

## **LOCAL SELF-GOVERNMENT**

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### **FORMATION OF FISCAL SPACE OF LOCAL SELF-GOVERNMENT: ENSURING THE CAPACITY OF TERRITORIAL COMMUNITIES**

**Shevchenko O. O.**

*Doctor of Economics, Associate Professor,  
Professor of Management  
Donbas State Engineering Academy  
Kramatorsk, Donetsk region, Ukraine*

Proper and high-quality performance of a wide range of functions of the state in various spheres of public life directly depends on the type of adequacy of financial support generated within the state and local budgets. At the same time, fiscal policy should be focused not only on meeting the existing needs for financing measures aimed at solving the current problems of sustainable functioning of the state mechanism, but also on solving long-term problems due to the requirements of maintaining high economic growth and sustainable socio-economic development. long-term stimulation of economic activity, assistance in solving social and demographic issues, gradual improvement of the quality of life of the population, etc. at all levels of government, budget decentralization has led to the spread of conceptual provisions focused on the formation of the financial base of public administration and local self-government in the context of the formation and expansion of fiscal space. The study of this issue acquires special significance and relevance in the formation of local budgets, because it is at the regional level that the processes of socio-economic development of the state get a specific and targeted nature of the impact on individual and collective needs of citizens in ensuring well-being and high quality of life local self-government is the primary form of organization of the democratic system of society. The concept of financial space, which has become quite widespread among scholars, is based on the recognition of the need to significantly increase the role and increase the importance of financial and budgetary levers in the regulation of socio-economic development at all levels of the national economy. It is proposed to intensify the use of such levers both through the identification and

implementation of reserves to increase budget revenues and in terms of strengthening the target orientation of budget expenditures based on streamlining state and regional priorities and development objectives with further concentration of financial resources (subject to financial stability). and fiscal stability of the economic system of a certain level), necessary to address the relevant most important problems and issues. Thus, the use of the concept of fiscal space should contribute, firstly, to strengthening the long-term orientation of the budget process (based on the emphasis on budget expenditures), and secondly, to increase fiscal discipline combined with opportunities to improve the business climate through, for example, partial deregulation and tax incentives for certain types of economic activity (based on increasing the validity of identification of relevant sources of tax revenues), thirdly, increasing the sustainability of development and increasing the capacity of the economic system to combat crises in financial and other sectors of the economy (in the context of mandatory financial requirements and standards), fourthly, strengthening the integration, system and complexity in the development and implementation of plans and programs of local communities in various fields (social, financial, industrial, infrastructural, etc.) and aspects (national, regional). onal) development of the state. Focusing on the target nature of the formation of fiscal space as a reflection of the state's ability to mobilize and accumulate budget funds needed to finance programs and activities aimed at solving problems and objectives of socio-economic development, the positions of scientists are noted. On the other hand, in modern research, views based on the use of the powerful research potential of the spatial-process approach, embedded in the very concept of fiscal space, are becoming more widespread. The need and expediency of considering the regional aspects of the formation of fiscal space in the context of strengthening the financial support of local government is primarily due to the fundamental laws of spatial construction of the state. Thus, the formation of the fiscal space of local self-government (carried out within the framework of the rights and powers granted to its bodies) at the macroeconomic level is a significant lever of influence on the territorial location of productive forces, population distribution, financial and investment flows across the country. and at the regional level – is the most important prerequisite for the equalization of territorial disparities, improving the quality and standard of living of the inhabitants of the territory, the development of infrastructure for production and livelihoods, and others. It should be noted, however, that in Ukraine the productive use of the powerful potential of local governments to influence the processes of socio-economic development at the regional level has long been

hampered by the importance of contradictions between, on the one hand, extremely complex and diverse tasks of these bodies. the other by the extremely limited powers at their disposal. These contradictions were most acute in the fiscal sphere – as local governments were entrusted with a wide range of duties and responsibilities for the state and dynamics of regional development, while the formation of financial support for these functions was carried out mainly through centralized redistribution of state budget funds. Thus, a necessary precondition for correcting such contradictions is the reform of intergovernmental relations and decentralization of public finances, the expected result of which should be not a simple redistribution of powers in this area, but the formation of local government proper fiscal space, adequate complexity of existing problems development, parameters of the territorial economic complex, the state of the natural environment of the territory, etc.

At the same time, the fundamental nature of the changes taking place in the public finance system is to increase the capacity of local governments to accumulate financial support for their activities, as well as to create effective motivational mechanisms for them to develop and implement active fiscal policy. However, at present, the acquisition of real subjectivity in the fiscal sphere by local authorities is limited by the insufficient formation of theoretical, methodological and conceptual provisions, the use of which would define and establish priorities and imperatives for expanding the fiscal space of the EOM. It is obvious that the limitations of this kind of scientific substantiation should be considered a natural reflection of both the above-described variety of approaches to establishing the essence of fiscal space as an economic phenomenon and the scale of changes in decentralization of public finances and restructuring of intergovernmental relations in Ukraine.

We believe that the fiscal space of local government is a set of localized within a certain territory of economic processes and economic relations (formed in the course of institutionally organized interaction of entities focused on the realization of individual and collective interests), the results of which within the tax and budgetary mechanisms States determine on the basis of the development and implementation of active fiscal policy the financial potential that can be used to implement self-government bodies (within the rights and powers granted to them) at the local level of regional development decisions that meet national goals and priorities. , within the limits of observance of requirements and restrictions concerning preservation of stability of a financial condition of the state and its regions. According to this approach, the formation of the fiscal space of local self-government is a complex sequence of economic phenomena and processes, during which the

formation of key elements of the fiscal space, which should include tax potential, budget potential, budget capacity. decentralization of the budget system of the state and intensification of processes of development at the local level of the mechanism of financial maintenance of territorial development, certainly, use of the effective approach which is caused by limitation of available institutional maintenance of formation of fiscal space of local government is perspective. On the other hand, the insufficient formation and low efficiency of administrative regimes of the budget process at the local level, as well as insufficient budget capacity of territories as a determinant of the fiscal space of local self-government determine in this context the expediency of using resource-expenditure and targeted approaches.