

Bui Tetiana
Associate Professor, NaUKMA
Kovalchuk Oleksandra
4th-year student, NaUKMA

SOCIAL-ECONOMIC IMPORTANCE OF BUDGETARY DECENTRALIZATION

The basic idea of a democratic country is securing the growth level of prosperity of each individual citizen, whereas one of the main prerequisites for its development is to provide the legal, organizational and financial autonomy of local government bodies.

Nowadays, Ukraine aims implementation of the European integration course, the realization of international-legal obligations, including the development of local and regional democracy. The democratization of society and the simultaneous decentralization of power on the basis of subsidiarity remain Ukraine's priorities.

In general, the process of decentralization is the restructuring or reorganization of authority, which results in a system of shared responsibility of institutions at all levels of government (central, regional, local) in accordance with the principle of subsidiarity, which increases the quality and efficiency of the governance system and the ability of popular co-determination economic, social, political decisions and thus provides transparency and operative implementation of these options.

The target for conducting decentralization processes in Ukraine is enshrined in the Concept of reforming local authorities and territorial organization of government from April 1, 2014. The budgetary policy should promote sustainable and effective economic development since the main instrument of social-economic policy is the budget. Therefore, at the present stage of management, the basis is budgetary decentralization.

Budget decentralization is the process of delegating powers (functions, jurisdictions, and amenities) from the central government to local bodies. Financial management is the most difficult issue of fiscal decentralization. Although there is an urgent need to delegate proxies to the lower levels of government, the local authorities normally do not have sufficient means to fulfill its new budgetary powers.

The budgetary decentralization launched by amending the Budget and Tax Codes of Ukraine, according to which [1]: increased independence of local budgets adoption, regardless of the state budget acceptance; about 50 sources of income are assigned to local budgets in order to increase the financial solvency of communities; the system of balancing was replaced by the system of fiscal equalization; educational and medical subventions allocation are assigned to sectoral ministries for transfers to local government authorities; redistribution of powers' expenditures by state and local governments on the principle of subsidiarity; stimulation of territorial communities to integrate and switch to direct intergovernmental relations with the state budget.

The government plans to create a system whereby the available financial resources are to work effectively for Ukrainian citizens. Therefore, within the framework of budgetary decentralization, both the incomes and the obligations on which local communities should act for locals interest.

According to the reform, the budgets of the Local Communities (LCs) are given additional powers and appropriate financial resources, as cities of regional importance, in which remains: 60% tax on personal income (PIT), 100% tax on property (real estate, land, transport), 100% uniform tax, 100% excise tax on retail trade (tobacco, alcohol, petroleum products), 100% income tax on utility institutions, 100% administrative fees, 25% environmental tax, other fees and payments, inter-budget transfers, and proceeds from programs and benefits [3].

In addition to the expenditures on the exercise of self-governing powers, the LCs budgets cover the expenditures delegated to the state for its implementation, namely: for the maintenance of budgetary institutions, such as education, culture, health, sports, social protection and social security. Expenditures of non-merged local authorities are limited only to the financing of expenditures on self-governmental powers since they deprive the state of the powers that can be delegated by the state to the local self-government perform.

Furthermore, LCs' budgets are involved in horizontal alignment. The alignment is applied only on the personal income tax, the rest of the taxes remain at the disposal of local authorities. To increase its fiscal capacity, LCs' budgets with revenues below the 0.9 average in Ukraine are provided with grant-in-aid. From the local communities' budgets that have a level of income above 1.1 Ukraine average, a reverse subsidy is transferred. Non-merged communities' budgets do not participate in horizontal tax equalization and are not provided by a base grant [2].

In accordance with article 99 of the Budget Code of Ukraine, the following budgetary transfers are envisaged by the LCs' budgets: a basic grant, educational subvention, medical subvention, other subventions and governmental grants [1].

The local communities have the right to make local internal borrowings and local external borrowings (including by obtaining loans from international financial institutions) in order to implement its powers authorization. The non-merged local village communities, township, cannot make any borrowing. At the same time, authorities of local importance may make local internal borrowings and external ones solely by obtaining loans from international financial institutions. Thus, the newly created LCs provide for a change in pre-financing approaches, which, in the first place, will allow local communities to use its funds more efficiently.

On January 17, 2020, the Verkhovna Rada of Ukraine adopted in first reading the draft Legislation on amendments to the Law of Ukraine "On Local Self-Government in Ukraine" No. 2653 of December 20, 2019. As reported, this bill introduces the notions of the administrative center of the territorial community and the territory of the territorial community. In addition, leading into the final and transitional provisions, which specify the authority of the Cabinet of Ministers of Ukraine to designate administrative centers and territories of territorial communities, as well as submit to the Verkhovna Rada of Ukraine legislative acts on the formation and liquidation of communities. The implementation of the provisions laid down in the law will allow local elections to be held in 2020 on new local communities, regions and districts.

Thus, currently, budget decentralization is the most effective and efficient way of ensuring financial autonomy and sustainability of local authorities by delegating to them powerful sources of budget revenues previously assigned to the central government and expanding the financial base of administrative and territorial entities. That is, the entry of a new model of financial support for local budgets is to extend the rights of local communities, the sources of their formation, to give them full budgetary autonomy and to create a real basis for the exercise of its powers.

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