CONCEPTS, FEATURES AND PRINCIPLES
OF THE LOCAL BUDGETARY PROCESS IN UKRAINE

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Abstract. This article considers the concept, features, and principles of the budget process at the local level in Ukraine, characterizes the radical changes taking place in socio-economic life and financial activity, puts an issue of the new development of administrative and legal regulation of the budget process on the agenda. It shows that the socio-economic essence of the budget lies in the fact that it is the most important means of distribution and redistribution of funds between the production and non-production sectors.

Budget relations reflect the distribution and control function of finance. It is determined that a budget is a form of organization of the movement of financial resources. Budgeting is a form of organizing the movement of funds. Thus, the budget as an economic category is a set of social relations in the formation, distribution and use of a centralized monetary resource at the level of the state and local self-government bodies necessary for the state and local self-government to fulfill their tasks and functions. Budget legislation establishes the basic principles of the budget process, in particular, the principles of sustainability, unity, feasibility, efficiency, and effectiveness, subsidiarity, targeted use of budget funds; justice and impartiality; publicity and transparency.

Compliance with budget legislation, auditing and evaluating the effectiveness of budget management in accordance with the law are monitored at all stages of the budgeting process. Participants of the budget process are bodies, institutions, and officials vested with budgetary powers (rights and responsibilities for managing budgetary funds).

Keywords: budget, budget process, Budget Code of Ukraine, budget system, principles of the budget process, stages of the budget process.

Introduction

In modern conditions of reforms taking place in Ukraine, there is an urgent need for financial support of organizational and managerial activities aimed at fulfillment tasks and functions defined by the Constitution of Ukraine. The necessary funds are allocated from budgets, being centralized funds of financial resources. Effective financial management of the state budget and local budgets is a prerequisite for introducing the necessary reforms in the state, as well as for ensuring sustainable economic growth of the whole country and its individual regions. This necessitates additional studies of the budget process at the local level in Ukraine.

Literature review.

Radical changes taking place in the socio-economic life of Ukraine in particular in its financial system put the issue of a new development of administrative and legal regulation of the budget process on the agenda. That is why such scientists as O. Bandurka, O. Bandurka, O. Getmayets, O. Kyrilenko, N. Kucheryavenko, V. Melnyk, S. Petkov, S. Popova, L. Savchenko, S. Simovyan, and others have devoted their works to the issue of the budget process development. However, many issues associated with the further development of the budget process at the local level remain unresolved.

Research methodology.

The methodological basis of the study is a set of general and special methods and techniques of scientific knowledge.
With the help of the logical-semantic method, the method of convergence from the abstract to the concrete, the conceptual apparatus of the budget process is deepened. The statistical method was used in the study and analysis of information on budgeting at the local level, budget indicators, identifying patterns of successful implementation of budget development. The theoretical and prognostic method was used to provide proposals for changes in the legislation of Ukraine, in particular to the Budget Code of Ukraine, to improve the categorical apparatus of budget law.

The purpose of this article is defining the concept of the budget process and determining its features at the local level, studying the principles of the budget process and analyzing the budget legislation of Ukraine.

Research results.
In order to understand the concept of the budget process fully, it is necessary to define and characterize the terms "budget" and "process" separately. The concept of "budget" in educational and scientific literature is usually used as a material, economic and legal category. From a material point of view, the budget is a centralized monetary resource (for a state or local self-government body of a certain region), which is used to ensure the performance of their functions.

The socio-economic nature of the budget lies in the fact that it is the most important means of allocating and redistributing funds between the production and non-productive sectors. The budgetary relations reflect the distribution and control functions of finance. Allocating budgetary resources between production and non-productive sectors (in the process of receiving and using funds), the budget serves as a means of controlling these processes, as well as the functioning of finance in general. Budgeting is a form of organizing the movement of funds. Thus, the budget as an economic category is a set of social relations in the formation, distribution and use of a centralized monetary resource at the level of the state and local self-government bodies necessary for the state and local self-government to fulfill their tasks and functions.

All relations that arise in the field of mobilization, distribution and use of budget funds are governed by budgetary and legal (as a type of financial and legal) rules. The material support of state functions carried out with the help of the state budget is of great importance, therefore only the Verkhovna Rada of Ukraine approves it in the form of the law provided for by Article 92 of the Constitution of Ukraine, and local budgets are approved by the relevant acts of local councils. Thus, the budget as a legal category is a law of Ukraine, adopted by the only legislative body the Verkhovna Rada of Ukraine, and locally - by local authorities, which approve the main financial plans for the formation and use of funds for the state as a whole or for is individual regions (Rol, Sergienko and Popova, 2011, p. 87 – 88).

The word "process" (from Lain processio - movement; procedo - passage) should be understood as an official order of actions, performance, discussion of something, as a course, development of a phenomenon, a successive change of state in the development of something (Rol, Sergienko & Popova, 2011, p. 112).

There are many points of view regarding the nature and content of the budget process. But most scientists, focusing on Article 2 of the Budget Code of Ukraine, define the budget process as a process regulated by budget legislation and aimed at drawing up, reviewing, approving, executing budgets and reporting on their execution, as well as monitoring compliance with the budget legislation (Budget Code of Ukraine dated July 8, 2010 No. 2456-VI).

Budgeting should be carried out by the competent authorities and within the specified deadlines established by law. Failure to meet the deadlines is a threat of non-preparation of the law on the State Budget of Ukraine before the start of the new budget period established by the Constitution of Ukraine. In a legal state, a new budget period, as indicated in the Constitution of Ukraine, should begin on January 1 and end on December 31 of the same year, and all expenses that inevitably involve the functioning of the state should be financed from the new budget approved by the Law on the State Budget of Ukraine in the amount established by this law.

It should be remembered that the budget of the state or local self-government body would become effective only after the adoption of the law or decision by the relevant representative bodies - the Verkhovna Rada of Ukraine or local councils. Neither the budget
nor the relevant act approving statutory revenue and expenditure metrics is legally binding before such approval (Rol, Sergienko and Popova, 2011, p. 112).

In fact, the Budget Code of Ukraine stipulates that budget legislation consists of the following:
- The Constitution of Ukraine
- The Budget Code of Ukraine
- The Law on the State Budget of Ukraine
- Other laws governing budgetary relations
- Normative legal acts of the Cabinet of Ministers adopted on the basis of and pursuant to the Budget Code of Ukraine and other laws
- Normative legal acts of executive bodies adopted on the basis of and pursuant to the Budget Code of Ukraine, other laws of Ukraine and normative legal acts of the Cabinet of Ministers of Ukraine
- Decisions on the local budget
- Decisions of bodies of the Autonomous Republic of Crimea, local state administrations, and local authorities adopted in accordance with the Budget Code of Ukraine, and normative legal acts specified in the Budget Code of Ukraine.

If other normative legal acts determine budget relations in Ukraine differently than in the Budget Code of Ukraine, the relevant norms of the Code shall be applied (Budget Code of Ukraine dated July 8, 2010 No. 2456-VI.).

The Budget Code of Ukraine determines the structure of the budget system. The budget system of Ukraine consists of state and local budgets.

Local budgets are the budget of the Autonomous Republic of Crimea, regional, district and local government budgets.

As local budgets are an integral part of the budget system, the budget process at the local level is the budgetary legal relations regarding the formation and use of financial resources to ensure the functions and powers of state authorities, authorities of the Autonomous Republic of Crimea, local authorities during the budget period (Zhihar and Kyrylenko, 2016).

The entire budget process is divided into certain stages, that is, stages of activity resulting in new qualities of the budget.

There are several statements about the number of stages in the implementation of budget activities in scientific literature. Article 19 of the Budget Code of Ukraine establishes four stages of the budget process:
1) Preparation of draft budgets
2) Consideration of the draft and adoption of the law on the State budget of Ukraine (decision on the local budget)
3) Budget execution, including amendments to the law on the State Budget of Ukraine (decision on the local budget)
4) Preparation and consideration of the report on the budget execution and relevant decision-making (Budget Code of Ukraine dated July 8, 2010 No. 2456-VI.).

Compliance with budget legislation, auditing and evaluating the effectiveness of budget management in accordance with the law are monitored at all stages of the budgeting process.

Participants of the budget process are bodies, institutions, and officials vested with budgetary powers (rights and responsibilities for managing budgetary funds) (Budget Code of Ukraine dated July 8, 2010 No. 2456-VI.).

Certain scientists, in particular O. B. Zhihar, O.P. Kyrylenko, referring to the Budget Code of Ukraine, define ten principles determining the basic, initial provisions and rules of activity of participants in budget relations. All principles are interrelated, regulating budget relations and the activities of participants in the budget process at both the state and local levels. Compliance with these principles determines the effectiveness of the budget process at all levels. The authors distinguish the following principles on which the budget system of Ukraine is based: principles of unity, sustainability, independence, completeness, feasibility, efficiency and effectiveness, subsidiarity; targeted use of budget funds; justice and impartiality; publicity and transparency (Zhihar and Kyrylenko, 2016).

In particular, the principle of unity determines the unity of the legal framework, the existence of a unified monetary system, a unified regulation of budget relations, a unified budget classification, a unified order of budget execution, accounting and reporting. The unity of regulation of budgetary relations provides for a single basis for the financial activities of the state and local authorities and local self-government bodies within the framework of the current legislation.

In accordance with the principle of independence, the budget process, which is carried out at the local level, is a separate
relatively independent component of the national budget process, carried out on the basis of the priorities of the respective territorial community. The budget process is an integral part of the budget policy of local authorities and local self-government bodies.

As the budget process at the local level is closely related to the state budget process, the degree of interdependence determines the degree of financial decentralization of the respective regions. According to legal norms, Ukraine has created conditions for an independent and free-standing budget process at the local level. However, these opportunities remain practically unrealized for the following main reasons:

- Excessive centralization of the budget system of Ukraine
- Instability of the domestic regulatory framework
- Attribution to the competence of local authorities of the powers to carry out public expenditures without providing them with the necessary sources of financing, that is, the existence of so-called "unfunded mandates"
- Insufficient level of tax autonomy of local self-government bodies;
- Insignificant fiscal role of local taxes and fees;
- High level of dependence of local budgets on transfers from the state budget
- Introduction of treasury services to local budgets in a form that significantly limits the ability of local self-government bodies to manage budget funds, etc. (Kyrylenko, 2006).

Authors such as V.F. Rol, V.D. Sergienko, S.M. Popova note that the principles of the budget system of Ukraine established by the Budget Code of Ukraine are definitely the principles of the budget process, however, the budget process has its own principles, in the absence of which its existence in a modern state would be impossible (Zhihar and Kyrylenko, 2016, p. 113).

Moreover, the transfer of budget funds from one budget to another budget of the same level is prohibited (Zhihar and Kyrylenko, 2016, p. 113).

An important point in the budget process is the principle of separation of powers between the Verkhovna Rada of Ukraine, the Verkhovna Rada of the ARC, state authorities and local self-government bodies. This principle means that each body that takes part in the budget process has a certain limited competence. The intervention of other bodies and organizations in the process of drafting, approval, and execution of the budget is not allowed, except as specified in the law (Zhihar and Kyrylenko, 2016, p. 114).

The principles of the budget process include the principles of publicity and openness. The Budget Code of Ukraine combines the principle of publicity with the principle of transparency. It is believed that the principle of openness is wider and includes transparency. The principle of openness involves the obligatory discussion of budget materials at any level by representative bodies. This principle is adhered to with respect to the state budget, however, at lower-level budgets, it is not always implemented. As for the observance of the principle of publicity and transparency, they are identified with the principle of visibility (Zhihar and Kyrylenko, 2016, p. 114).

At all stages of the budget process, the principle of specialization of indicators of budget revenues and expenditures at any level is used. It is implemented using budget classification. A budget classification consists of four parts:

1) Classification of budget revenues
2) Classification of expenses (including lending minus repayment) of the budget
3) Classification of budget financing

In addition to the above, a number of authors highlight such principles that serve as the basis of the budget process. They are feasibility of introducing revenue and expenditure indicators into the budget; visibility, that is, the reflection of budget indicators in conjunction with general economic indicators in Ukraine and abroad by using means of maximum information content of the results of a comparative analysis, determining the pace and proportions of

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economic development; as well as comparability, which lies in the systematization and functional grouping of budget revenues and expenditures according to certain criteria that allow for national and international comparison of budget data. The above list of principles cannot be considered as exhaustive (Zhihar and Kyrylenko, 2016, p. 116).

S. Melnyk, I. Scherbyna, J. Hansen recognize the following main principles of the budget process:
- Setting common goals for decision making
- Developing approaches to achieve goals
- Developing budget, which is consistent with approaches to achieving goals. It is necessary to formulate and approve a budget that will ensure the achievement of these goals, despite the limitation of available resources
- Evaluating the effectiveness and changes to the financial plan. A financial plan must be constantly evaluated and amended in order to achieve certain goals (Zhihar and Kyrylenko, 2016; Melnyk, and others 2002).

It should be noted that the budget process often does not coincide with the budget period, because it is a long-term process that covers a period of more than two years. The budget process is a national scale procedure and has political, managerial, planning, communication, and financial dimensions. An effective budget process has the following important features:
- Includes a long-term perspective
- Establishes a connection with general organizational goals
- Focuses on results and consequences for budget decisions
- Includes and encourages effective dialogue with interested parties
- Stimulates entities to make the right decisions (Melnyk, and others 2002).

The scientific literature defines the concept of the budget cycle in terms of timing. The budget cycle covers the period of the budget process, which lasts more than two years and ensures the implementation of all four stages of the budget process.

In accordance with international standards, one of the important means of successful budgeting is:
- Analysis of indicators of the previous budget period
- Management of the budget process of the current year
- Preparation of the budget for the next year (Zhihar and Kyrylenko, 2016).

According to the Constitution of Ukraine, the budget period for the State budget of Ukraine in special circumstances may be different. Given the unity of the budget system of Ukraine and the provisions of the Budget Code, the same may be applied to the local budgets.

Special circumstances when the State Budget of Ukraine and local budgets can be approved for another budget period involve the introduction of martial law and the state of emergency in Ukraine (Zhihar, Kyrylenko, 2016).

On September 14, 2018, the Cabinet of Ministers of Ukraine approved and transferred to the Verkhovna Rada of Ukraine a draft budget for 2019. It provides for a reduction in the costs of maintaining the executive and legislative branches of Ukraine: the Administration of the President of Ukraine, the Cabinet of Ministers of Ukraine and the Verkhovna Rada of Ukraine.

In the budget for 2019, the government laid down an increase in health care sector financing by almost one and a half times - by 41% compared to 2018. In total, it is proposed to allocate UAH 37.3 billion for the health care sector, 15.3 of which - for the provision of primary medical care. In particular, the government proposes to increase expenditures for these purposes by almost twice. The government allocated exactly as much as in 2018 (UAH 389.9 million) for the treatment of citizens abroad.

The total education expenditures proposed by the government in the draft budget for 2019 should increase by 19% and amount to UAH 378 billion. The lion’s share falls to the academic scholarships for students (UAH 3.4 billion). In general, the amount of funding for scholarships in 2019 should grow by 7% compared to 2018; however, compared with 2017, the costs of scholarships will decrease by 15%.

The government proposes the most increase in expenses for the maintenance of military and security services of the executive branch. In particular, it is planned to spend a quarter more than in 2018 (UAH 82.3 billion) on the Ministry of Internal Affairs. The government provides for UAH 101.4 billion for defence.
At the same time, the costs of maintaining new anti-corruption institutions (NABU, National Anti-Corruption Agency, and the Anti-Corruption Court) are 24 times less than the costs of maintaining the GPU police and the security Service of Ukraine and almost six times less than the costs of maintaining the tax authorities.

The government plans to allocate UAH 177.4 billion to the social sphere, which is UAH 27 billion more than in 2018. The lion’s share of social spending is covering the deficit of an unprofitable pension fund. The government will allocate UAH 166 billion for this rose, which is 20% more than in 2018.

In addition, the government plans to reduce the cost of subsidies for housing and communal services to the population by UAH 16 billion (more than 20%) compared to 2018. At the same time, it is noted that in the near future gas tariffs for household consumers in Ukraine will increase, as it is a key IMF requirement for Ukraine to provide another tranche (Vinokurov Ya., 2018).

Conclusions

A system of effective financial management of the state budget and local budgets is an essential condition for carrying out the necessary reforms in the state, as well as for ensuring sustainable economic growth of the whole country and its individual regions. The budget process at the local level is a procedure for ensuring the socio-economic development of a separate administrative-territorial unit of the state and is regulated by administrative and legal norms.

References