УДК 336

Економічні науки

LOCAL BUDGETS IN CONDITIONS OF DECENTRALIZATION:  
STATE AND PROSPECTS OF DEVELOPMENT

***Petrushka O.V.,***

*Ph.D. in Economics,*

*Associate Professor of Department of Finance named after S.I. Yuriy*

*Ternopil National Economic University*

*Ternopil, Ukraine*

***Lunyk K.M.,***

*Student of the Faculty of Finance and Accounting*

*Ternopil National Economic University*

*Ternopil, Ukraine*

Abstract: *The theses cover the problems of functioning of local budgets in the conditions of decentralization. Ways to strengthen the financial base of local governments are outlined. It is established that if the legislative, organizational and social problems are solved, local budgets will be able to have a sufficient amount of funds to perform the delegated powers.*

Key words: *budget decentralization, local budget, local budget revenues.*

At the present stage of economic transformation, financial resources are an important condition for strengthening the economy of the region and the city. The development of opportunities for using prospective forms and methods of attracting financial resources to overcome the depression of regions and cities, ensuring the balance of their development depends on the decentralization of regional finances. Decentralization of local budgets will ensure the economic efficiency of their operation and development of the financial infrastructure of the state as a whole. Therefore, the research topic is relevant and has considerable practical interest.

The works of Ukrainian scientists: V. Zaychikov, O. Kyrylenko, V. Kravchenko, I. Lunina, I. Luty are devoted to the study of theoretical and practical aspects of decentralization of local budgets. Issues of local budget development have been studied in the works of foreign scholars: M. Bell, S. Blankart, L. Eroshkin, A. Dombrovka, A. Kolesov, J. Yu. Stiglitz, V. Oates.

In Ukraine, during the years of independence, the Constitution of Ukraine [1] and the signing of the Charter of Local Self-Government [2] enshrined the need for decentralization of local self-government and decentralization of local finances, developed the main directions of decentralization of power and finance.

Ukraine is in a long economic crisis and in a military conflict. The development of the domestic economy, regions, territorial communities and the stability of the financial system greatly depends on the external environment. In 2014, the fall in GDP was 7.6%, 20 per cent of the country's economic potential were destroyed as a result of hostilities in the East, the inflation index was 124.9%, the official hryvnia exchange rate has devalued against the US dollar by 97.3% since the beginning of the year [3;4].

An important task in the current environment is the task of avoiding mass bankruptcy of organizations and stopping their activities, reducing jobs. Not less important task is to review the priorities in the work of the regions, it is necessary to pay attention to all sources of formation of the revenue base of local budgets. Each region must work to mobilize revenues to the budget.

Another important task is to stimulate taxpayers' control by improving the current legal framework. The changes should concern measures aimed at increasing the revenue potential of local budgets. This task is extremely important in the context of decentralization of local governments it should be addressed not only by regional entities, but by joint efforts of authorities at all levels [5, p. 128-130].

Thus, local budgets are the financial basis for the development of administrative-territorial units and play an important role in addressing economic and social issues of the administrative-territorial unit, the functioning of its infrastructure, housing and communal services, transport and construction. Decentralization will ensure the balance of revenues and expenditures of local budgets, will promote economic transformation at the local level, including the financing of capital expenditures, investment programs, the implementation of effective financial policy of territorial development.

It is advisable to increase the innovative component of local budgets, funding social programs, to reduce the dependence of local budgets on transfers from the state budget, to ensure economic and financial stability, and to strengthen the impact of regulation of intergovernmental relations on socio-economic development.

References:

1. Constitution of Ukraine URL: http://meget.kiev.ua/zakon/konstitutsia-ukraini/ (accessed 05.05.2020).

2. European Charter of Local Self-Government. URL: https://zakon.rada.gov.ua/laws/show/994\_036 (accessed 05.05.2020).

3. Main indicators of financial condition for 2004-2019 URL: http://minfin.gov.ua/control/ukr/publish/article?&art\_ind=388672&cat (accessed 06.05.2020).

4. The IMF has downgraded its forecasts for Ukraine's economic development in 2019-2020. URL: https://mind.ua/news/20189389-mvf-pogirshiv-prognozi-shchodo-rozvitku-ekonomiki-ukrayini-u-2019-2020 (accessed 06.05.2020).

5. Kyrylenko O. Democratization of citizen participation in regional governance. *Journal of European Economy*. 2016. T. 15. № 1. P. 121–138.