

УДК 352 : 336.14 (477)

THE INFLUENCE OF DECENTRALIZATION ON FORMATION OF LOCAL BUDGETS IN UKRAINE

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Abstract. For today, the main development of a democratic state is to ensure the improvement of the well-being of each individual citizen.

Having analyzed the experience of the developed European countries, achievement of this goal is possible only in the conditions of high-quality public administration, which strengthens democratic institutions, eliminates the inequality of access to public goods, improves the quality of public services and the standard of living of the population.

At the present stage, Ukraine, in accordance with the basic provisions of the European Charter of Local Self-Government, continues to focus its efforts on the implementation of the European integration course on the development of local and regional democracy. And decentralization itself is, today, one of the most successful reforms that is being implemented effectively in the country.

In the context of reforming the public finance system, a tendency towards decentralization in public administration is relevant, as a result of which a certain number of powers are transferred to the local authorities.

Thus, financial decentralization can balance the mechanisms of providing public services with the needs and preferences of local communities.

Keywords. Local government, decentralization, budget, local budget, finance, local budget revenues, budget decentralization.

Introduction. The urgency of the problem of the formation of local budgets and the use of their funds increased in the conditions of the financial and economic crisis. Ensuring local self-government with stable and sufficient financial resources is

a guarantee of the establishment of a capable and effective local government. The impact of decentralization on local budgets in Ukraine is a topical issue in our time.

Analysis of Recent Researches and Publications. The problems of fiscal decentralization, the definition of the role of local budgets and their interaction with the state budget, and the effectiveness of the implementation of the reform of the budgetary system at the central and local levels are devoted to many studies by well-known scientists such as O. Drozdovskaya [6], VM Oparin [9].

The problem of decentralization of budget funds and strengthening of the financial base of local self-government bodies was reflected in the works of MP. Talaviri [1,2], MV Kharitonchuk [7], VV Byaday But today there is no consensus on the optimal mechanism for reforming local budgets in accordance with the criterion of the efficiency of distribution of financial resources, which are formed at the local level.

Purpose. Consideration of the theoretical fundamentals of financial decentralization, systematization of features of financial decentralization in Ukraine and factors of its influence on the formation of revenues of local budgets.

Methods. By writing the article, the following basic methods of research were used: the method of comparison, economic-statistical, analytical and logical methods, the method of analysis and synthesis, the calculation and constructive method.

Results. The main task of producing public goods is to meet the needs of the population. In order to increase the effectiveness of this task, it is important to maximize interest and participation of citizens in budgeting and spending at the local level.

In modern research, decentralization is defined as a way of organizing public power in a state in which administrative-territorial units or other territorial entities have the right to independently solve local issues and realize their own tasks within the limits established by law and under the responsibility of authorized bodies and officials, and interference in their activities may take place solely for the purpose of monitoring the lawfulness of cases provided for by law and in appropriate forms [3].

Let's consider different approaches to the definition of decentralization in Table. 1

Definition of "decentralization" category

Definition	Author
Gradual delegation of a growing part of the powers to regional, city and rural authorities.	Kharitonchuk M. [7]
The right to independent and independent decision making by decentralized units.	Drozdovskaya O. [4]
Transfer of functions of public administration of central executive authorities to local executive authorities and local self-government bodies, extension of powers of lower bodies at the expense of higher levels.	Obolensky O. [3]
Extending the competence of local administrative bodies operating within their competence irrespective of central government.	Avalov Z.
Cancellation or relaxation of the functions of the center with the emergence of these functions in other organizational structures that have a certain autonomy.	Kukartsev O. [5]
The method of territorial organization of power, in which the state transfers the right to make decisions on certain issues or in a specific area of the structures of the local or regional level that are not part of the system of executive power and are relatively independent of it	Gurne B.

Based on the analysis of previous opinions, it was determined that budget decentralization is a process of transferring revenue and expenditure management powers in order to increase the efficiency of the implementation of these powers and more thoroughly manage the budget funds of communities.

Decentralization involves increasing the efficiency of the state mechanism and activating the development of regions on the basis of democracy, and indicators of such efficiency and activation are full ensuring the rights, legitimate interests and responsibilities of the local population, structured in communal-municipal and regional groups, as well as bodies of territorial self-organization [6].

The experience of economically developed countries suggests that fiscal decentralization is the most effective and effective way to ensure the financial sustainability of local self-government bodies, that is, the expansion of the financial base of territorial and administrative units through the transfer of powerful financial sources that were previously secured as central budget revenues. Therefore, in the proclaimed reform of fiscal relations, the promotion of greater financial autonomy of local budgets is identified as one of the main tasks [8].

In any case, decentralization of power in favor of local self-government bodies and other authorized entities may not be absolute. Thus, the local state administrations included in the centralized system of executive bodies should retain the authority to control the lawfulness of acts of local self-government and to coordinate the activities of territorial executive bodies that are not part of the local state administrations [3].

It should be noted that in most of the territorial communities, the functioning of local self-government bodies does not ensure the creation and maintenance of a favorable living environment necessary for the full development of man and the provision of public services at an appropriate level. The level of budgetary provision for the maintenance and development of local infrastructure per capita in Ukraine is the smallest among the countries of Europe - 448 UAH. The time for the renewal of fixed assets of local self-government (their value is UAH 500 billion) with the existing system of financial support of local self-government is more than 58 years (Fig. 1).

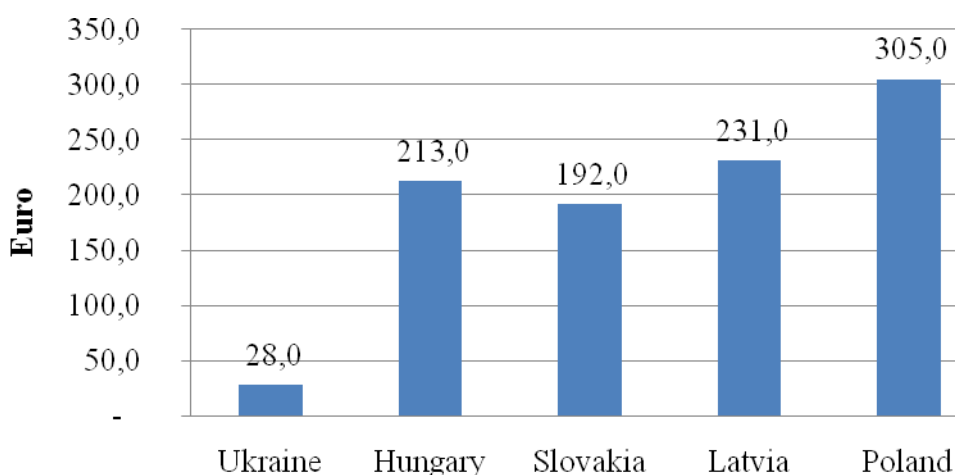


Fig. 1 Level of budgetary provision per inhabitant for the fulfillment of his or her authority, %

Given the expansion of the revenue base of local budgets, an increase in the share of local budgets in the total consolidated budget of Ukraine has taken place. According to the results of 2017 for the first time, the share of local budgets has exceeded fifty percent mark. The share of local budgets in the consolidated budget revenues of Ukraine amounted to 51.2%, which is almost 6% more than the same

indicator for 2015. That is, local authorities have a significant financial resource to be able to effectively manage and direct them to community development.

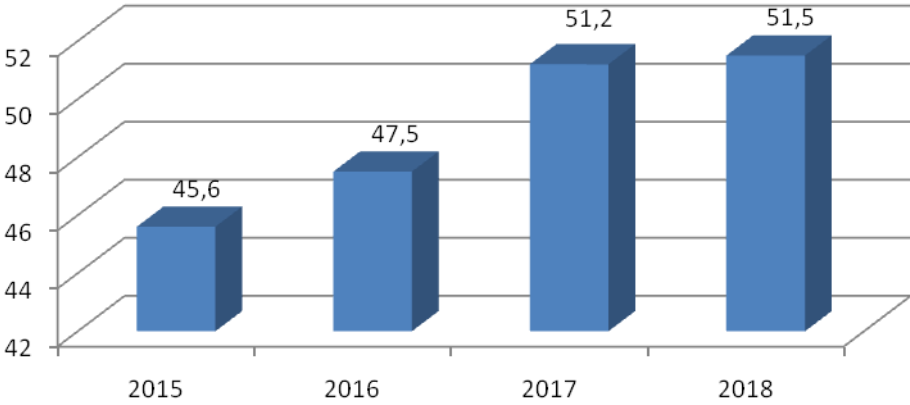


Fig. 2 Share of local budgets (with transfers) in the consolidated budget of Ukraine, %

Simultaneously with an increase in the share of local budgets in the financial resources of the state, their share in the volume of gross domestic product is increasing. In 2014-2015 this figure was 5.1%, in 2016 it was 6.2%, at the end of 2017 - 6.7%, and in 2018 it is projected that the share of local budgets in the country's GDP will be 7.1%.

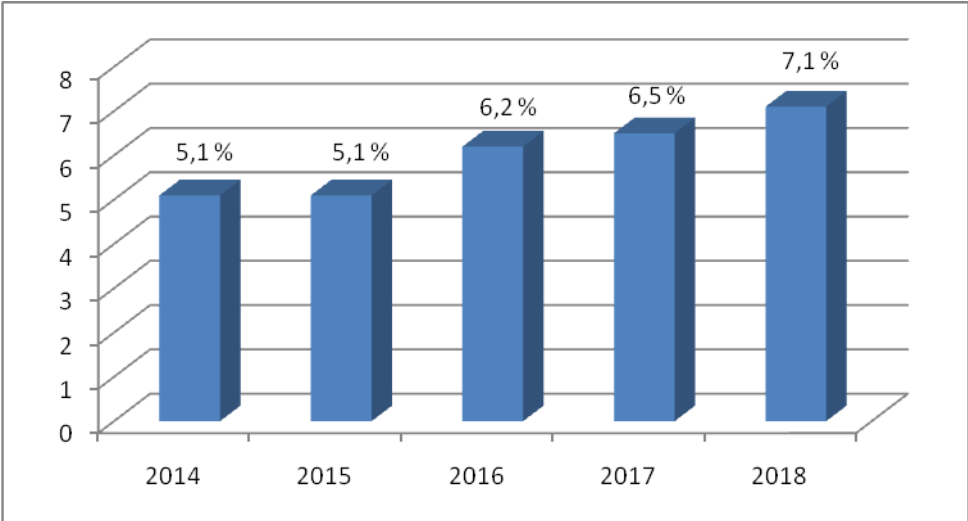


Fig. 3 Share of own revenues of local budgets (general fund) in GDP for 2014-2018, %

At this stage, the implementation of financial decentralization in Ukraine has made some positive changes, but the achievements of local self-government reform

are directly dependent on fiscal reform, reforms in the spheres of education, health care, social security, implementation of the policy of financial decentralization, improvement of intergovernmental fiscal relations filling local budgets to provide the population with high-quality administrative and public services, etc. [9].

Complex implementation of the foreseen directions of reform will allow financial decentralization not to be the main goal of state policy, but to become an effective instrument of public administration in budgetary relations and increase the efficiency of provision of public services through delegation of powers and ensuring autonomy and financial capacity of local self-government bodies.

Due to the decentralized public services can organize and provide so that they best answered the will of local residents, that increased efficiency and quality distribution of available resources. At the same time, decentralization is accompanied by increased productivity and the budget system, ensuring accountability of local governments to their populations and reducing the number of instances. Thus, greater authority is given to local authorities who are better at knowing local specifics and local needs [10].

Effectiveness of financial management in conditions of fiscal decentralization requires finding the optimal balance between the provision of local government tax and budget autonomy and establishing control over the adoption of budget decisions at these levels. The limits of fiscal policy should be reduced to the creation of institutional conditions that would prevent the negative effects of inappropriate fiscal behavior not only for the inhabitants of a particular region, but for the whole system of incentives in general.

The current state of the financial system in developing countries and countries with economies in transition can be described as the weakening of the central government while increasing role of local authorities. But the economic results of such a phenomenon in different countries are not the same. In some countries, we can see the positive results of this trend, and in some countries budget decentralization does not yield positive results [4].

That fiscal decentralization should be accompanied by appropriate and socio-economic reforms and the growth of the main macroeconomic indicators in the country.

Besides improvements on the results of fiscal decentralization today there are a number of issues that arose during the practical application of the new rules of the budget law to be addressed at the legislative level.

Discussion. Financial decentralization in Ukraine is necessary in order to create conditions conducive to a comprehensive human development of the environment, solving problems and providing high-quality public services in a specific city, village, village. In the process of fiscal decentralization, it is important to ensure a clear separation of powers, responsibilities of authorities at different levels and increase the volume of own revenues of the budgets of territorial communities, and the main strategic tasks of budget decentralization implementation are ensuring the economic development of administrative and territorial units.

It is determined that financial decentralization has a positive impact on providing communities with financial resources. And the association of territorial communities is an objectively positive process for ensuring their sustainable development.

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Влияние децентрализации на формирование местных бюджетов в Украине

Аннотация. На сегодняшний день основной задачей развития демократического государства является обеспечение улучшения уровня благосостояния каждого отдельного гражданина.

Проанализировав опыт развитых европейских стран, достижения данной цели возможно лишь при условии качественного государственного управления, которое усиливает демократические институты, ликвидирует неравенство возможности доступа к общественным благам, повышает качество общественных услуг и уровень жизни населения.

На современном этапе Украина, согласно основным положениям Европейской хартии местного самоуправления, продолжает направлять свои усилия на реализацию евроинтеграционного курса по развитию местной и региональной демократии. И именно децентрализация является на сегодняшний

день одной из самых успешных реформ, которая эффективно внедряется в стране.

В условиях реформирования системы публичных финансов актуальна тенденция к децентрализации в государственном управлении, в результате чего выполнение определенного ряда полномочий передается местным органам власти.

Так, финансовая децентрализация позволяет сбалансировать механизмы предоставления общественных услуг с потребностями и предпочтениями жителей местных общин.

Ключевые слова. Местное самоуправление, децентрализация, бюджет, местный бюджет, финансы, доходы местных бюджетов, бюджетная децентрализация.

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Вплив децентралізації на формування місцевих бюджетів в Україні

Анотація. На сьогоднішній день основною розвитку демократичної держави є забезпечення покращення рівня добробуту кожного окремого громадянина.

Проаналізувавши досвід розвинутих європейських країн, досягнення даної мети можливе лише за умов якісного державного управління, котре посилює демократичні інститути, ліквідує нерівність можливості доступу до суспільних благ, підвищує якість суспільних послуг і рівень життя населення.

На сучасному етапі Україна, відповідно до основних положень Європейської хартії місцевого самоврядування, продовжує спрямовувати свої зусилля на реалізацію євроінтеграційного курсу з розвитку місцевої і регіональної демократії. І саме децентралізація є на сьогоднішній день однією з найуспішніших реформ, яка ефективно впроваджується в країні.

В умовах реформування системи публичних фінансів актуальною є тенденція до децентралізації у державному управлінні, в результаті чого виконання певного ряду повноважень передається місцевим органам влади.

Так, фінансова децентралізація дозволяє збалансувати механізми надання суспільних послуг з потребами та уподобаннями жителів місцевих громад .

Ключові слова. Місцеве самоврядування, децентралізація, бюджет, місцевий бюджет, фінанси, доходи місцевих бюджетів, бюджетна децентралізація.