**DEVELOPMENT fiscal decentralization in UKRAINE**

**Inna Dolzhenko**

Ukraine's course towards European integration should involve local governments in overcoming a number of problems in the financial support of local communities.

However, the activities carried out in the light of the ratification of the Association Agreement with the EU will not include estimates for local government development in Ukraine. But it is the local government as a form of public authority closest to citizens primarily feel the transformational impact in the area of budget support local communities.

Due to the development in Ukraine of local finances in the 90s of XX century. Ratification of the European Charter and the formation of local governments, we can say that local government - a form of public power, implemented specific subjects - regional groups and formed by them, has a special object - local issues, and is based on the use of a particular type of public property - municipal (municipal).

State transfers to local governments not only function but also the powers of decision in the name of making mandatory, reserving the right to monitor their implementation. But inconsistency geographically concentrated income and expenditure of public sector not only creates a lot of problems of political and social issues, but also on the order reduces the effect of fiscal decentralization as such. The more pronounced this imbalance, the more formal decentralization gives way to the actual centralization of fiscal relations.

From an economic point of view the most interesting financial division of powers between levels of government, which is reflected in the division of fiscal purposes. Function allocation is expressed by residents of the state in providing public services, and through its government decides proportions division of resources for private and public selects and public goods. Distribution function is to regulate the distribution of national income and wealth. Stabilization function of public finances is determined by their impact on macroeconomic balance.

This division of fiscal functions is reflected in the structure of expenditures of state and local budgets Ukraine.

The state budget larger share compared to occupy local spending on defense, public order, security and judicial power state support industries, financial support areas. In the local budgets higher proportion of spending on social and cultural events. This focus on similar expenditures funded budgets of different levels - depending on which service is provided costs territory. For example, in the case of education, high school receives funds from the local budget, and college that trains for many regions - from the state budget.

One of the key problems in the theory and practice of fiscal federalism is to determine the degree of decentralization in the performance of the various levels of government their tasks. Preferably all functions performed by the state (allocation, distribution, stabilization) should be distributed among levels of government with the possibility of achieving Pareto efficiency. In Ukraine can be seen mixed forms of decentralization.

Fiscal decentralization depends on other reforms at most of the administrative-territorial and political reforms that involve changing the system of government in areas and regions and the redistribution of powers among them. Further fiscal decentralization should occur after changes in the administrative-territorial structure, the public administration, social security, taxation system. No changes in these areas will make gains unstable reform, strengthen the trend towards centralization and complicate the relationship between levels of government.