

PRIORITIES OF BUDGET POLICY IN UKRAINE

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In the transition economy forced the value of the state budget stability is enhanced by the fact that the government is forced to take on the functions of the centralization and redistribution of financial resources to ensure social security of the population, financing of social sphere, regulation of interstate and intergovernmental economic relations. Many theoretical, methodological regulations of the budget role in the stability of the state remain debatable, that adversely affects the quality of economic and social processes in the country. The impact of the state budget on the socio-economic processes in special science literature is being actively explored. The current scientific developments of foreign and Ukrainian scientists outlined the problems, it should be noted that the role of the state budget as the instrument of macroeconomic regulation and the main lever of social and economic development of the state is not enough investigated. Therefore the purpose of the research is to reveal the economic nature of the budget and its functions, budget justification growing role in providing and regulating social and economic development, methodological bases of the formation of the effective model of the budget.

The budget in Ukraine, like in other countries, is formed on the basis of the declared budget policy which comprises the forecast and program of the documents of economic and social development and includes provisions: the forecast of economic and social development of Ukraine, the main objectives of budget policy, including limiting the amount of state budget deficit, the level of the estimated annual gross domestic product, the public debt limit, establishing the minimum wage subsistence level and its support, relations between state budget and local budgets, including justification of the share of local budgets in the consolidated budget of Ukraine Social and economic processes are unstable in Ukraine; it becomes evident that Ukrainian Government is in the search of priorities of budget policy.

Priorities of budget policy are conceptual basic model of budget in state. Ukrainian Government holds budget reform. Taking it consideration the main tasks of the reform are: balanced budget, tax system improvement, reduction the level of deficit and growth tempo of the state debt, improving the effective of government expenditure. The role of budget in financial provision and regulation of social and economic processes is determined by the state's role in the life of the society. Budget as an important financial document balances the financial interests of the state distribution of the business relationships, provides the balanced development in the state. Therefore, the budget as an important financial document of state is the real

form of existence of real, objectively determined distribution relationships that play a specific role - to satisfy the needs of both society and its administrative and territorial structures in the financial resources. In addition, further analysis of the views of world famous scientists shows the leading role of the state in modern society, it will be so in the future. With the expansion and growth of modern economy the greater responsibility takes the state, the regulative functions of the state budget are deepening and developing, both in developed and in transforming economies, which is important to take into account when implementing the market reforms. The budget influences on social and economic processes through its functions in the state. In foreign practice the most important functions are the budget control function and scheduling function. In Ukrainian literature they distinguish the distribution and control functions. The additional functions are denoted: redistribution of GDP, government regulation and economic incentives, financial support of institutions and public sector organizations and the implementation of social policy; control the formation, distribution and use of centralized funds of financial resources, economic security, ensuring the existence and so forth.

The national model of social and economic development should be based on practical research on existing models of the world's budget. World practice is work out conceptual bases to the choice of that or other model of the budget. Firstly, depending on the level of distribution of GDP in the budget are divided the model of market and administrative economy. The distribution of GDP is mean government expenditure by main function: general public services, public order and safety, defense, health care, education, social protection, economic affairs, environment protection and others. Secondly, depending on the level of centralization of GDP in the budget are divided the American, Scandinavian, West-European model of the budget. In this research the level of centralization of GDP is mean correlation between government revenue and government expenditure. In the third, according to the form of the budget construction the models of financial relations divided into the unitary, federative and confederative states.

The strategic priority of budget policy in Ukraine is orientation on the European level of life quality and providing of public services. As a result the effective budget policy in Ukraine is orientation similar to the West-European model. Therefore in terms of research directions of construction of priorities of budget policy is suggested to define on the basis of mathematical ground of the government finance statistics of the countries on such criteria: the level of centralization of GDP, government expenditure for defense, government expenditure for education and government expenditure for health care.

Based on Country Statistics, Eurostat and World Economic Outlook (WEO) data, IMF the matrix of grouping countries by the level of centralization of GDP

(correlation between government revenue and government expenditure) is presented. The basis for cluster formation calculations were Simple average indicators of government revenue and government expenditure for the period of 2005-2010. The results of analysis ground existence of such models of budget, as American, Countries with developing economies, West-European and Scandinavian. The first cluster embraces the countries with the level of centralization of GDP to 25% (U.S.A and China). The second cluster includes the countries with developing economies and is characterized by the moderate level of centralization, 30-40% of GDP (Poland, Czech Republic, Bulgaria, Romania, Slovakia, Latvia, Estonia and Ukraine, Russia). The third cluster includes the countries are developed economy where the level of centralization of GDP is within 41-50% (Germany, Italy, France, Austria, England. Also the high level of centralization is Slovenia's GDP). The fourth cluster includes countries with high social and economic development and the level of centralization, 51-60% of GDP (Finland, Norway, Sweden, Denmark, Saudi Arabia). It should be noted, countries with an administrative economy China and Saudi Arabia have different levels of centralization of GDP. China has features of the American model. Saudi Arabia has features of the Scandinavian model. It is necessary to analyze the individual functional government expenditures for defense, education, and health care in Ukraine in comparison to other countries such as China, the USA, Russia, Germany and Sweden. Today there are countries that practically refuse to finance the defense expenditure, and there are countries that have a powerful enough military capacity, but most of them are financed according to the principle of minimal sufficiency. Therefore, the biggest government expenditure for defense is observed in the USA and Russia (3,7-5,2% GDP). The lowest level is recorded in Germany - about 1% of GDP. In turn, in Ukraine this government expenditure is about 1,3-1,1% of GDP. However, a difference in approach to finance the defense expenditure is crucial in formation of the budget model. A bright feature of the formation model of the state budget is the realization of social function, but its approach to financial security is different. The important question is a measure of coverage of the basic parts of social sector (education, health, culture) and the size of their providing by the state. The continuous growth of government expenditure for education is in the USA and Germany (5-7%); in Sweden the level of government expenditure for education is about 7% of GDP. This government expenditure in Ukraine is about 6-7% of GDP, in China the level of government expenditures for education is about 2,5% of GDP, in Russia such government expenditure do not exceed 3,8% of GDP. The largest government expenditure for health care is in the U.S.A about 15% and Germany - 11%, the lowest is in Ukraine - about 4% of GDP. China has a level of government expenditure for health care in the range of 5% in 2005-2010; Russia demonstrates the

growth of government expenditure for health, which in 2005 was at 6% level and in 2010 reached the level of 7,2% of GDP.

The application of matrix and cluster analysis allows identifying some imbalances of government expenditure and proves the directions for the formation of the effective model of budget in Ukraine. First of all, the government expenditure for education in Ukraine is about 6,5% GDP and government expenditure for health care is insufficiently funded - 4% GDP. For further effective functioning of the Ukraine economy and with the purpose of the rational allocation of budget government expenditures it is proposed to reduce government expenditure for education (in relative terms) to a level of 4-5% of GDP, and to increase government expenditure for health care to 7-10% of GDP. The defined level of the government expenditure is more oriented on the West-European model of the budget and ensuring social standards.

The priorities of budget policy are effective instrument of macroeconomic indicators, when appropriate budgetary resources and their efficient use ensure the financial stability of the economy. Despite the existing imbalances in budget, Ukraine should be oriented to the West- European model of life quality and providing of public services. Therefore, research highlights the necessity to achieve strategic transformation of social and economic development and budget stability in Ukraine, such as: - creation of the basic background for economic growth by keeping inflation low, stabilization of public finance and making a stable financial system, updating the tax system; - promotion of the business by reducing state intervention in the economy, reducing administrative barriers to its development and updating the infrastructure and basic sectors of the economy; - preservation and development of human and social capital by improving efficiency and social stability, improving the quality and accessibility of education and health services; - deepening international economic integration of Ukraine towards cooperation with the EU. Today the EU is the trade partner number 1: more than 30% of trade turnover of Ukraine is the EU. The share of EU investment is 3/4 of total investment in Ukraine - now it is absolutely specific areas of sectorial cooperation. The integration into European political, economic and social space will provide more opportunities for innovations and modernization for Ukraine and society. As experts have noted everything depends on the position of Ukraine in international space on its pragmatism, understanding its own interests and ability to realize these interests. Finding the ways of development of different models of economic growth, political dialogue is open and productive for Ukraine.

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