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LIDIYA KARPENKO

ORCID ID: 0000-0002-2888-2477

e-mail: lidiako888@gmail.com

Economic and Financial Policy Department

V. VARESHCHENKO

Odessa Regional Institute for Public Administration
of the National Academy for Public Administration under the President

STRATEGIC PRIORITIES AND INVESTMENT DOMINANTS OF BUDGET POLICY DEVELOPMENT OF THE COUNTRY

The research consists in substantiation and development of conceptual bases and recommendations on strategy of budgetary policy activation of Ukraine on the basis of investment. Investment analysis is a method of systematic analytical and research work to optimize investment decisions. Its indicators and methods of evaluation and interpretation are used in determining the effectiveness of alternative investment projects when it is necessary to make a choice. The main information and analytical tools for project evaluation: financial indicators of the project; indicators of economic efficiency; sensitivity analysis; break-even analysis; probability estimation. Their use is effective when using the discount method.

Revision of the former regulatory system in accordance with the new priorities of economic policy provides assistance to the state in forming the infrastructure of the resource market, developing a network of non-bank financial institutions capable of mobilizing long-term financial resources, restructuring the banking system to implement investment functions of banks in the economy, insurance and investment incentives.

The search for a new domestic model of investment development and the current mechanism of the state presence should be carried out taking into account the experience of state regulation of investment processes gained by foreign countries, using its positive aspects in Ukraine. state and administrative-territorial units.

The purpose of the work is to study the systematization of the tool base for modelling the mechanism of budget management in the financial and economic system of the state and the development of conceptual approaches to the development of local budgets in the context of financial decentralization in Ukraine. Applied aspects are based on determining the main directions and effectiveness of budget policy in Ukraine for the period 2018-2020 pp. The authors study the structure of the budget mechanism and components of the budget management system as an instrumental basis for the conceptualization of local budgets in the economic system of the state. The practical part of the work is the monitoring of the investment sector of the Odessa region, the study of the dynamics of the main macroeconomic indicators of the region. In general, the implementation of administrative-territorial reform and the introduction of changes in the territorial organization of power in Ukraine have provided an update of the system of revenue generation of local budgets.

The analysis of the selected research issues provides a conceptual basis for the formation of an effective mechanism of fiscal policy in Ukraine; forms a platform for developing macroeconomic stabilization policy. Prospects for further research are to improve the mechanism of effective functioning of the budget sphere and the implementation of integrated management analysis.

Key words: budgetary mechanism, budgetary policy, budgetary regulation, state budget, local budgets, direct investments, intergovernmental transfers.

КАРПЕНКО Л. М.,

ВАРЕЩЕНКО В. І.

Одеський регіональний інститут державного управління
Національної академії державного управління при Президенті України

СТРАТЕГІЧНІ ПРІОРИТЕТИ ТА ІНВЕСТИЦІЙНІ ДОМІНАНТИ РОЗБУДОВИ БЮДЖЕТНОЇ ПОЛІТИКИ КРАЇНИ

Наукове дослідження полягає в обґрунтуванні та розробці концептуальних засад та рекомендацій щодо стратегування активізації бюджетної політики України на засадах інвестування. Інвестиційний аналіз виступає методом системної аналітично-дослідної роботи з оптимізації інвестиційних рішень. Його показники та методи оцінки й інтерпретації використовуються при визначенні ефективності альтернативних інвестиційних проектів, коли необхідно здійснити вибір. Головний інформаційно-аналітичний інструментарій для оцінки проектів: фінансові показники проекту; показники економічної ефективності; аналіз чутливості; аналіз беззбитковості; оцінка ймовірності. Їх застосування ефективне за умов використання методу дисконтування.

Перегляд колишньої системи регулювання відповідно до нових пріоритетів економічної політики передбачає сприяння держави у формуванні інфраструктури ресурсного ринку, розвитку мережі небанківських фінансово-кредитних інститутів, здатних мобілізувати довгострокові фінансові ресурси, реструктуруванні банківської системи з урахуванням завдань реалізації інвестиційних функцій банків в економіці, становленні системи гарантування депозитів, страхуванні і стимулюванні інвестицій.

Пошук нової вітчизняної моделі інвестиційного розвитку і діючого механізму присутності держави необхідно здійснювати з урахуванням досвіду державного регулювання інвестиційних процесів, набутого іноземними країнами, використовуючи його позитивні сторони в Україні. Головною метою інвестиційної діяльності в Україні повинно стати створення економічно забезпеченої ресурсної бази для всіх національно-державних та адміністративно-територіальних одиниць.

Мета роботи полягає у дослідженні питань систематизації інструментальної бази моделювання механізму бюджетного управління в фінансово-економічній системі держави та розробки концептуальних підходів щодо розвитку місцевих бюджетів у контексті фінансової децентралізації в Україні. Прикладні аспекти ґрунтуються на визначенні основних

напрямок та ефективності реалізації бюджетної політики в Україні за період 2018-2020 рр. У роботі авторами здійснено дослідження структури бюджетного механізму та складових системи бюджетного управління як інструментального підґрунтя концептуалізації місцевих бюджетів в економічній системі держави. Практичною стороною роботи є моніторинг інвестиційного сектору Одеського регіону, дослідження динаміки основних макроекономічних показників розвитку регіону. У цілому, проведення адміністративно-територіальної реформи та запровадження змін в територіальній організації влади в Україні забезпечило оновлення системи формування доходів місцевих бюджетів.

Проведений аналіз за обраною проблематикою дослідження забезпечує концептуальною базою формування дієвого механізму бюджетної політики в Україні; формує платформу розбудови макроекономічної політики стабілізації. Перспективами подальших досліджень виступає вдосконалення питань щодо механізму ефективного функціонування бюджетної сфери та здійснення інтегрованого управлінського аналізу.

Ключові слова: бюджетний механізм, бюджетна політика, бюджетне регулювання, державний бюджет, місцеві бюджети, прями інвестиції, міжбюджетні трансферти.

Problem setting

In the process of evolution of economic models, methods of budgetary regulation of the economy were given different meanings. Given the long process of formation of the components of the market mechanism, the urgent need for structural adjustment, insufficient pace of formation and the small number of market focused private sector, lack of sufficient financial resources, fiscal policy for the accumulation and distribution of financial investment resources becomes especially important. At the present stage of Ukraine development the problem of balance of economic and social regions development acquires significance. That is, the vector of the state's orientation towards increasing the wealth of individual regions is important. That is, the state should promote the absence of poor regions on its territory.

The budget is one of the main instruments of macroeconomic policy. The budget has an impact on inflation, exchange rate policy, economic growth, investment attractiveness of the country. The quality of budget, tax, and financial policy in general largely determines the progressive, dynamic development of any state, its resilience to various financial and economic crises. The solution of problems of social and economic development should be carried out in the conditions of continuity of a course of budgetary policy on maintenance of macroeconomic balance and stability of budgetary system, decrease in dependence of budgets on a foreign economic situation.

Recent publications analysis

The work of many domestic and foreign scientists is devoted to the formation of the budget and its impact on the socio-economic development of the country. At the current stage of the national economy development of Ukraine it is very important to show the role of budget policy in the macroeconomic stability of the state, because it depends on the implementation of the Presidential Program of Economic Reforms for 2019–2022.

The works of many Ukrainian and foreign scholars are devoted to the study of theoretical aspects of budget policy development. The works of many Ukrainian and foreign scholars, in particular: V. Andrushchenko, V. Bazylevych, T. Bondaruk, V. Geyts, E. Deynek, L. Karpenko, L. Kovalenko, Y. Kravchenko, I. Lunina, S. Sember, L. Tarangul, O. Tymchenko, V. Tropina, N. Khrushchev, M. Chumachenko, R. Sturm, I. Yanzhula and others are devoted to the study of theoretical aspects of budget policy development. However, some issues, in particular, modeling an effective mechanism for managing the budget process in the coordinates of financial and economic security of the country and the development of conceptual frameworks for optimizing the country's potential remain insufficiently explored. There is a need to improve and expand the study of this issue. In addition, the domestic scientific literature is insufficiently studied issues related to the development of local budgets in the context of systemic transformations in the economy and public administration, taking into account financial decentralization and changing the role of local governments in ensuring socio-economic development.

The goal of this work

The aim of the work consists of studding the strategic priorities and investment dominants of budget policy development of the country and conceptual bases for the development of local budgets in the context of financial decentralization in Ukraine.

General theoretical and economic-statistical methods were used in solving the tasks. The methodological basis forms a number of the following methods: scientific abstraction, classification and systematization – to identify the main components of the budgetary policy formation; methods of forecasting based on trend extrapolation and revealing functional dependence – to study trends in the volume of budget types; methods of dialectical and formal logic, analysis and synthesis, systematic approach, decomposition method – for the development of managerial tools and methodological support for the modelling the budgetary efficiency system in Ukraine's state policy. In Ukraine, trends in financing fixed capital investments from budgets are contradictory.

Key research findings

Budget investments are certain funds allocated from the budget and aimed at increasing the value of state-owned property. Such investments are made at the expense of regional, federal and local budgets. Their volume, objects and sources are determined exclusively by the state. The main provisions on this type of investment can be seen in the Budget Code.

Under what conditions is the process of budget investment. Investment from the budget can be made with the following documents:

- project documentation
- technical and economic substantiation of a certain investment project;
- the contract between the state customer and the executor;
- the project of transfer of real estate.

Terms of providing this type of investment to autonomous and budgetary institutions are presented in the article of the BC of Ukraine. Provision of budget investments to legal entities can be carried out only in the case of technical and economic justification of the business project.

Today there are the following types of investment infusions coming from the budget:

- investments in tangible assets, such as land, equipment, real estate, etc.;
- investments in financial instruments, such as securities.

Budget financing of investment projects in certain production areas is essentially a public investment on a non-repayable basis. However, the relationship between public investment spending and economic growth is poorly understood. It is assumed that public expenditures, including in the form of budget investments, contribute to the goal of economic growth. In the conditions of inefficient functioning of the market mechanism, the economic justification of state intervention in the economy for the distribution of resources obtained as a result of compensatory measures is based on this assumption [1].

As the public sector begins to take on what the private sector could do more productively, and as the way expenditures are financed can have adverse effects, the link between aggregate government expenditures and economic growth becomes less clear. Most likely, economic growth depends more on the structure of expenditures, as some of them are more focused on increasing production. Development of infrastructure that promotes private investment, measures to ensure the proper functioning of public infrastructure, education to improve labour resources, health care that promotes productivity, as well as the administrative and legal system designed to support the proper functioning of a complex economic mechanism all this should contribute to the effective growth of capital and labour, that is, to ensure stable economic growth. However, even expenditures that seem less productive, such as defence, can provide the social and political stability needed for economic growth.

Therefore, the problem of building a rational structure of budget expenditures is quite complex, especially given the constant inflationary pressure, which forces to reduce expenditures and provide social protection from the negative consequences that accompany reforms. In the conditions of insufficiently developed financial market and banking sphere, limiting budget expenditures in order to curb inflation processes, it is necessary to reorient budget policy from general provision of subsidies for production to selective financing, to formation of so-called "growth points" with state assistance. According to world experience, the state in these processes is given a largely encouraging role [2]. The statutory structure of expenditures should to some extent complement the measures of stabilization of monetary policy. Thus, spending cuts are combined with falling inflation, and if consumption is to be reduced rather than investment, higher domestic savings should lead to increased investment and growth. An additional source of restructuring funding is the reduction of rising management costs, although this source is not significant.

Over time, a significant reserve for expanding budget funding for breakthrough investment and innovation projects in the non-financial corporations sector should be the restructuring of the structure of budget expenditures, one of the areas of which is the revision of subsidies, social security and wages. In order to mitigate the negative effects of economic transformations on the level of social security, the country's leadership is forced to allocate additional financial resources through the budget in the form of various subsidies, which indirectly artificially increases insignificant effective demand, while diverting funds from restructuring. Budget expenditures for social protection of the population include costs associated with the implementation of state price regulation.

The urgency of the problem of intensification of innovation and investment activities with the help of budget levers necessitates the use of various forms of stimulating investment resources in enterprises. World experience shows that the intensification of innovation, especially in the initial stages of development, requires assistance from the state primarily through the use of tools of fiscal regulation [3].

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Today's most successful investment clubs in the world with assets of hundreds of thousands of dollars, a million dollars, or more started out, years ago, with only a few dollars. Most of the members in those clubs had no

previous stock market experience, and their investment funds were limited, as was the time available to devote to club activities. Yet they've achieved results that would make many professional investors envious. With the basic principles recommended by National Association of Insurance Commissioners (NAIC) and practiced by successful clubs in the past, you can apply a consistent philosophy aimed at long-term, proven investment objectives. Since 1951, these simple rules have led investors to consistently superior results. Here they are:

Principle 1: Invest Regularly, Regardless of the Market Outlook. When you start investing, you may be nervous about timing. Time and experience will help allay these fears. The market's overall trend for decades has been upward, at an average annual compound rate of about 10 percent despite intermittent cycles of boom, recession, depression, and recovery.

Principle 2: Reinvest All Earnings. Put your investment earnings back into the market. This will let you maximize your profits through compounding, so you'll earn more than you would have just by keeping your original capital at work. In the examples presented in coming chapters, you will see the amazing effect of compounding made possible by reinvestment.

Principle 3: Invest in Growth Companies. Buy shares in businesses whose sales and earnings are moving ahead faster than the gross domestic product, and whose records suggest they will be far more valuable five years in the future. We'll show you later how to identify growth companies with the best potential.

Principle 4: Diversify to Reduce Risk. Some of your selections will be great successes, while others will post disappointing results. Since it is impossible to predict the future with certainty, you cannot expect every outcome to reach your forecast. With diversification, you need only realize an *average* advance that meets your goal; an occasional mistake will not prove disastrous [6].

The next step our research is analyse *options for directing budget investments*. The state, based on the priorities and functions facing it, forms its own set of investment priorities, which are financed through state or local budgets. As you know, public spending ensures the achievement of state goals. As the range of tasks is quite wide, budget investments are used in different directions. Analysis of these areas provides an opportunity to study the feasibility of their investment and you mean the role of budget investment in socio-economic development of the country. Budget allocations are directed not only to the implementation of investment programs (projects) and capital expenditures, but also to the maintenance of the budget sphere and certain sectors of the economy. The distribution of funds by type of expenditure affects its structure. The structure of expenditures varies depending on the priorities of the state and options for directing budget investments.

Our research proves that due to the insufficiently attractive investment climate, the state is forced to expand the list of relevant programs (projects) and increase investment at the expense of state and local budgets. In turn, the concentration of budget investments in the hands of the state indicates its role in regulating the economic life of the country, providing investment resources to key sectors of the economy and social sphere.

In general, budget investments should not so much grow as become an effective tool for ensuring the formation of the foundations of a competitive economy. Along with other investment resources, they guarantee the stability of the economy, reproduce the fixed assets of the state, increase the quantity and quality of socially necessary goods and services.

Budget investments are a component of total public investment. They take an active part in shaping the competitive environment in the investment market. Their socio-economic significance lies in the expanded reproduction and increase of the welfare of the population. As budget investments, such as capital expenditures on infrastructure (roads, bridges, tunnels, education and health care facilities, etc.), affect the growth of not only labour productivity but also GDP, they create living conditions for the population in different areas.

The next we are going to study *priorities of budget investments*. The current state of socio-economic development (especially the moral and physical operation of fixed assets) necessitates not only the formation of a clear strategy of investment policy of the state in strategic areas of development, but also the achievement of rational and efficient use of budget investments.

Our research proves that the existing system of budget investment management is disordered and imperfect. We see that budget funds, which are not a priority and do not have an investment component, increase financial risks and do not contribute to socio-economic development. We believe that the forms and methods of investment management (especially the mechanism of budget investments) need to be radically revised and reformed, as the allocation of budget funds for subjective reasons of a certain category of civil servants who do not comply with current legislation and are not guided by national strategic goals unacceptable, especially in today's difficult conditions of ensuring the financial stability of the country [7].

Given the current state of this area, we put forward a hypothesis, the essence of which is to understand the need for further improvement of the budget investment management system. At present, budget investment management is based on the old approaches of the corrupt system and, unfortunately, is characterized by participants in the investment process ignoring the rules of current legislation, procedures for selecting investment projects, uncertainty of key priorities and more. However, this state, in our opinion, is the first stage in the formation of the foundations for the establishment of an effective system of budget investment management.

Given that the Ukrainian state is currently in the process of transforming the socio-economic system and governance mechanism, the main aspect of which is the European integration direction and support, adoption and

approximation to the standards of economic and social development of the euro area, reformatting budget policy and strengthening the role of local budgets view of the role and place of local budgets in the financial system of the state. Therefore, there is a need to study this category and develop an understanding of its essence among economists.

The state budget is one of the main parts of the financial system, in which significant part of national income is concentrated. Sufficient filling of the revenue side of the state budget is a factor that reflects the level of economic development of the country, the potential of the European integration space, ensuring economic and social stability and decent standard of living. The budget is one of the main tools of macroeconomic policy. The budget influences inflation, exchange rate policy, economic growth, and the country's investment attractiveness. The quality of budget, tax, and financial policy in general largely determines the progressive, dynamic development of any state, its resilience to various financial and economic crises.

The solution of problems of social and economic development should be carried out in the conditions of continuity of a course of budgetary policy on maintenance of macroeconomic balance and stability of budgetary system, decrease in dependence of budgets on a foreign economic situation. Legislatively established budget rules minimize the dependence of the budget system on price volatility in the world energy market, increase the importance of long-term financial forecasting of revenues and expenditures of the budget system and form the necessary amounts of sovereign wealth funds of Ukraine. Therefore, the research topic is relevant and important in terms of achieving further macroeconomic stability in Ukraine.

The works of many domestic and foreign scientists are devoted to the formation of the budget and its impact on the socio-economic development of the country. The budget as a financial plan of the state is formed under the influence of budgetary and tax policy. In Ukraine, the latter was formed in an extremely severe economic crisis, which could not but affect the nature of change. Because, on the one hand, there was a constant problem of mobilizing funds in the budget to perform its functions and obligations, and on the other - an objective continuous process of losing some sources of financial revenues to the budget and finding, in this regard, others more relevant to the new system. This has constantly exacerbated the problem of budget deficit and methods of financing it.

In addition, among the fundamentally new conditions are those that are associated with low financial and managerial discipline, the tensing of the economy, the inefficiency of certain types of expenditures, waste, theft of public funds. Ukraine has experienced problems of filling the budget with money, evading filling the budget through offsets, non-fulfilment of most of the adopted annual budgets, debt restructuring as a way to improve the financial condition of enterprises and their settlements with the budget. Over time, due to the transformation of the budget and tax systems, some of these phenomena are a thing of the past, and some have changed their nature, although they have remained completely unresolved. However, the problems of mass tax evasion, loss of budget revenues from tax benefits, growth of external debt, remain relevant to this day.

Despite the significant contradictions of the reforms, in a certain part the content of the tax system meets the requirements of world practice. Thus, the basis of the tax system of Ukraine is formed by taxes that form the core of the tax systems of developed Western European countries - personal income tax, corporate income tax, value added tax, excise duty and customs duty. These taxes provided two-thirds of revenues to the 2019 consolidated budget. The laws governing the collection of most of these taxes have been developed in accordance with the norms of Western European tax law.

At the same time, the tax system of Ukraine is characterized by a number of features that distinguish it from the tax systems of developed countries. These include:

- the existence of two subsystems of taxation – standard and simplified, which violates the integrity of the tax system;
- significant uneven distribution of the tax burden due to large-scale tax evasion and the availability of tax benefits;
- high level of tax debt;
- incomplete compliance of the tax system of Ukraine with the basic principles of taxation - fairness, efficiency, stability, administrative simplicity and economy.

It should be noted that both the tax and budget systems have been criticized and will be criticized in the future, as they must be based on mechanisms for overcoming serious social and personal contradictions. But a perfect solution to these issues is almost impossible, especially given that the economy in each period is at a different stage of its development, depending on which changes the content of both tax and budget policies.

This often leads to a violation of even certain generally accepted principles of fiscal policy. Such as justice and stability. The latter principle can and should be adhered to only for a certain period of time, taking into account the conditions prevailing in the economy.

Now we can say that the main problems of the stage of formation of the budget and tax systems of Ukraine and the implementation of financial stabilization tasks for the economy as a whole have been resolved, as inflation as the main indicator of financial instability is now under control. But it should be noted that Ukraine's economy, like any other country, for one reason or another may be threatened by rising inflation and financial instability. Therefore, these issues should be constantly in the focus of the economic bloc of the government and the National Bank.

The development of Ukraine's economy should be characterized by further intensification of economic activity. In this regard, it is important to assess the extent to which the changes that are taking place and will take place in the budget and tax systems meet the fundamental requirements of stable growth. From this point of view,

the level of the ratio between tax and non-tax revenues to the budget and how synchronously the concentration of budget revenues due to the main budget-forming taxes is important: VAT, income tax, personal income tax, excise duty. At the same time, there are a number of contradictory trends in these issues. The fiscal efficiency of direct taxes decreased due to the corporate income tax, the fiscal efficiency of which has decreased in recent years relative to Gross Domestic Product (GDP), it is more than three times. But the fiscal efficiency of personal income tax has been characterized by a steady upward trend relative to GDP in 2020.

Budget efficiency characterizes the ability of tax to provide budget revenues. We emphasize that these and subsequent names of types of fiscal efficiency are conditional in nature and reflect the specifics of the corresponding method. Budget efficiency can be determined through static indicators that allow to assess the current state of affairs (for example, the amount of tax revenues, the ratio of planned and actual revenues, the level of use of tax potential, share in GDP, etc.), and dynamic, showing the effectiveness of a different tax over time compared to other economic parameters (for example, using elasticity indicators).

When assessing the effectiveness of the tax system, it is necessary to take into account not only the volume of fiscal revenues, but their stability and "fairness" in relation to the tax base. In this case, the concept of fiscal efficiency undergoes certain changes: the dynamics of tax collections should correspond to the dynamics of the tax base. In turn, the dynamics of the tax base for the entire national economy can justifiably be approximated by the dynamics of GDP. Then the general methodological thesis is clarified: the growth rate of tax collections should correspond to the growth rate of GDP. In this case, the indicators of fiscal fees and GDP should be taken into account in current prices. Then the inflationary effect is contained in both indicators and is levelled in comparison.

To assess the dynamic budget efficiency, consider the indicator of tax elasticity, which is the ratio of changes in tax revenues to changes in GDP, which acts as an aggregate indicator of the tax base (see Formula 1):

$$E_i = \frac{\Delta T_i / T_i}{\Delta GDR / GDR} \quad (1)$$

Where E_i – elasticity of the considered tax on GDP;

ΔT_i – increase in tax revenues from the tax in question for a certain period (at current prices);

ΔGDR – GDP growth for the same period (at current prices).

The indicator (1) allows us to assess how a 1 % increase in GDP affects the collection of a tax. If $E_i \approx 1$, so it is a question of synchronization of growth of GDP and tax receipts and about preservation of specific weight of taxes in GDP. In this case, we can talk about the stability of the tax system and the effectiveness of a tax. If $E_i < 1$ – the one percent increase in GDP, it causes a slower increase in tax revenues. Otherwise $E_i > 1$, it is a question of outpacing growth of tax revenues against the background of one percent GDP growth. The last two cases indicate inefficient adjustment of the tax system and the need to reduce the distorting effects. To date, there is no consensus in the economic literature on the interpretation of the category of "financial mechanism". The financial mechanism in the works of leading Western scholars is not considered as a separate object, but financial methods of influencing the state, enterprise and society are thoroughly studied [6, 7].

Thus, it can be argued that the budgetary mechanism is an integral part of the financial mechanism. As a component of the general system of economic management, the budgetary mechanism reveals the nature of the economic system as a whole. In quantitative and qualitative terms, the budgetary mechanism is determined by the amount of financial resources that are accumulated and spent at the appropriate levels of economic management, technology of mobilization and use.

Of great importance is the correctness of the chosen technology of these processes, namely the subject and object of mobilization and expenditure of financial resources, indicators, rates, norms, sanctions, benefits (all tools for the movement of funds). The budgetary mechanism should distinguish two main functions: ensuring and regulating economic and social processes in the state. Budget support is implemented through the use of methods of budget financing, lending, etc. Each of these methods has its own characteristics of their application in practice.

Budget financing takes into account the conditions for determining the amount of funding, the frequency of transfer of funds, the rate of expenditure on a particular type of expenditure, etc. When lending, attention is paid to the terms of loans. In order to finance relevant activities or programs, it is necessary to work out and legally establish forms of resource mobilization through taxes, fees and other payments [8].

In general, the budget mechanism is a schematic diagram of the practical use of budget funds in the economy and their impact on relevant processes. However, the budgetary mechanism has its own differences in practical application at the level of the state, economic entities or segments of the population.

The economic nature of the budgetary mechanism is determined by two approaches. The first approach: the *budgetary mechanism* – the process of functioning of the budget funds themselves, namely the reflection of the internal organization of the functioning of financial resources. The second approach: the *budgetary mechanism* is a set of methods and forms, tools and levers of influence on the state and development of the economy, and hence the reflection of the external action of the budget and financial resources as a factor is influencing the state of the economy [9]. The structure of the budgetary mechanism is presented in Fig. 1.

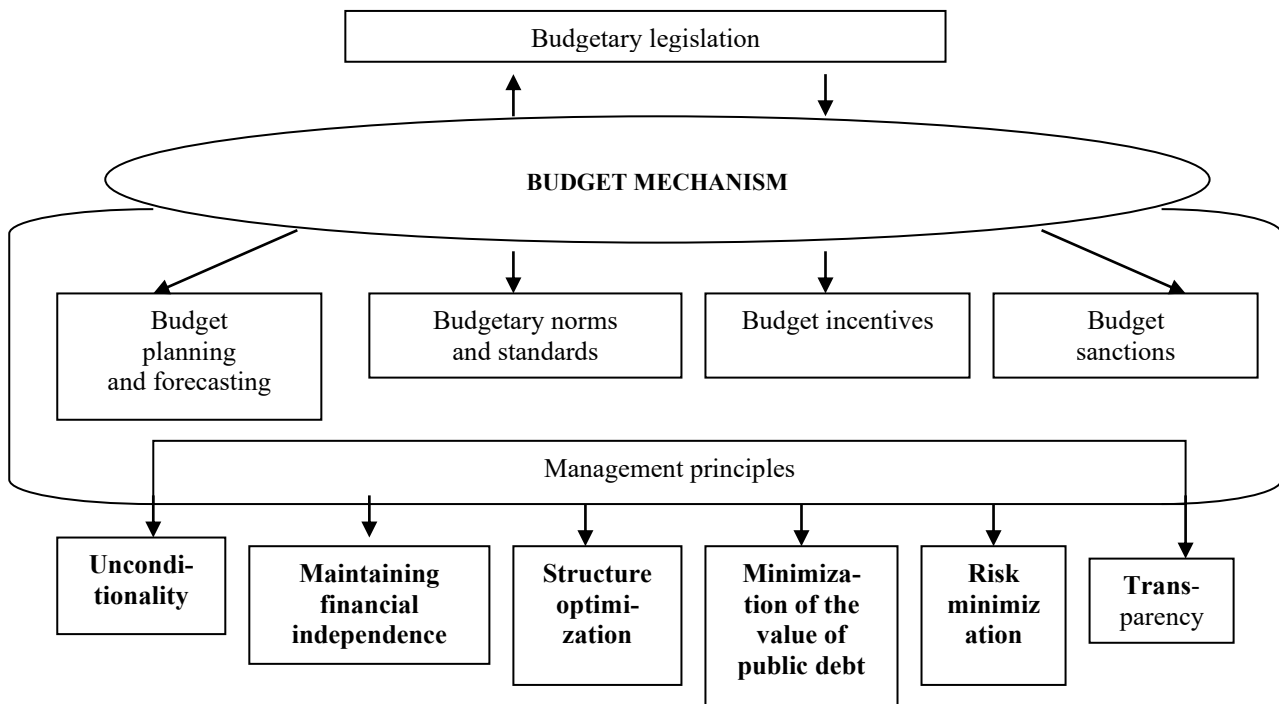


Fig. 1. The structure of the budgetary mechanism

(source: systematized by the authors on [3; 4; 8; 10])

Summarizing the theoretical material, it can be argued that the budgetary mechanism is a set of forms and methods of formation and use of budgetary resources used to influence the economic and social development of society. Budget management, like any management system, has interconnected parts (Fig. 2).

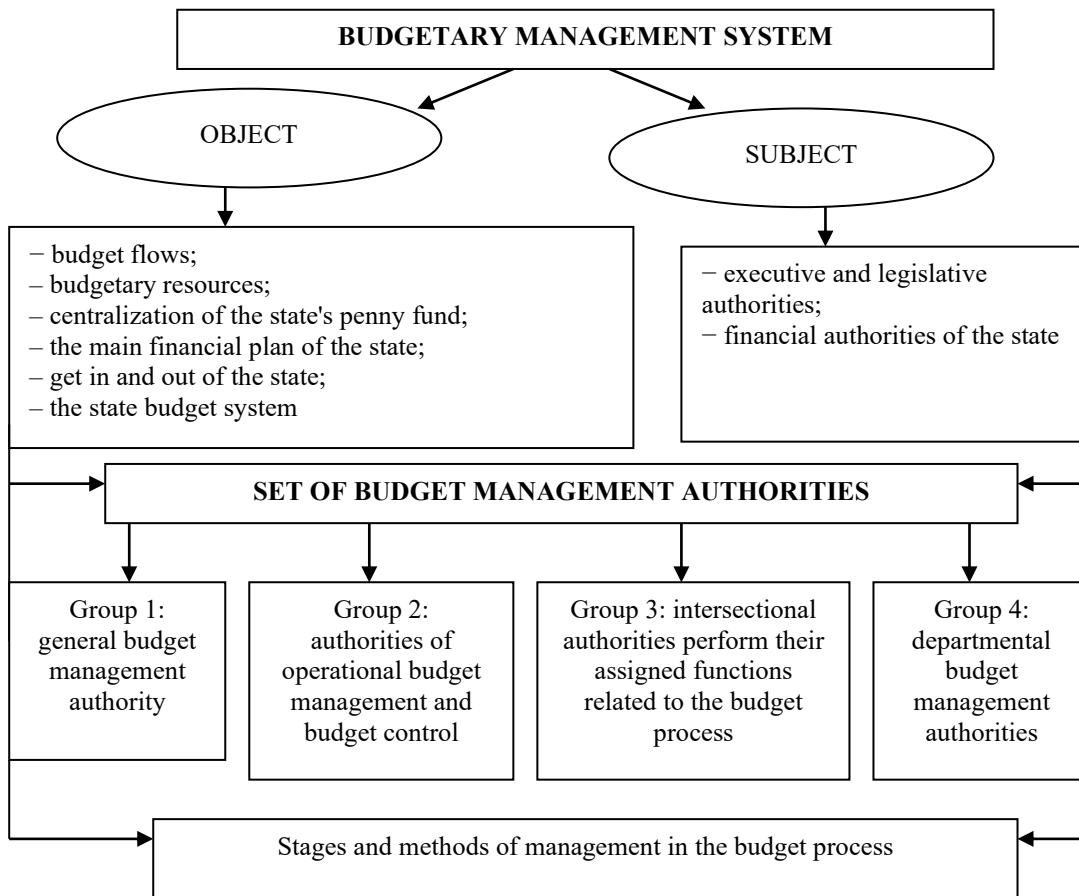


Fig. 2. Components of budget management systems

(source: systematized by the authors [3; 8; 10])

The system of budget management bodies is quite extensive. There are *four groups of budget management* authorities:

1. General budget management authority, in particular, the legislature and the executive (since the budget as the main financial plan of the state is approved by law, respectively, the Verkhovna Rada is the leading authority in budget management. Executive authorities ensure the preparation of the draft budget and its implementation).

2. Authorities of operational budget management and budget control. These include: the financial apparatus of the state (Ministry of Finance of Ukraine, the Accounting Chamber of Ukraine, the State Treasury Service of Ukraine, the State Fiscal Service of Ukraine, and the State Financial Inspection of Ukraine) and intersectoral and sectoral budget management.

Ministry of Finance of Ukraine: drafts the state budget; organizes the execution of the state budget; conducts methodical work on budget planning; develops a strategy for internal and external borrowing of the state, repayment and servicing of public debt; monitors the implementation of the state budget, prepares a report on its implementation, etc.

The Accounting Chamber of Ukraine is an authority of external non-departmental control over the budget process and monitors the timely implementation of the State Budget of Ukraine, compliance with current legislation in the area of budget policy. The State Treasury Service of Ukraine carries out: organization of cash execution of state and local budgets and control over this process; financing of state and local budget expenditures; management of available funds of the state and local budgets, keeps accounting of all operations on execution of the state and local budgets and makes the report on their execution; warning participants of the budget process about improper implementation of budget legislation, etc.

The State Fiscal Service of Ukraine is a central authority of executive power that ensures the formation of a unified state tax and state customs policy in terms of administration of taxes and fees, customs payments and implementation of state policy on administration of a single contribution, ensures the formation and implementation of state policy. Application of tax and customs legislation, as well as legislation on the payment of a single contribution.

The State Financial Inspectorate of Ukraine is the central executive authority that controls the targeted use of state and local budgets; preparation of budget reports, passports of budget programs and reports on their implementation; the state of internal control and internal audit of budget managers; elimination of identified shortcomings and violations, etc.

3. Intersectoral authorities perform the functions assigned to them related to the budget process. These include: the National Bank of Ukraine, the State Property Fund of Ukraine, the Ministry of Economic Development and Trade of Ukraine, the Prosecutor General's Office of Ukraine, the Ministry of Internal Affairs of Ukraine, justice and notary offices, state inspection authorities for price control of various environmental authorities and inspections and others.

These authorities are related to the budget in terms of revenue generation, as they have the right to accrue and collect certain payments (state duty) and penalties (fines for violating customs regulations, for violating environmental legislation, use of aquatic forest and other natural resources), as well as regarding the use of budget funds.

4. Departmental budget management authorities, which include management structures, primarily line ministries and departments, enterprises, organizations, institutions, the heads of which are endowed with the functions of budget managers, receive funds from the budget and finance subordinate enterprises, organizations, institutions and other structures (are responsible for their intended use).

Further it is considered expedient focus on local budgeting. The financial basis for the development of territorial communities is local budgets. In the process of reforming local self-government and territorial organization of power, the functioning of local budgets should be aimed at activating internal capacity, applying mechanisms to increase the revenue base, ensuring optimal use of community resources and its stable economic development. These issues become especially relevant in connection with the implementation of the first stage of administrative-territorial reform, amendments to budget and tax legislation and the implementation of a number of spectral reforms [11].

Practical aspects of this work are concerned with study of investment sector in Odessa region. In this regard, economic and statistical research the development of the Odessa region are examined below.

Table 1

Indicators of GRP, FDI, and unemployment dynamics in 2009–2019 (source: calculated by the authors [12; 13])

Years	Gross Regional Product (GRP)		Foreign Direct Investment (FDI)		Unemployment, rate	
	million UAH	growth rate (decrease),%	thousand dollars USA	growth rate (decrease), %	%	absolute deviation, percentage points
2009	48647	...	970152.5	...	6.7	...
2010	53878	10.75	1041987.7	7.40	6.3	-0.4
2011	61499	14.14	1107326.6	6.27	6.4	0.1
2012	64743	5.27	1220519.4	10.22	6.4	0
2013	69760	7.75	1629074.2	33.47	6.1	-0.3
2014	74934	7.42	1671661.5	2.61	6.5	0.4
2015	99761	33.13	1423290.8	-14.86	6.7	0.2
2016	119800	20.09	1320345.6	-7.23	6.5	-0.2
2017	149530	24.82	1228752.8	-6.94	6.8	0.3
2018	163307	9.21	1202594.7	-2.13	7.1	0.3
2019	189530	16.06	1237202.8	2.88	6.4	-0.7
2020	199954	5.50

Consider the situation with the inflow of foreign direct investment in the Odessa region compared to GRP for the period 2009-2019 by the method of statistical observations analyze the dynamics of the impact of these indicators (Table 1).

To sum up, we should say that the net foreign direct investment (FDI) in 2020 in Ukraine is the worst in 20 years, the country did not receive FDI inflows in 2020. The net outflow of FDI for the nine months of 2020 amounted to 400 million dollars USA. Looking at the third quarter 2020, FDI in equity, excluding reinvestment of profits, was only 4 million dollars USA, and the total reduction in FDI for the third quarter was 50 million dollars USA. Experts believe that net FDI will go to zero [13].

Conclusions. So, budget mechanism – the complex of developed and legally established in the state forms and methods of creating and using financial resources to regulate social and economic processes, and the main purpose of this regulation is to provide financial rates and proportions of economic development and social guarantees to the population.

The key basis for financing local self-government is local budgets. Given the trends of local government reform and financial decentralization, the implementation of the announced changes in the completion of the first stage of the reform requires their assessment and impact on ensuring the capacity of administrative-territorial formations of the basic level. To implement this task, it is advisable to use the methodology for diagnosing the level of budget decentralization of the regions of Ukraine, which should be used to identify trends in local budgets in the period 2013-2018, before and after the local government reform. The evaluation should be based on the definition of the following main criteria: the level of budget decentralization by revenue, expenditure and the level of financial stability of local budgets by transfers.

The study shows that the development of market relations requires the creation of adequate to the new conditions of the financial basis for the functioning of local government. The current stage of development of local finances in Ukraine is incomplete due to the unresolved number of fundamental issues, among which an important place is occupied by the insignificance of local fiscal powers of local self-government and the dominance of delegated expenditure powers. The formation of market relations in the transforming countries and in Ukraine necessitates the creation of adequate financial conditions for local governments, which requires the review of both expenditures and revenues of the budget system, and increase their autonomy in terms of expenditures and revenues.

Generalization of the most common forms of budget incentives for innovation processes, used primarily by developed countries, makes it possible to distinguish the following forms and types:

- forms that provide for the reduction of deductions to the budget (preferential tax treatment of profits directed to investments; preferential depreciation deductions; write-off of R&D costs for the cost of products (services); absence of certain taxes; investment tax credit, etc.);
- forms that provide for expenditures from the budget (soft loans to firms that enter into industrial cooperation, implement technological innovations, computers, subsidies, reimbursement of innovation costs, subsidies for training of research staff, guaranteed return of private capital invested in venture business; subsidies for investment projects).

The use of these forms of stimulating innovation processes is a special tool, because, first, their introduction takes place at a certain, fairly high stage of development of the state; secondly, the activity of their use depends on the level of economic development – developed countries use much more forms than developing countries.

In the context of the analysis of changes in the composition and structure of local budget revenues, an increase in the differentiation of revenues to general and special funds almost doubled in the period after the changes in budget and tax legislation. This is evidence of the growing social orientation of budgetary resources and the lack of their focus on the economic development of administrative-territorial units of lower levels. The role of basic taxes in ensuring the capacity of territorial communities is determined. There is a transition to the use of subventions as transfers to local budgets, which indicates a decrease in the ability of local governments to resolve the issue of directing funds from the provided transfers to the relevant areas.

Analysis of the formation of the budget for the development of local budgets showed that their impact on socio-economic development is currently insignificant due to the small amount of funds allocated for this purpose. The vast majority of local governments do not create appropriate funds due to lack of funds. The dominance of state targeted transfers in the fund for the development of local budgets indicates the low ability of city budgets to create conditions for local development at the expense of their own resources. Strengthening their impact on local development is possible through the growth of development budgets due to the general increase in local budget revenues. At the same time, it is proved that due to the significant horizontal differentiation of the distribution of income potential and expenditure needs, their important part should remain state investment subventions, the rejection of which will lead to increased disparities in territorial development.

In general, the analysis of the selected research issues provides the tool base for process modelling of the budget management mechanism in the coordinates of the economic security system; forms special platform for developing the budget and tax mechanism. Prospects for further research are to improve the mechanism of effective functioning of the budget sphere and the implementation of integrated management analysis.

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