MECHANISMS FOR FORMING FINANCIAL RESOURCES OF TERRITORIAL COMMUNITIES UNDER DECENTRALIZATION CONDITIONS

Problem statement. Beginning from 2015, the system of financial support for local development has enhanced considerably due to extension of the list of the revenue sources for local budgets and emergence of other financial opportunities. The decentralization reform in Ukraine is only gaining momentum; therefore it is untimely to regard the financial system of local governments as finally-formed. Taking this into consideration, research into opportunities for further improvement of mechanisms for forming financial resources of territorial communities under the conditions of decentralization still remain topical.

Recent research and publications analysis. The current processes of building a system of local budgets, financial aspects of territorial communities’ association have been researched by Yu. Hanushchak, Ya. Kaziuk, H. Markovych, T. Stankus, and other scientists. However, a practical implementation of the budget decentralization reform in Ukraine requires further improvement of the mechanisms for forming affluent territorial communities.

The paper objective is systematizing the existent mechanisms for forming financial resources of local governments and determining the impact of extra options of financial support to associated territorial communities in the context of decentralization reform implementation on raising local budgets’ financial capacity.

The paper main body. The decentralization reform has resulted principally in enhancement of local governments’ own financial base. Thus since 2015, the
budgets of villages, small towns, cities of district subordinance have received full-scale revenues from land use fees (from 2015, they have a local tax status), 100% of real estate tax, a single tax, parking charges, tourism tax, administrative service charges, profit taxes of communal enterprises, local subsurface use royalty, license and state registration fees, administrative fines and penalties, dividends, local loans and local guarantee fees, and budget institutions own incomes. Also, these budgets have received 25% of the environmental tax, 90% of funds from the sale of non-agricultural land, and other revenues.

Significant advantages belong to associated territorial communities whose budgets were equated with the budgets of cities of regional subordinance and districts, and which, apart from the above taxes, receive extra 60% of personal income tax.

For a horizontal equalization of the territories’ tax-paying capacities, from the beginning of 2015, basic and reverse grants are used, the amount of which is calculated separately from personal income tax and profit tax. The rest of local budgets’ incomes are not subject to equalization and remain at the disposal of local government bodies.

Since 2015, a mechanism has been introduced which allowed the state to undertake, by means of specialized transfers (subventions), a full responsibility for payment of the operating costs of healthcare and educational institutions that belong to local budgets jurisdiction and comprise a large proportion of their expenditures.

Besides the above-mentioned sources, associated territorial communities can rely on a number of targeted subventions from the state budget (including those for infrastructure development), finances of the State regional development fund, and international technical assistance as well.

**Conclusions of the research and prospects for further scientific surveys.**

As a result of the decentralization reform, local government bodies have received much broader opportunities for attraction of financial resources for territorial development. Yet, challenges to a maximally efficient usage of new financial
opportunities are: local governments’ political will and active position; the extent of mutual understanding and cooperation between local authorities and communities; development of professional qualifications in the field of strategic and financial planning, fund raising, grant-writing, etc.