STRATEGY OF PUBLIC PROCUREMENT REFORM IN UKRAINE

In Ukraine the control for budget money was developed weak, it was thought that budget money is an abstract money that is distributed by a number of officials in their own way. Very few people were interested in the way public procurement carried out and why I was so corrupted. The "paper" public procurement system and its institutional framework was too complicated and inconvenient for suppliers, that's why it wasn't provided any efficient public or professional control. It is estimated that because of lack of competition and corruption in public procurement system losses of budget is about 60 bln. uah per year.

One of the main ideas of public procurement reform is creation of hybrid electronic system that is built on an open source. Hybrid electronic system is the system were all interactions between the central database and commercial marketplaces where all the information in the Central Database is duplicated on the marketplaces. Also, in the new public procurement system «everyone can see everything», which means that after the tender all information about participant's (participant's submitted proposals, tender commission's decisions, qualification documents and other documents) can be seen by anybody in the electronic system. Prozorro create an unique ecosystem - golden triangle partnership between government, business and civil society. This cooperation allowed to built the high level of trust between stakeholders during the implementation of the reform.

The system of public procurement in Ukraine is regulated by the Law of Ukraine "On public procurement" (from April 2016 law applied to the central authorities and from August 2016 the law began to be applied to all other subjects of administrative law (regional and local governments, state and municipal enterprises and central government who are not executive bodies - such as the National bank of Ukraine and the Central Electoral Commission) [1]. The key results of success of public procurement reform in Ukraine are specified on a table 1.

Table 1

KEY INDICATORS OF PUBLIC PROCUREMENT SYSTEM IN 2016

Indicator	Prozorro - pilot project	Prozorro – national public procurement system	Difference between the periods
Number of tenders	5019	50776	increased in 10 times
The expected cost of purchase	1, 64 bln. UAH	24, 95 bln. UAH	increased in 15 times
Number of customers	635	8729	increased in 13,7 times
Number of participants	2140	17327	increased in 8 times
Number of ads for procurement	5025	50769	increased in 10 times

Source: compiled by the author based on [2]

The budget of public procurement in Ukraine is about 270 bln. UAH per year, so we can make a conclusion that after the implementation of the reform each day saved more than 60 mln. UAH. of budget money. So, during the reform Prozorro have received priceless experience and ready to introduce system at least in one of the European Union member-country.

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BUDGET REVENUE FORECASTING IN UKRAINE: ISSUES AND RISKS IN TERMS OF DECENTRALIZATION

Currently, the necessity of medium and long-term budget revenue forecasting at the local level in Ukraine is of no doubt. In our country, as in other countries, there is developed and introduced a strategic approach to local financial planning due to the need of Smart Governance implementation and as a result - sustainable regional development. According to the Strategy for Sustainable Development "Ukraine-2020" [13] priorities of Ukraine are decentralization and PFM reform based on technologies of Smart Governance[4] (e-government, open budget etc.). Recently in Ukraine, elements of direct community participation [10] in budget planning are introduced, at the same time legislative procedures for cooperation of communities, their associations and others, are approved. One of the priority steps of the Ukrainian government for 2016-2017 is creating of the conditions for the capable formation of local communities. [9, 11] The main goal is to support the development of community association with organizational, financial and other resources, optimization of legal regulation and government control over the land use and protection. Despite good progress in the decentralization and regional policy reforms in 2014-2016, in 2016 the risks for their successful implementation became much more visible, especially in the second half of the year and during adoption of the 2017 budget [7]

Anyway, there are following benefits of perspective local budget revenue forecasting:

- increasing practical validity of management decisions process;
- the number of participants of planning process expands greatly;
- management becomes more transparent[5], creates opportunities to achieve common goals, the association material and financial resources, and as a result - reduced terms of achieving the ultimate goals of sustainable regional development that is desirable for Ukraine;
- potential areas for enhancing economic transformation and development of the local community are fully used.

Also qualitative local budget revenue forecasting is a tool for improving the competitiveness of territories and regions [8]. In addition, local budget revenue forecasting performance is an important tool for regulation mechanism of intergovernmental relations and sustainable development of regions [5].

First step in effective local financial management is an adequate and realistic financial ability to provide local needs. First of all, this requires the application procedures of medium and long-term local budget revenue forecasting as the basis for fiscal capacity of local budgets in the context of fiscal decentralization. In other words, real level of budget revenues requires an accurate estimation [1, 3, 6]. Adequacy and reality of expected indicator depends on the assessment of forecast trends of economic and social regional development, stability and progressiveness of current legislation, forms and methods of mobilizing and estimation payments to the budget (mainly, local taxes and state taxes that transferred to local budgets), fiscal culture and other impacts.

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[4] On the way to building a Smart governance it is needed "to improve the participation of the citizenry in decision-making processes, to make the public and social services rendered to stakeholders more efficient, to achieve transparent governance and to implement political strategies and perspectives" (Bolívar, 2015) "in addition, it includes smart planning and forecasting (transparency of the budget process at the local level, participatory budgeting, a medium-term forecasting and planning).

[5] Furthermore, transparency of forecasting processes is key in creating accountability in the revenue collection process, as manipulation of forecasts can conceal governance problems (A. Kyobe and S. Danninger, 2005)

Considering the realities of budget revenue forecasting in terms of decentralization reform in Ukraine, we may say that there is low quality of it due to:

- the lack of integrated strategic planning system,
- the lack of forecasting process formalization at the local and state level (for instance, the division of local governance powers is not clear, information exchange is not transparent, the source data is not certain);
- low quality assessment of local fiscal capacity through the unpredictable medium and long term fiscal policy;
- use of rudimentary econometric techniques and short horizon prediction;
- the lack of coordination of fiscal and macroeconomic forecasting in Ukraine;
- the lack of regulatory and information management;
- subjective influence on decision-making process, including political.

In addition, there is a mismatch of revenues and expenditures policies through the weak links between budget programs, state goals and fiscal capacity, which leads to overvaluation of planned revenues and inability to mobilize them in full.

Given the development vectors of new strategy of PFM [12] in Ukraine, problem solving is proposed in the legislative, economic and political aspects. This is the basis for a better understanding of the financial situation, the local budget management performance and an indicator of investment attractiveness of regions for investors / lenders.

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