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STATE AND PROSPECTS OF DEVELOPMENT OF FINANCIAL DECENTRALIZATION IN UKRAINE

Problem Statement. Market transformations that take place in Ukraine need new approaches to forming of public policy of regional development and reformation of local self-government. The modern institutes of decentralizing management, as international experience testifies, provide the best implementation of functions of the state and more effective grant of public benefits and services. The vector of reforms in Ukraine in this direction the processes of financial decentralization became as the most effective form of organization of management public money, that all-round from will tell to both the new system of economic relations, built on market principles, and processes of democratization of all spheres of vital functions of society. The real financial possibilities of local authorities presently limit considerably, in addition, local budgets do not have complete independence, and it, in turn, brakes democratic transformations to the country, that is why actuality is acquired by the question of introduction of decentralization is in Ukraine.

Analysis of the last researches and publications.

Many research workers work above the problems of local budgets, in particular: A.E. Buryachenko, O.G. Pin, O.D. Vasilik, I.S. Volokhova, V.G. Dem'yanishin, O.P. Kirilenko, V.I. Kravchenko, S.E. Ostrovich. The question of realization of policy of financial decentralization is spare attention in labours of many domestic scientists, such as, in particular, Ya.I. Arabchuk [1], M.O. Konina [2], L.O. Lazutina [3], I.O. Lunina [4], Ch. Tiebout, Kh.O. Paticka [5], N.O. Slobodyanyuk [2].

The purpose of the article is a leadthrough of analysis of modern problems of formation of local budgets and systematization of suggestions in relation to the prospects of financial decentralization in the context of necessity of reformation of the system of power in Ukraine.

Presentation of the main research material. In the modern terms of development of Ukraine actual is a tendency to decentralization in state administration, as a result implementation of certain row of plenary powers is passed to local authorities. The value of financial decentralization consists in that it enables to balance the mechanisms of grant of public services with necessities and taste of local societies and habitants, promotes the level of responsibility of local organs for implementa-

tion of the proper functions and degree of efficiency of activity a state sector on the whole through introduction of elements of competition.

Ideology of fiscal decentralization belongs to American economist Ch. Tiebout, which found out an empiric way "Spillover effect", is an effect of even allocation of resources as problems of redistribution of possibilities depending on tastes and profits of local societies [6, p. 94]. He suggests to decide this problem on the basis of effect of redistribution of public benefits, in fact possibility of every separate society partly depends on the presence of public benefits in nearby societies. In addition, a scientist selects the separate category of public benefits – "National public goods" – national, that such, as a defensive, primary education, which are distributed at national level of management [6, p. 95].

Application of theory of financial decentralization in the conditions of reformation of the system of state administration renders both positive influence and contains certain threats. The absolute positive of financial decentralization is the best providing of necessities of local population by the organs of local self-government at local level. At the same time, to pursue a policy of decentralization, it is important to distribute a task between the different levels of management, that it is needed expressly to define, what tasks it is expedient to fasten on permanent basis after the that or other level of power. With differentiating of tasks a question almost decides about the division of charges between the different levels of the budgetary system. Substantial changes in the budgetary and tax legislation of Ukraine already took place and entered in an action in 2015 year. In accordance with modern a tendency in relation to decentralization of management of the state financial resources in the structure of finances of local self-government a major role belongs to the local budgets. In particular, from the state budget, paying is passed to the local budgets for the grant of other administrative services and state duty. Entering general fund is extended due to transferrableness from the special fund of ecological tax, united tax and tax, on the real estate, which before were the sources of forming of budget of development. Also changes touch fixing after the local budgets of stable sources, namely to the tax on the profits of physical persons after new norms and income tax enterprises, put

to the local budgets of collection, on the retail of excisable commodities after the rate of 5% cost of the realized commodity, increase of percent of ecological tax. Made alteration enabled local budgets to use a money on different aims, but not only on the charges of capital character.

Currently the budgets of all levels receive transfers from the state budget. According to the Law Ukraine "On the State Budget of Ukraine for 2018", the basic subsidy from the state budget will receive 740 local budgets, including 18 regional budgets, budgets of 53 cities of regional importance, the district budget 361 and

308 combined budgets of local communities. Reverse subsidy to the state budget will transfer 169 local budgets, including 6 oblast budgets of 66 regional importance, 47 and 50 district budgets combined budgets of local communities [12].

Under the new system, the amount of subsidies has decreased, but the amount of subsidy in recent years has increased significantly (fig.1). However, the growth of subsidies may reduce the interest of local governments to increase the volume of own revenues and finding alternative sources of funding base of local budgets [13, p. 28].

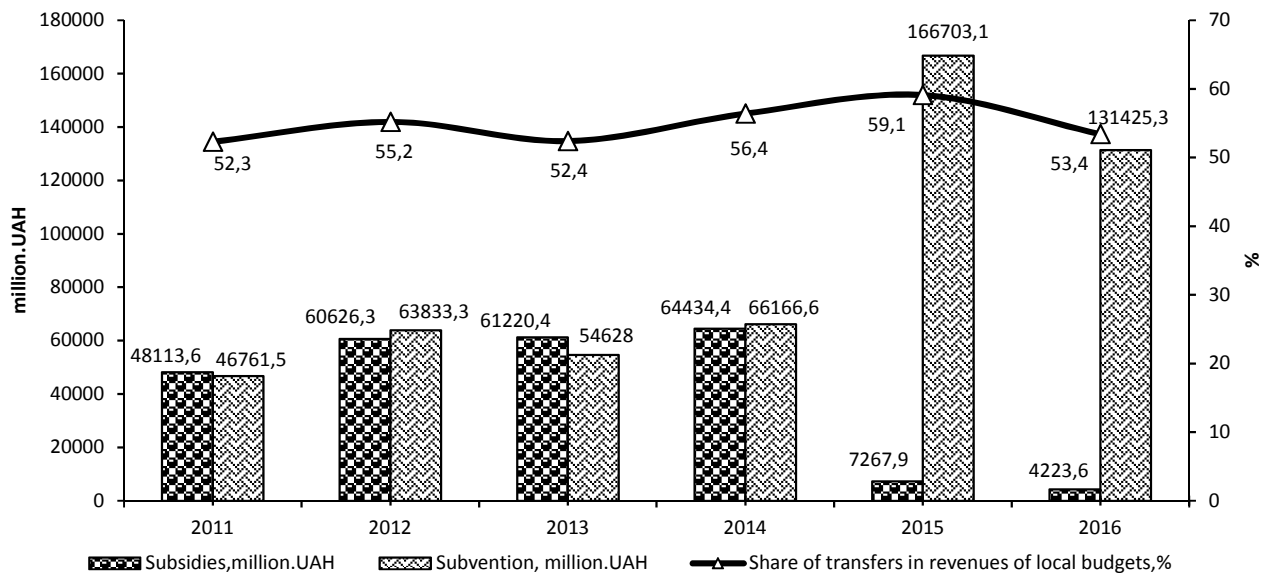


Fig.1. The dynamics of intergovernmental transfers Ukraine, 2011-2016
[it is improved the authors on the basis of source 14]

As can be seen from fig.1, in the 2011-2014 grants distinguished by large amounts. Over the next two years of receipt of subsidies considerably reduced. This situation is caused by legislative changes (2014) and the introduction of a new model of intergovernmental relations. The new system is characterized in that it has no equalization, but instead there is a basic allowance, educational and medical subsidies, subventions for providing medical management of certain state programs and comprehensive measures program character.

Thus, the state transfers by providing fully assume responsibility for financial institutions to ensure ongoing costs of medical and educational areas belonging to local authority budgets and occupy a large part of their expenditure [14].

For the analysis of influence of local budgets on socio-economic development of regions of Ukraine necessary them quantitative and high-quality descriptions. About correlation of local budgets with macroeconomic indexes, above all things, with a gross domestic product (GDP), such information testify (table 1).

If to analyse the dynamics of specific gravity of local budgets in GDP, in an analysable period there is a

tendency to the increase of part of local budgets. Yes, in 2014 specific gravity of charges of local budgets in GDP was 14,3%, and in 2015 reduced on 0,3%, however in 2016 year the insignificant increase of part took place on 0,5%, that it is related both to the increase of GDP on 20,4% and with the increase of charges of local budgets on 25%. This increase is related to the changes in government control of allocation of profits between the different components of the budgetary system and testifies to poslablennya of state influence on the process of mobilization of money and distributing between the different levels of power.

However, without regard to a change in structural reforms of the budgetary system, directed on the increase of role of local self-government, there are problems which interfere with local budgets to provide the high-quality level of socio-economic development of administrative-territorial units:

- a maintenance of hard financial dependence of regions is from a center;
- it is a presence of sharp lack of own profits of local budgets;

Betweenness by the charges of local budgets and GDP

[it is improved the authors on the basis of source 8]

Indicator	2014 year	2015 year	2016 year	Rejection			
				2015-2014	Rate of growth, %	2016-2015	Rate of growth, %
GDP	1566728,0	1979458,0	2383182,0	412730,0	126,3	403724,0	120,4
Charges of local budgets, millions of Uah (taking into account inter-budgetary transfertiv)	223 496,7	276 940,0	346 241,6	53443,3	123,9	69301,6	125,0
Specific gravity of charges of local budgets in GDP, %	14,3	14,0	14,5	-0,3	-	0,5	-

– it is opacity of redistribution of financial resources between a center and regions;

– it is imperfection of the operating system of forming of profitable and expense part of budget of development;

– indifferent attitude is toward problem territories which need additional financial providing.

In an order to convert local budgets into the effective instrument of socio-economic development of regions it is necessary to perfect such factors of their forming, distributing and use, as:

– it is an increase of financial independence of organs of local self-government by fixing after them of additional profitable sources;

– perfection of the system of grant and use of subvention is on realization of the programs of socio-economic development; it is diminishing of disproportions of forming of resource base of local budgets;

– it is differentiating of plenary powers between the state and local budgets on principles of balance of national and regional interests;

– it is program of development of regions development on average period prospect;

– achievement of maximal balance between directions of local fiscal policy, which will provide both financial stability subjects of management of this territory and welfare of society, on the whole. It is also necessary to concentrate the attention on problem territories which need the special methods of management and additional stimulation: it is a revision of status of problem territory on the proper indexes by periodicity in 7–10 years;

– creation of state programs to overcome the depression of certain regions;

– planning financial support for the implementation of such programs by the program-target method in the relevant long-term budgets [9].

Implementation of the above measures will result in balanced budget financing of socio-economic measures of the territorial community in conditions of financial decentralization.

Since 2015, local budgets have received such new types of transfers as an educational subvention, a sub-

vention for the training of labor cadres and a medical subvention.

Changes in tax and budget legislation have affected the state of local budget revenues in Ukraine (excluding official transfers), which decreased to 6.1% of GDP in 2015 compared to 6.5-7.2% in 2011-2014. Due to transfers from the state budget to local government duties (at the place of commission and issuance of documents) and fees for providing certain types of administrative services, non-tax revenues from local budgets increased to 1.02% of GDP compared to 0.78% in 2014. Income from intergovernmental transfers made up 14.87% of GDP, roughly equivalent to the 2014 figure (14.79%), but below the corresponding figures for 2012-2013, when they exceeded 15% of GDP.

The share of tax revenues in total local budget revenues declined to 33.4% in 2015, compared with 37.7% in 2014 and 40.3% in 2011. This is due to a decrease in the inflow of personal income tax to local budgets as a result of a 25% tax transfer to the state budget. If in 2011-2014 the local budget revenues from the PIT amounted to 4.0-4.4% of GDP, then in 2015 they decreased to 2.8% of GDP [9].

A tangible source of revenues to local budgets was the excise tax on the sale of excisable goods by business entities – about 8 billion UAH. (0.39% of GDP), or 7.8% of tax revenues of local budgets. Transport tax and real estate tax, other than land, provided less than 0.5% of local budget revenues.

Consequently, changes in the formation of local budgets and intergovernmental fiscal relations in 2015 were primarily a prerequisite for ensuring the functioning of the budget system of Ukraine in a special period, rather than a step towards fiscal decentralization.

In 2016, the situation with the revenues of local budgets showed a positive trend, which is confirmed by the data of the table. 2.

Thus, during 9 months of 2016, the inflow of own resources to the general fund of local budgets has grown 1.4 times, or by 34.2 billion UAH, as compared to the same period last year and amounted to 103.9 billion UAH. Income tax of natural persons reached UAH 55.5 billion, which is higher than last year's revenues by

UAH 18.3 billion. (49%), land payments – 17.4 billion UAH. (increased by UAH 6.7 billion, or by 62%), the single tax – UAH 11.4 billion. (increased by UAH 4.0 billion, or by 54%). Actual excise tax receipts amount to UAH 8.6 billion. (increased by UAH 3.0 billion, or by 55%), real estate tax – UAH 1.0 billion. During 9 months of 2016, local budgets received a basic grant of

UAH 3.6 bln from the state budget, an educational subvention of UAH 32.5 bln, a medical subvention of UAH 32.0 billion, a subvention for the formation Infrastructure of the Joint Territorial Communities – 0.7 billion UAH. From the local budgets the reverse grant (withdrawal) in the amount of UAH 2.3 billion was redeemed to the state budget.

Table 2

Dynamics of actual revenues of the general fund of local budgets of Ukraine for the 9 months of 2015-2016, UAH million [compiled by the authors on the basis of source 10]

Indicator	9 months of 2015	9 months of 2016	Change in the indicator in 2016 compared to 2015 (+,-)
Income tax	37 226	55 542	+ 18 316
Fee for land	10 742	17 435	+ 6 693
Single tax	7 392	11 413	+ 4 021
Excise tax	5 561	8 594	+ 3 033
Other taxes and fees	8 778	10 879	+ 2 101
Basic grant	3 947	3 558	- 388
Medical subvention	33 254	32 040	- 1 214
Educational subvention	31 602	32 502	+ 900
Subvention for infrastructure formation	0	667	+ 667
Total revenues (billions UAH)	138,5	172,6	+ 34,1

Thus, the decentralization of local budgets is changing: the functions of local self-government bodies; the process of distribution and redistribution of financial resources between all parts of the budget system; division of powers of the authorities; legislative framework and promotes effective budget reforms.

It should be noted that the priority areas for managing public finances should be their substantiated formation, transparent distribution and redistribution and effective use. This will help to efficiently manage budget funds in the country. The urgent issues in Ukraine today are financial provision of local budgets, the formation of independent sources of budget revenues and the reform of inter-budgetary relations. Currently, the country's intergovernmental financing has a number of problems:

- budget decentralization involves a wider range of powers for local authorities than it is now at the central authorities of Ukraine;

- inconsistency between expenditures and their sources and amounts of funding;

- the local authorities have no levers and incentives to increase revenues to the budgets, nor have they the right to independently, transparently, fully manage their own resources;

- for a long time the system of intergovernmental financing has developed unpredictably.

She did not have scientific and methodical approaches to their calculations, which influenced the management of budgets in the direction of planning and forecasting;

- the imperfect institutional and legal framework of intergovernmental financing does not give impetus to the development of regional infrastructure and does not contribute to the provision of public goods.

Based on the foregoing, it is necessary, firstly, to improve the legal and institutional framework of the system of intergovernmental financing. Second, on a scientific basis, develop a methodology for calculating intergovernmental transfer payments. Thirdly, to amend the laws "On Local Self-Government in Ukraine" and "On Local State Administrations", which will clearly define the powers of local authorities, the methodology for determining the amount of funding, and also define the concept of "communal property" and "communal property".

Fourth, for each level of local authorities, define the scope of liability and penalties. And control and responsibility are the grounds for decentralization. Consequently, the reform of the country's inter-budgetary relations should be aimed at decentralization of budgetary resources in the budget organs of local self-government. The final result of decentralization should be the creation of a new system of local budgets and intergovernmental fiscal relations, which should be based on institutional symmetry, which involves the combination and interconnection of economic agents who use public goods, pay taxes and those who make their own decision on its provision (local authorities).

Conclusions. Based on the analysis, we can conclude that in Ukraine, which aspires to become democracy, there is dire need for further implementation of the policy of fiscal decentralization, which is a form of

decentralization. This is because it features the organization responsible fiscal decentralization more political, administrative and economic conditions prevailing in Ukraine.

Therefore, today the priority of the local authorities is to ensure the comprehensive development of the region and the optimal allocation of financial resources directed towards the real sector of the economy and services, which in turn serves the organization of further expansion and strengthening of the financial base of regional authorities.

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Бившев Р. О., Волошина О. О. Стан та перспективи розвитку фінансової децентралізації в Україні

У статті проведено аналіз сучасних проблем формування місцевих бюджетів та систематизації пропозицій щодо перспектив фінансової децентралізації в контексті необхідності реформування системи влади в Україні. Визначено пріоритетні напрями управління державними фінансами: обґрунтоване формування, прозорий розподіл і перерозподіл та ефективне використання, що буде сприяти ефективному управлінню бюджетними коштами в країні. Доведено, що вдосконалення правової та інституційної бази системи міжбюджетного фінансування буде сприяти проведенню ефективних бюджетних реформ.

Ключові слова: децентралізація, державні фінанси, міжбюджетне фінансування, місцеві бюджети, доходи місцевих бюджетів.

Бывшев Р. А., Волошина Е. А. Состояние и перспективы развития финансовой децентрализации в Украине

В статье проведен анализ современных проблем формирования местных бюджетов и систематизации предложений относительно перспектив финансовой децентрализации в контексте необходимости реформирования системы власти в Украине. Определены приоритетные направления управления государственными финансами: обосновано формирование, прозрачное распределение и перераспределение, а также эффективное использование, которое будет оказывать содействие эффективному управлению бюджетными средствами в стране. Доказано, что усовершенствование правовой и институциональной базы системы межбюджетного финансирования будет оказывать содействие проведению эффективных бюджетных реформ.

Ключевые слова: децентрализация, государственные финансы, межбюджетное финансирование, местные бюджеты, доходы местных бюджетов.

Byvshev R., Voloshina O. State and prospects of development of financial decentralization in Ukraine

The article analyzes the current problems of the formation of local budgets and systematizes proposals on the prospects of financial decentralization in the context of the need for reforming the power system in Ukraine. The priority directions of the management of public finances are defined: substantiated formation, transparent distribution and redistribution and effective use, which will promote effective management of budgetary funds in the country. It is proved that the improvement of the legal and institutional framework of the system of intergovernmental financing will contribute to the implementation of effective budget reforms.

Keywords: decentralization, public finances, intergovernmental financing, local budgets, local budget revenues.

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