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**LOCAL BUDGETS IN ECONOMIC DEVELOPMENT  
 AND BUDGET DECENTRALIZATION PROCESS**

Budget Decentralization means that central government bodies try to improve the state management system, to provide social services effectively by through harmonization of government bodies expenditures, territory communities with local needs and priorities. The necessary part of budget decentralization is also the enlargement of territory communities for strengthening local budget financial possibilities.

During last years in Ukraine the pressing problem is the lack of financial resources in local self-control government and non-stability of their income sources. Under these circumstances the fact of economic situation stabilization in Ukraine has to become the effective formation of local budgets, which can transform territory communities from being subsidized to the subjects which can serve any social economic problems themselves for the expenses of their own profits.

These are European countries, which local budgets are formed mostly by transfers from central budgets, e.g. Ireland, Italy, Great Britain (60 per cent – 90 per cent) .In Ukraine the part of private income is reduced from 47 per cent average for 2010-2014 to 40,9 per cent and in 2016 it was increased , for transfers were one of the basic sources of income to local budgets (52 per cent- 59 per cent).

Research of basic local budgets in Vinnytsia region showed that the preconditions of transformation changes became great level of financial dependence on state budget that appeared in high specific phase of official transfers in territory community budget incomes.

For clear and optimal differentiation of powers between regional and local levels, it is necessary to keep the following principles:

- Territory tied taxes
- Subsidiary
- Saving from scale

Budget decentralization system reformation and effective mechanism suppose for budget regulation of the social economic development of Ukraine demand:

- expansion of financial independence of local level budgets and financial support of powers delegated to them
- increasing of local budget autonomy in the sphere of expenses
- Optimization of relations between the local and central budgets.
- Increase in the investment resource part in local budget structure

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