% and 45.1%, respectively. Since 2015 In addition, objects and activities in the field of education, culture, health care, physical culture and sports were transferred for financing from local budgets.

Despite the increase in the resources of local budgets, the decentralization of budget funds and the transfer of part of the state budget revenues to local budgets, the decentralization of tax revenues in 2015 amounted to 19.3% and in 2016 22.6%, while the average for 2012-2014 - 24.5%.

It should also be noted that the share of transfers transferred from the state budget to local budgets has decreased by only 1.8% over the last five years and is 53.4%. This indicates the further centralization of budget funds and their redistribution through the state budget.

Local governments have been declared independent when forming their budgets, but in the structure of their expenditures, a considerable part (about 60%) is made up of expenditures on health care, education, social protection and social security of the population financed by subventions, that is, in fact, determined by the decision of the central authorities. A high proportion of subventions in local budgets indicate that the distribution of expenditures between state and local budgets needs to be reviewed [2].

It is necessary to pay attention to the presence of risks when using subventions for the formation of UTG infrastructure. Balances of subventions on the accounts of the corresponding local budgets cannot be used in the next budget period.

The system of formation of incomes of local budgets of Ukraine should be based on raising the interest of the Ukrainian MIA in increasing their tax and non-tax revenues, and not in "knocking out" transfers from the State Budget of Ukraine [5].

The processes of fiscal decentralization in Ukraine are slow, they are not systematic and do not stimulate local bodies to find sources of activating their own economic resources.

Failure to comply with the principles of the formation of local budgets affects their financial sustainability. The financial sustainability of local budgets is a complex concept that reflects the state of money funds, in which territories can develop stably, while maintaining their financial security. The financial sustainability of the local budget is expressed in the stability of the entire set of monetary funds and each fund separately under the influence of internal and external factors. "

Based on the actual results of the formation of revenues of local budgets, it can be argued that local budgets of Ukraine are not financially stable, with a low level of financial security. We offer a general list of factors that have a negative impact on the level of financial security of Ukrainian regions (*Table 3*).

Budget decentralization should contribute to increasing the financial capacity of local budgets, local self-government's interest in expanding the tax base, and raising local responsibility for regional development, requiring amendments to the budget legislation on the distribution of national taxes between the linkages of the budget system.

New opportunities that financial decentralization has opened for communities and local budgets, namely the development of infrastructure, the provision of their own services, the improvement of medical and educational services, the proper level of social protection, planning of territories, etc., in turn, will gradually affect the overall results local budgets and indicators of socio-economic development of the territories on which the UTG was created [6].

One way of providing financial support to local authorities is to define a new mechanism for redistribution of VAT received in the regions. This tax should be in the joint use of different levels of government, which will sign cantle affect the increase of local budget revenues. To receive their share of such a tax, local self-government bodies will be interested in increasing its total volume coming to the state budget to the subordinate territory. The development and implementation of a mechanism for

such deductions will increase the level of interest of local self-government bodies in expanding production and sales of taxable products. Accordingly, one of the directions of increasing revenues of the region, may be the consolidation of the share of VAT deductions from local budgets. Then, the income to be taken into account when horizontal leveling of local budgets' ability to pay, except for personal income tax and corporate income tax, should include VAT as part of the deductible standard. The rate of deductions from VAT to local budgets should be based on the combination of the formalized method of inter-regional distribution of funds at the national level (based on the formula that defines the region's quota in such revenues) and the subsequent distribution of funds received by the regions to the budgets of individual territorial communities by the quotas of each of them in the formation VAT revenues in the consolidated budget of the region.

Table 3: Threats to financial security of regions

Exterior	Inside
<ul style="list-style-type: none"> ➤ High inflation and inflation expectations; ➤ the state of money circulation; ➤ wide fluctuations in market exchange rates; ➤ high levels of poverty, unemployment and high differentiation in wages; ➤ imperfection of the normative and legal support of the budget process; ➤ Ineffective system of regulation and supervision of the financial system; ➤ integral indicator of the shadow economy level to 40% of GDP; ➤ low level of financial, fiscal, fiscal and tax decentralization; ➤ a large share of centralization of financial resources in the state budget; ➤ adoption of legislative acts that reduce the tax potential of the regions; ➤ Rising energy prices; ➤ Irregularity and instability of the financial market; ➤ the ineffectiveness of government orders that are system-formative for the economy of the regions and promote its development; ➤ imperfect information and technological support for the development of the economy; ➤ low level of competitiveness of domestic products. 	<ul style="list-style-type: none"> ➤ low level of innovation and investment activity of business entities; ➤ Lack of participation of local budgets in the reproduction process of the economy of the territories; ➤ low quality and timely budget planning and formation of local budgets; ➤ increase in the volume of intergovernmental transfers, limiting the financial capacity of local authorities; ➤ Lack of effective incentives for local self-government bodies to fill the revenue side of the budget and increase its economic security; ➤ low efficiency of the control and audit system for the formation of local budget revenues; ➤ reduction of financial discipline of budget funds managers; ➤ Insufficient use of tax potential of territories; ➤ decrease in production volumes and increase in the number of unprofitable business entities; ➤ low level of managerial skills of the region; ➤ Excessive interest rates on loans.

Source: Summarized by the authors

The rate of deductions from VAT to local budgets depends on the amount of its revenues in the respective territory, which will increase the interest of the local governments in increasing the mobilization of VAT, to encourage local authorities to create conditions for the development of entrepreneurship. Thus, additional sums of income that may receive local budgets will make it possible to reduce the dependence of local budgets on intergovernmental transfers from the state

budget, which will ultimately contribute to strengthening the financial independence and financial autonomy of the region.

In order to strengthen the financial autonomy of local authorities, it is necessary to transfer personal income tax to local taxes and transfer 100 percent to local budgets of local self-government bodies. It is worth changing the system of distribution of personal income tax between local budgets, transfer it to the budget not at the place of origin of income taxpayer, and at the place of registration. The PIT will serve as a charge for the use of local infrastructure, as differences in the tax burden determine the differences in the scope and quality of provision of local public goods and services.

The revenues of local budgets form the basis of the financial base of local self-government bodies, that is, they are the basis of their financial independence. In this connection, the problem of strengthening the revenue base of local budgets, the reform of local taxation, and the implementation of effective financial equalization. You can solve these tasks by:

- Further expansion of the list of own revenues of local budgets;
- Study of the market of financial resources of the local budget and determination of the most effective methods of their attraction, development of the market of municipal securities;
- Structural reform of the local economy in order to create new high-efficient production facilities, new workplaces, increase of the tax capacity of the region;
- Encouraging local self-government bodies to participate in international projects, conducting tenders for the best proposals for solving local issues, which can attract international technical assistance;
- Application of the latest management tool, as a geoinformational system for monitoring of regional resources;
- Providing local state administrations with protection of investors' rights and providing guarantees on the stability of business conditions, promoting the opportunities and benefits of creating a form of economic activity, such as an industrial district, which can contribute to the intensification of investment activity in the region;
- Development of the mechanism for the implementation of the state order, as well as the functions of local state administrations in the execution of state orders;
- The use of fiscal levers of stimulating investment inflows, in particular the establishment of a system of tax preferences for economic entities, which must be differentiated from partial to full exemption from taxes for the entire duration of investment projects.
- Combating the shadow economy, which is one of the factors contributing to increasing the financial sustainability of local budgets;
- Effective control over the formation and use of local budget revenues;
- Shadowing the taxation system and, as a result, increasing revenues to the budgets of territorial communities.
- Further improvement of the system and instruments of taking into account regional peculiarities in the calculation of the volume of intergovernmental transfers;
- Distribution of functions and powers between local government bodies and executive authorities, between local councils of UTG and regional administrations and regional councils of districts in the territory of which UTGs are established;
- There is a need for public authorities to introduce forms and methods for monitoring local self-government activities when planning and implementing local budgets and the formation and use of financial resources.
- A clear legislative distribution of spending powers between central and local authorities, excluding their duplication and defining the responsibility for decision-making and the provision of certain types of public goods and services. Considering that the provision of rights without liability creates conditions for corruption and ineffective use of budget funds;
- Transfer of local self-government bodies to most local authorities with the appropriate transfer of financial resources from the state budget to finance them;

- To ensure the preservation and use of the balance of funds on the accounts of local budgets in the next budget period for the subvention for the formation of the STC infrastructure, taking into account the intended purpose;
- Increasing the effectiveness of budget planning at the central and local levels in order to improve the quality of provision of public services and achievement of the planned indicators of local budgets;
- Ensuring transparency of decisions in the activities of local authorities and their accountability to the population.

Effective fiscal decentralization will improve the socio-economic development of the regions: financial autonomy and independence of territorial communities are formed, the processes of redistribution of budgetary resources between territories are optimized, local economic development is intensified, the population of territorial communities is provided with public services at a legally determined level, social problems are solved.

Conclusions

Budget decentralization should contribute to increasing the financial capacity of local budgets, local self-government's interest in expanding the tax base, and raising local responsibility for regional development, which requires changes to the budget legislation on the distribution of national taxes between the linkages of the budget system. One of the ways of providing financial support to local authorities is to define a new mechanism for redistribution of VAT received in the regions. This tax should be in the joint use of different levels of government, which will singingly affect the increase of local budget revenues.

REFERENCES:

1. Biudzhetnyi kodeks Ukrainy / Zakon Ukrainy №2456-VI vid 08. 2010r. // VVR Ukrainy. 2010. №50 – 51. – s. 572. [Elektron. resurs]. – Rezhym dostupu: zakon.rada.gov.ua/go/2456-17
2. Lunina I.O. Konsolidatsiia derzhavnykh finansiv Ukrainy: kol. monohr. / [Lunina I.O., Bulana O.O., Stepanova O.V. ta in.] ;za red. d.e.n. I.O. Luninoi ; NAN Ukrainy, DU "In-t ekon. ta prohnozuv. NAN Ukrainy". – Elektron. dani. – K., 2017.– 344 s. – Rezhym dostupu : <http://ief.org.ua/docs/mg/288.pdf>.
3. Ministerstvo finansiv Ukrainy. Ofitsiyni sait / [Elektronnyi resurs]. – Rezhym dostupu: <https://www.minfin.gov.ua>.
4. Pavliuk A.P. Formuvannia obiednanykh terytorialnykh hromad: stan, problemni pytannia ta shliakhy yikh vyreshennia [analychna zapyska] / A.P. Pavliuk. – K.,NISD, 2017. [Elektronnyi resurs] – Rezhym dostupu: <http://www.niss.gov.ua/articles/2642/>
5. Serebrianska D. Finansove zabezpechennia funktsii v systemi orhaniv mistsevoho samovriaduvannia v Ukraini / D.Serebrianska // Svit finansiv. – 2015. – №1. – S.94 – 106.
6. Iurchenko K.H. Vplyv finansovoi detsentralizatsii na sotsialno-ekonomichni rozvytok rehioniv [analychna zapyska] / Yurchenko K.H. – K.,NISD, 2016. [Elektronnyi resurs] – Rezhym dostupu: <http://www.niss.gov.ua/catalogue/10/0/1/>

Received: 30.11.2018

Reviewed: 10.12.2018

Accepted to publishing: 17.12.2018