

LAW SCIENCES

CURRENT CONDITIONS OF FORMING FINANCIAL RESOURCES FOR TERRITORIAL COMMUNITIES IN DECENTRALIZATION CONDITIONS

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Current tendencies of the state and local self-government development are aimed at introducing the processes of decentralization and changes on the basis of the order of inter-cooperation between state authorities and united territorial communities. Decentralization is the way of territorial organization of administration management in which the state transfers the right to make decisions on certain issues or in certain sphere to the entities of local or regional level that do not belong to the system of executive power and are relatively independent from it; this is complicated and complex phenomenon in the legal system of democratic state, which is to delegate by the central bodies of state power a certain amount of authority onto the entities of the lower level of management with the necessary rights, duties and resources» [1, p. 167]. One of its integral components is fiscal decentralization, which involves the transferring of power by fiscal authorities to the administrations of a lower territorial level (in revenue generation and expenditure based on own decisions)...» [2, p. 19]. That is, territorial communities are assumed to have their own financial resources to support their functioning.

At the same time, the Report of the Accounting Chamber of the Verkhovna Rada of Ukraine (Supreme Council of Ukraine) «On the results of the analysis of the formation and the use of inter-budgeting transfers from the State Budget of Ukraine to local budgets in 2016-2017» shows that the increase in the revenue base of local budgets was achieved only partially, primarily due to small amounts of financial resources obtained from fiscal sources. In addition, there is a deformation of the distribution of intergovernmental transfers in favor of the state budget [3, p. 27]. Therefore, territorial communities and local self-government ones are not sufficiently

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provided with their own resources to finance their needs in the whole, and therefore remain dependent on the state budget.

A. P. Lelechenko, O. I. Vasilyeva, V. S. Kuybida and A. F. Tkachuk point out that there are 5 forms of fiscal decentralization: 1) self-financing or compensation for production losses by paying users for services; 2) partial financing or production measures through which users participate in the provision of services, infrastructure development through financial contributions or labor input; 3) expansion of local revenues (real estate taxes, sales or indirect payments); 4) transfers that move general tax revenue provided by the central government to local authorities for general or specific usage; 5) granting permission for municipal borrowing or mobilization of funds of local authorities through loan guarantee and crediting [4, p. 13]. And if the first ones are predictably assuming the development of the local economy primarily, then local taxes, transfers and borrowings are more dependent on the state and its activities in the fiscal area.

As the statistics show, and also according to the righteous opinion O. M. Pidhomny and O. Yu. Zhurba, «...the practice of applying local taxes in Ukraine has shown that they are not essential in the formation of local budgets. In this regard, a significant number of local authorities do not even fully exercise their authority to impose such taxes and fees» [5, p. 999]. This is the fact indeed, since local taxes do not seem to have a significant impact on the size of local budget revenues. In the EU member-states, tax revenues to the budget are about 70%, in Sweden and Denmark they are more than 80%. Local taxes make up about 60% of the local government revenue base in Germany, 48% in Switzerland, 38% in Italy, 45% in Australia, 44% in Norway, as opposed to 5-7% in Ukraine [6].

This state of affairs necessitates the extension of the local government tax base and the transfer of additional tax payments from the state budget (granting them the status of local ones).

There shouldn't be ignored the transfers from the state budget which are to support territorial communities and without which a certain number of communities are just not able to exist independently, taking into account either the peculiarities of economic development, location, industry, migration processes, etc. Therefore, maintaining transfer support for the budgets of some particular territorial communities is the precondition for their normal functioning. In addition, in order to carry out real fiscal decentralization, in particular along with the delegation of powers and responsibilities to public authorities, local self-government bodies should be provided to real compliance with the provisions of Article 85, paragraph 1, of the Budget Code of Ukraine as for the appropriateness of transferred rights on for the expenditures of the financial resources allocated directly for this purpose [7, p. 82].

So, the state has to finance the implementation of the powers delegated to local self-government fully, bearing in mind the needs for financial resources to fulfill them.

At the same time, the factor of the effectiveness of the territorial communities' management should not be underestimated, as it is quite rightly affirmed by M. V. Goncharenko, «Legislative consolidation of an expanded list of local government budget revenues, allocation of large amounts of budget funds in the form of intergovernmental (inter-budget) transfers and funds of the State Regional Development Fund, as well as the expansion of opportunities to attract additional financial resources are not quite sufficient conditions for community development and do not mean automatic increase of local public services quality» [8, p. 6]. This means that territorial communities are to be motivated to use their funds efficiently, primarily through self-financing and the existing consequences of inefficiency being a non-covered budget deficit.

Budget loan is a promising factor in replenishing local budgets that can contribute to the economic development of united territorial communities. A. E. Briazkalo in this regard noted that increasing role of local budgets would allow more efficient usage of borrowed funds, directed onto support of domestic manufacturers, stimulate them to obtain additional financial resources in order to enter foreign markets, which will ultimately contribute to the overall economic recovery of the territories [9, p. 101]. However, along with the benefits of loans, there are also significant drawbacks in the form of community debts to creditors, which should be repaid back in the future.

Considering the mentioned above, local loan should become a full source of replenishment of local budgets with mandatory condition for their use on economic projects, which is to bring significant additional revenues to the budgets of the united territorial communities.

In this regard it is possible to formulate the following contemporary conditions for the formation of financial resources of territorial communities: 1) expanding the tax base of local self-government authorities and transferring additional tax payments from the state budget (granting them the status of local ones); 2) maintaining transfer support for the budgets of individual territorial communities for their normal functioning; 3) the state must fully finance the implementation of the powers delegated to local self-government, taking into account the need for financial resources to fulfill them; 4) territorial communities should be motivated to use their funds efficiently, first of all, through self-financing and the consequences of inefficiency being the non-covered budget deficits; 5) local loans should become a full source of replenishment of local budgets with obligatory precondition of their use for

economic projects (expansion of the revenue base of budgets of the united territorial communities).

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