

# THE THEORETICAL BASIS OF FORMATION AND USE OF THE ECONOMIC POTENTIAL OF ADMINISTRATIVE-TERRITORIAL UNITS

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The article examines the theoretical approaches to determining the nature and characteristics of the formation and use of the economic potential administrative-territorial units. Revealed importance of the economic potential for the sustainable development ensuring of administrative and territorial units and presented the author's vision of basic components of the economic potential of administrative-territorial units.

At the present stage of development of science, education and economy the concept of economic and financial capacity gained widespread use, as a reflection of accumulated resources and financial capabilities of the state, regions, enterprises, households and others.

Economic and financial capacity of administrative-territorial units is a basic foundation in the formation of local budgets that allows sustainable socio-economic development of these units. That is why the formation of financial resources of local governments requires ensuring the effective use of economic and financial capacity within individual administrative-territorial units.

Defining sense load, value and characteristics of each single -territorial unit as an important component of social and territorial principles provides the opportunity to

assess their economic and financial capacity and coordination of their management and use.

After analyzing the financial and economic mechanisms of the decentralization process in order to increase economic and financial potential of administrative-territorial units, the following generalizations and suggestions can be formulated:

- The process of decentralization extends the possibilities of united local communities development and their economic independence;

- Increased autonomy of local budgets and efficiency of budgetary funds are possible by the widespread introduction of program-target method (PTM) of preparation and execution of local budgets, improving the development and implementation of integrated assessment models of efficiency and quality of budgetary programs;

- Strengthening the economic potential and financial capacity of local budgets is possible by increasing the proportion of their income;

- Improving the process of financial capacity use through priority allocation of budget resources on socially important and emergency dangerous infrastructure facilities.