

Institutional budget architectonics in the structure of the budget system of Ukraine

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Abstract

This article is about the budget system as a part of the financial system, its functions in society and its structure. The author considers the budget system functioning as a mechanism and field of budget policy implementation.

Keywords: *architectonic budget, budget policy, investments, budget system, functions of budget system, budget structure, budget law*

JEL Classification: H61

Introduction

The budget system is a component of the financial system. Fulfillment of the functions assigned to the budget system increases efficiency of both budget policy and economic policy of the country in general. Efficiency improvement of economic policy of the country depends on system regulation, modern innovative technologies and institutional budget architectonics.

1. Analysis of the latest sources and publications

The author has summarized legal instruments and opinions of the Ukrainian and Russian scientific community. The following scholars and experts in the field of state finance have focused on the issue of the state budget and all its derivatives in their research works: V. M. Heyts, V. M. Fedosov, A.I. Danylenko, S. I. Yuriy, V. G. Demyanyshyn, T. I. Yefimenko, S. A. Bukovinskiy, Y. Lyubimtsev, Y. A. Yermakova, Y. M. Voronin, and others.

2. Results and discussions

In order to achieve the highest efficiency of implementation of economic functions based on management, the budget system should: either, using administrative factors, to ensure increase of tax revenue (which will intensify fiscal pressure on taxpayers, and, in the end, will have opposite results for the budget); or, basing on

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optimality of tax revenues, revise the structure and volume of government expenditures (which is too complicated and was described by A. Smith as follows: "for government agents, public resources are inexhaustible". [24, p. 583].

Therefore, from the theoretical point of view, no matter how perfect and effective the management is, no matter how fully funds are raised for the budget, they will always be insufficient if they are spent inefficiently and without certain purposes. The fairness principle, as to the budget revenues, 'is opposed by all sorts of manipulations with its expenditure side'. [2, p. 26]. It occurs in places where expenditure powers of the local government grow faster than revenues from local taxes and charges. [4, pp. 497-499]. Inefficient use of budget funds is caused by dependence of local budgets on the central government's decisions, high concentration of financial resources in the central budget of the country, large part of expenditures for delegated powers in budget expenditures of local governments, inefficient budget system 'top to bottom', absence of reliable local sources of revenue [17], discrepancy between expenditure obligations of local budgets and funding sources, mismatch between local budgets' real needs in funds from the state budget to their reflection in the equation of distribution of the volume of inter-budget transfers, inefficient structure of inter-budget transfers. In the end, these are consequences of ineffective management which results in inefficient use of budget funds. [5, pp. 55-64]. By the way, in Russia for example, they decided to underfund those organizations which allowed improper use of budget resources in the previous year.

As far as the notion 'ineffective management' is concerned, it is the antithesis of the notion 'effective management', which, in its turn, is important by the principle of effectiveness and efficiency of the budget system as an economic category. It is a wider notion than the term 'ineffective use of funds', but, at the same time, in the public system, it is a sign of ineffective management of public funds. [25, pp. 31-35]. Therefore, the government has to change the system of budget funds management applying tough and unpopular innovative solutions. Since, as S. Blankart wrote, 'politicians have unlimited powers in their hands as to budget issues and are not interested in reducing expenditures' [2, p. 26] and as A.A. Isaev said, 'wealth is the only goal of people in power' [12, p.4], any revision of the structure of budget expenditures is a complicated issue. However, in order to change the current process of the budget adoption by the Parliament, which resembles the financial sector in ancient classic countries, when 'it was not a social, planned and systematic activity but rather when the general state government more or less randomly used these or those opportunities to increase funds for expenditures which increased without any assessment of the sources where to obtain them and without any criterion about interdependence between these sources and consequences of using any of them' [20, p. 40], it is necessary to find possible sources of tax revenue growth. Basing on the economic essence of the budget system, the only economically feasible way to solve this problem is to stimulate growth of the GDP: first of

all, by way of investing in the economy and wide reproduction, provided that the involved public funds of internal and external creditors are used as investment rather than as compensation for the budget deficit, and secondly – by reducing the underground economy.

In order to start a stimulating budget policy, the following seemingly mutually exclusive tasks should be completely fulfilled: to increase budget revenues in order to strengthen state regulation of the economy and to reduce the tax burden to a level which would stimulate interest in growth of production and investments. Budget policy is intended to use imperatives of financial instruments according to realities of market economy and should be oriented at the system of indicators which characterize sustainability of economic development and the level of national security. [3, pp.188-193, 18].

Proper fulfillment of all functions assigned to budget system, as an economic category, increases efficiency of budget policy of country and to a great extent depends on the quality of the institutional environment. Therefore, an important direction is to improve the legal framework which regulates the budget process in Ukraine by way of its unification, consolidation and simplification. [21, pp. 30-37]. The national budget system should be based on principles of stability, economic feasibility, authenticity and social justice (unbiased distribution of social wealth between citizens and territorial communities), balance, financial unity, administrative independence, equivalence of expenditures, completeness and transparency. All this enables the system to function effectively and to perform its main functions efficiently, to implement the full potential as an economic category.

While defining the relationship and mediation nature of budget system in ensuring efficiency and orientation of budget policy and the entire social reproduction it is directed at, the effectiveness of budget system should be distinguished from the effectiveness of budget policy.

Budget system, as a mechanism and field for budget policy implementation, is also a mechanism for simple and extended reproduction, formation in interaction with price setting of replacement funds, consumption funds and accumulation funds, i.e. functions as an economic category which has an objective reproductive meaning and objective functions in a real reproductive process. Hence the general difference between the effectiveness budget system and efficiency of budget policy, which mostly depends on the state's politics.

From the methodological point of view, in our opinion, effectiveness of budget system should be justified with its functions. Apart from specific one, the budget system as an economic category, has all functions of finance, since it is their main component (fond-forming, distributing, regulating, social, stimulating, controlling), budget system by its priorities and functions focused on accumulation of budget costs (resources) (fond-forming function), distribution and regulation of funds and flows. Sociality and innovation are its main target orientation,

but it is provided by the above functions. Effectiveness of budget system is characterized by its ability to create the highest financial potential (fond formation) and ensure its reproduction, regulation and use in accordance with achievement of the highest social, innovation and investment effect during a long-term economic trajectory.

The budget system is a component of the financial system, therefore increasing its effectiveness is closely connected with its system regulation and modern innovative technological support. Purposeful regulation and innovative development of the budget system, efficiency of its functioning depends on the objective and tasks set and executed by a long-term finance and budget strategy. [19, pp. 31-40]. And the criterion of efficiency is cost-effectiveness and results of fulfilling the set objective. [23, p. 31, 1, pp. 28-33].

This criterion of efficiency, as a well as a criterion of any other economic category has a qualitative and quantitative expression. [26, p. 218]. The qualitative component of using budget funds is achievement of the quality parameters established in the budget planning. As far as quantity is concerned, efficiency is a measure of achieving quantitative results and then comparison of these results with the results of a set of similar actions. Operation efficiency of the budget system, as well as any other system [10, pp.2-8], is evidenced by development of the economy. The budget system in developed countries of the world [27, pp. 90-100, 15, pp. 53-62] is based on these very criteria.

On the basis of the above analysis, we describe our vision of effectiveness of the budget policy as the main mechanism of such economic category as the budget system.

First of all, it is necessary to have something that under control can give an effective result: perfect budget system at all levels.

Second, in order to obtain an effective result, it is necessary that the budget system functions efficiently, i.e. an effective budget mechanism must be available.

Third, in order to be able to talk about effectiveness or ineffectiveness of the budget policy, it is necessary to have a developed national (own) approved financial policy which is being implemented – a goal-oriented activity of the state which includes development of a goal and tasks, search for funds and development of ways to achieve the goal by its particular authorities which base on the existing budget system with rational use of the budget mechanism and aimed at making planned conclusions of such activities within set terms. It is important to take into account external factors which can influence both the process and its results.

Fourth, it is necessary to understand what kind of goals should be set during its development and implementation, how actually the main results of the implementation should be expressed – it is mainly to improve financial condition of the country. The rest of the tasks of its implementation are those which

arise from its strategic mission. They are implemented by other policies (monetary, tax, customs, anti-monopoly, etc.), but though they are so autonomous, they function as something supplementary to the budget policy. However, the means and instruments are not usually used separately (single-handedly), therefore there is an objective problem of coordination between them. [6, pp. 99-111, 14, pp. 241-251]. The main purpose of this coordination is 'to create favorable conditions for business development which will ensure increase of employment, income, exports of goods with high added value and therefore tax revenue for the budget' [9, p.10], or, in other words, to reach the highest economic effect. The essence of the 'effect' of budget policy is in difference of changes of the financial condition occurring as a result of using the existing budget system with the help of this budget mechanism of budget policy carried out during a certain period of time. These criteria of the effect are applied in general to the financial policy as well. [13, pp. 57-60].

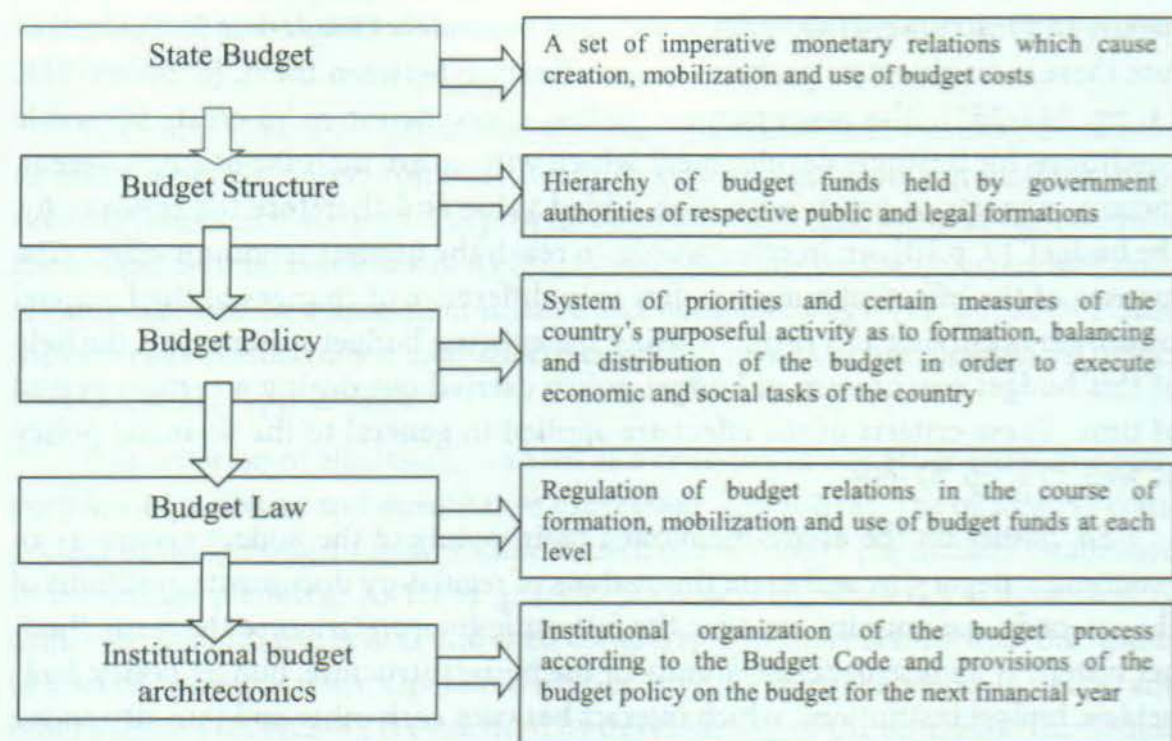
So, basing on the above-mentioned main points of the budget system as an economic category, as well as on the analysis of regulatory documents, positions of the scientific community, we offer the following interpretation of the term; 'budget system' is an interdependent unity of the budget structure, budget policy, budget law, budget institutions, which interact between each other and thus determine formation, mobilization and use of budget funds according to established common law principles and standards of public relations for the purpose of solving social and economic problems of the country (Figure 1).

The budget structure of Ukraine should be considered as a hierarchy of budget funds held by government authorities of respective public and legal formations, built by the principle of budget unitarianism.

The above-stated understanding of such an important economic category as the 'budget system' will enable to make complex, interrelated, interdependent decisions on consolidation of achieved results in implementation of the budget reform. On its basis, the budget process should become a part of the state policy formation in the sectors which are connected with state financial obligations and require budget costs. [9, p. 10]. It is necessary to coordinate the reform of the budget process with other reform directions (state service, administrative reform and government regulation reform). Such coordination will ensure complementarity of the budget process reforming and process of policy formation at the level of development and discussion of draft laws, monitoring of their application efficiency.

Figure 1

Structure of the budget system



Source: Developed by the author.

The economic essence of the budget system requires changing the budget model of Ukraine. Otherwise, the budget strategy will never be focused on effective structural reforms. In the future, it makes impossible the implementation of an innovative model of social-type economy development. In the new model, the budget costs should become the basis for the state investment activity in all sectors [11, 22, pp. 64-72] of innovative support. You see, according to experts, in order to activate economic dynamics by 2015, it is required US \$100 billion. [18, p. 260]. It is possible to create appropriate conditions for a long-term reproduction of budget resources by means of economic growth stimulation.

Conclusions

Owing to the new model, the budget system should create favorable conditions for business development. These conditions must ensure growth of losses, income, export of goods with high added value and therefore tax revenue. Entrepreneurs are the main subjects of innovative activity. It depends on their work, whether this activity will be intense and successful or vague and anemic. They incur all difficulties and risks of converting ideas and 'images' of a new product or service into a product demanded in the market. So, the budget system, as an economic category, is closely connected with materialization of innovative ideas, activation of the main

subject of the reproductive process, infrastructure development for activation of economic dynamics.

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