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**ANALYTICAL, LEGAL AND ECONOMIC COMPONENTS OF THE REFORM OF UKRAINE'S LOCAL FINANCE: A MODERN LOOK**

***Key words:*** Fiscal Federalism, budgetary system, financial system, fiscal decentralization;

***Abstract:*** the article analyzes the current views on the concept of fiscal federalism, fiscal decentralization; was comprehended the current unitary experience of these concepts and adapted to the realities of Ukrainian financial legislation and reformation process in Ukraine.

In current terms of the implementation of the concept of European integration and expansion globalization processes that significantly affect the system of international economic relations, to further consolidation of the leading position in the list of countries with high level of economic development, Ukraine needs to make significant changes in all spheres of life.

 The Association Agreement provides for the necessity for Ukraine to integrate the financial market with the requirements of the European Union. The European countries have long been pursuing a policy of decentralization and establishment of the foundations of local self-government. Ukraine has come to this path and has already taken significant steps.

 To achieve sustainable economic development will help new efficient mechanism of redistribution of financial resources between the regions in which priority is determined preserving their economic potential. In order to ensure the socio-economic development in the country it is necessary to identify effective way to improving intergovernmental relations. In this aspect is important the implementation of the principles of fiscal federalism in Ukraine.

The development of the idea of fiscal federalism is inextricably with the ideas of fiscal decentralization and reflected in the works W. Oats, R. McGrave, G. Rosen, U. Schumager, Sh. Blanckart, B. Fray, R. Ahenberg and others world-famous scientists. Most Ukrainian scholars and practitioners for a long period rejected the idea of the possibility of applying the concept of fiscal federalism in the Ukrainian situation, as a unitary state. But recent decades, international experience shows not only the possibility and feasibility of using at least part of the principles of fiscal federalism in unitary states. For example, they are widely used in such developed unitary states like Sweden, Denmark and France. In order to avoid the growth of inter-regional conflicts developed countries go through the authority decentralization, including areas which are given larger powers in budget, finance, tax administration. In Spain, the autonomous status received Andalusia, Galicia, Catalonia and the Basque Country. In Italy, a special autonomous status has such areas as Sardinia, Sicily, Trentino Alto Adige, Valle d'Aosta, Friuli-Venezia Giulia. In Great Britain significant autonomy in local matters reached not only Scotland but Wales and Northern Ireland. Nowadays the scientific community has not agreed a final interpretation of the concept of budget (fiscal) federalism. On the diversity of views on this concept indicates a set of ideas foreign and Ukrainian scholars.

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The maximum effective and fast process to fight the worsening of the functions of the institute of modern government is implementing the model of fiscal or fiscal federalism, which aims to create organizational, economic and legal framework to ensure the financial sustainability of budgets at the municipal level, qualified by implemented powers of local authorities and reception population accessible, timely public services.

Fiscal federalism can almost define as regulatory approval connection of local government and central government on the grounds of division of expenditure responsibilities and revenue sources to pay for public services on the basis of the highest relevance, availability, maximum quality of budget, compliance with the essential principles of financial autonomy of each element of authority.

Ukraine is a unitary state, Ukrainian country is the only state entity, consisting of administrative units subordinated to the central government and have no elements of state independence and sovereignty is based on the rule.

The only coherent state is determined by the central government controls for the implementation of all state functions in its territory, which are common for all authorities, ensuring the unity of the process of governance.

In constructing intergovernmental relations of Ukraine lies not only as unitary model, but also there are some elements of federalism such as the independence of local budgets, which involves consolidating the budgets of all levels of government appropriate sources of income, listed by law; the right to appropriate authorities to determine the direction of budgetary funds in accordance with the legislation of Ukraine; the right to an independent and independent review and approval of each budget [13].

The primary problematic issue of policy implementation of fiscal federalism in Ukraine is not the activity of local governments, lack of professional training and lack of real initiatives for regional development, the concentration of power at the center, as a result, limited human resource capacity in regional bodies, the introduction of the principles of socialized integration in the budget strategy local authorities, the substitution of statehood feasibility actions on lobbying higher levels of government.

In sum, one could argue that further fiscal decentralization will take place after the change in government, the tax system and social protection. It should solve the basic problems of introducing fiscal federalism in Ukraine, among them: uneven pace of socio-economic development regions; wide range declared by the state social obligations; high subsidized local budgets; insufficient revenues of local budgets.

Thus, in every country where there is a realization of the concept of fiscal federalism, it involves a combination of two complementary trends, such as alignment of competition and ensuring minimum national standards across the country and competition in the market of social services between regional authorities. [14, р. 257]

Achieving equity through redistribution of financial resources in ensuring the development prospects of specific administrative units due to the need to develop and use scientific and methodological study basis. To do this, use long-term experience of developed countries on fiscal federalism. This should be based on considerations smoothing differences in levels of economic and social development areas for their residents by the legislation on minimum state guarantees and aimed at improving the mobilization of revenues to the appropriate budget to stimulate local government.

The research concept of "fiscal federalism" had reason to define it as fixed in law the relationship of central and local authorities on the allocation of revenue sources and expenditure responsibilities for funding for citizens of public services based on their quality, accessibility, relevance, most demand and economy, with mandatory compliance with the principle of financial autonomy of each level of government.

Analysis of the basic principles of fiscal federalism has shown that the implementation of and compliance quite possible in Ukraine, because its purpose is to give public services for citizens at the lowest price with the principle of autonomy of each level of government in the conduct of fiscal policy, achieve financial independence as central authorities, and local governments.

Decentralization of finance in Ukraine is a systemic reform that quickly gave its positive result. Thus, according to the official figures of the Ministry of Finance of Ukraine for the first nine months of 2017, UAH 135 billion have been received from the general fund of local budgets, which is 80% of the annual revenues approved by local budgets. The growth compared to the same period in 2016 is 30% or UAH 31.1 billion. These are significant economic indicators that confirm the correctness of the chosen reform in Ukraine.

Therefore, we can generalize the conclusion that the introduction of not only fiscal decentralization, but also the highest of degree - fiscal federalism - in Ukrainian practice will provide an opportunity to "cut off the top" economic, political, ethno-cultural conflicts between regions of Ukraine, encouraging them to and allowing self to pursue their own fiscal policy that addresses the needs of people in getting quality and affordable public services.

Decentralized processes that occurred in Ukraine only started the first incremental steps to government finance transition to the principles of fiscal federalism, although some provisions still need practice and editing.

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