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TO INCREASE THE INDEPENDENCE OF LOCAL BUDGETS PRIORITIES

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Annotation:

This article analyzes the priority directions for increasing the independence of local budgets. In particular, it discusses ensuring the stability of budget revenues, optimizing the composition of expenditures, and improving the mechanisms for effective distribution of tax and financial resources among regions. The article also examines current issues in the functioning of local budgets—such as excessive dependence on higher-level budgets, imbalance between revenues and expenditures, and the low share of non-tax revenues. Furthermore, it justifies new approaches to assessing tax potential based on the socio-economic development levels of regions and to distributing financial resources accordingly. It is argued that enhancing the authority of local governments and financial institutions, as well as ensuring efficient use of budgetary funds, is essential for strengthening the financial independence of local budgets.

Key words:

Local budget, financial independence, tax potential, revenue sources, budget expenditures, fiscal policy, regional development, budget reform, financial resource distribution.

Introduction.

Identifying the directions for increasing the independence of local budgets requires taking measures to ensure the stability of their revenues, optimize the structure of expenditures, and effectively implement revenue authority and expenditure obligations of local budgets. In this context, it is crucial to define the revenue base of local budgets, assess their tax potential, determine the procedure for forming the structure of local budget revenues, and develop mechanisms for the distribution of taxable revenues among various budget levels. Moreover, it is important to enhance the motivation behind local budget revenue policies.

When distributing taxes and fees among different budget levels, it is necessary to evaluate the tax potential of regions, determine the optimal size of tax distribution and financial transfers between the republican and local budgets, and develop norms for resource allocation that consider the natural and material resources of regions and their dynamics. It is also essential to establish efficient mechanisms for allocating revenues from stable taxes to local budgets.

In assessing regional tax potential, it is advisable to apply correction coefficients that reflect socio-

economic development indicators such as the structure of gross regional product (GRP), tax base, and the composition of taxpayers.

We believe that local budgets, as a key link in the budget system, play a significant role in ensuring the socio-economic development of a given territory. Therefore, it is necessary to improve the performance of local budgets and enhance their financial independence. This necessity is manifested in the following:

- Insufficient independence of local budgets;
- The surplus of actual revenues over the plan is not fully retained in the local budget;
- High dependency of local budgets on the central budget;
- Disproportionality between local budget revenues and expenditures;
- Low share of non-tax revenues in the structure of local budget revenues;
- Difficulties in collecting local taxes and high levels of tax arrears;
- Uneven distribution of production facilities and business entities across regions;
- High share of the shadow economy in certain areas;
- Improper use of local budget funds and continued cases of misappropriation;
- Limited authority of local governing bodies over the management of local budget funds;
- Variability in the financial capacity of local budgets due to differences in regional economic potential and other factors.

The above problems hinder the increase in local budget independence. Consequently, it is necessary to reform local budgets, establish stable sources of revenue, and expand the powers of local authorities and financial institutions. Therefore, defining clear strategic and tactical directions for improving the independence of local budgets has become an urgent issue in our country today. Ensuring financial stability through the comprehensive development of regions is of paramount importance. Moreover, the development of all stages of the budgeting process requires not only the formation of stable revenue sources but also the efficient and rational use of local budget funds.

To increase the financial independence of local budgets, it is economically important to allocate certain types of taxes and fees to them on a long-term basis and to enhance the powers and responsibilities of local governments and financial institutions in accordance with reform requirements.

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