

УДК 330.111

LOPUSHNYAK H., LOBODINA Z., LYVDAR M.

### BUDGETARY RELATIONS REFORM IN UKRAINE

The process of budgetary relations reforming in Ukraine has been assessed in the paper. Drawbacks of the budget reforms implementation have been determined and a number of tendencies and issues affecting functioning of the budgetary system as a whole and its separate parts have been revealed. It has been found that there is a close relation between the volume of local budgets spending and the volume of the gross regional product. The attention has been focused on the increased level of centralization of budgetary funds. The feasibility of diversification of sources of revenues to the local budgets in Ukraine has been justified. The stages of further reforms of inter-budgetary relations in Ukraine have been outlined.

**Keywords:** budget reform, budgetary relations, local budgets, tax revenues, inter-budget transfer.

**Problem setting.** The negative effects of globalization processes, the global economic crisis, the contradictions of the home social and economic policy of Ukraine caused by insufficiently effective, and in some cases totally ineffective reforms, and strengthened by military aggression in Eastern Ukraine, the frequent changes of legislation have led to numerous problems in the sphere of budgetary relations. The main ones include constant violation of the rules of the Budget Code of Ukraine regarding the deadlines for adoption and promulgation of legislative acts that affect budget revenue and/or spending, excessive centralization of budget funds, physical inability (due to excessive workload) of the majority of experts to quickly and objectively evaluate the reality and make justified calculations for optimal decision making, increased amount of the detected budget violations, and simultaneous reduction in the number of people brought to a certain kind of responsibility, etc.

Given the above and considering a significant role of the budget as a tool for regulation of social and economic processes, the relevance of the issue does not cause any doubt, especially under the conditions of proclamation of the budget decentralization. In particular, the process of reforming the budget system and changes it has caused in the organization of relations between the budgets require a detailed analysis in order to compare the obtained and expected results.

**Analysis of recent research papers and publications.** Many Ukrainian scholars and practitioners have studied the problems

outlined above, in particular S. Bukovynskiy, O. Vasylyk, V. Demianyshyn, I. Zapatrina, A. Kyrylenko, L. Lysiak, I. Liutyi, I. Lunina, A. Miarkovskyi, C. Ohon, K. Pavliuk, S. Slukhai, V. Fedosov, S. Yurii, I. Chuhunova, I. Shcherbyna, and others. However, implementation of the appropriate measures in the framework of reforming the budget system and relations between the budgets contribute to the objective necessity of evaluating their results and generation of proposals on budgetary relations improvement.

**The objective of the research** consists in assessment of the budgetary relations reform and determination of the main problems of this process.

**Presentation of the main data of the research.** Since the independence was proclaimed in Ukraine, the process of, firstly, establishment, and later – reforming of the budget system and relations arising in the course of its functioning, began.

Owing to the reforms (2001, 2010, 2015), the Ukraine's budget system has undergone significant changes. In particular, the approaches to budget planning have changed; servicing of the State and local budgets; the principles of inter-budgetary relations organization; a number of local budgets were united in connection with the establishment of *joint* territorial communities, the process of decentralization began, due to which a partial transfer of powers and responsibilities from the state to the local authorities was made. A share of the local budgets revenue (without inter-budget transfers) in the structure of revenues of the Consolidated budget of Ukraine



for the past fourteen years had a steady downward trend, except for some years (2006, 2007, 2009, 2012, 2013) (Figure 1). In the specified, as an exception, years, the share increase compared to the previous year was insignificant and ranged from 0.6 to 1.2%, in 2007 - 3.3%, which has almost had no effect on the determined tendency. That is, since the beginning of the budget reforms implementation, a systematic centralization of funds has been taken place, which resulted in the fact

that the share of local budgets revenues in the budget revenue part of the Consolidated budget of Ukraine made as much as (!!!) 18.5% in 2015.

In fact, about  $\frac{3}{4}$  of the amount of funds received by the state budget as a result of the GDP distribution is concentrated at the disposal of the central government authority, and only later on are handed over to the local governments' budgets in the form of inter-budget transfers.

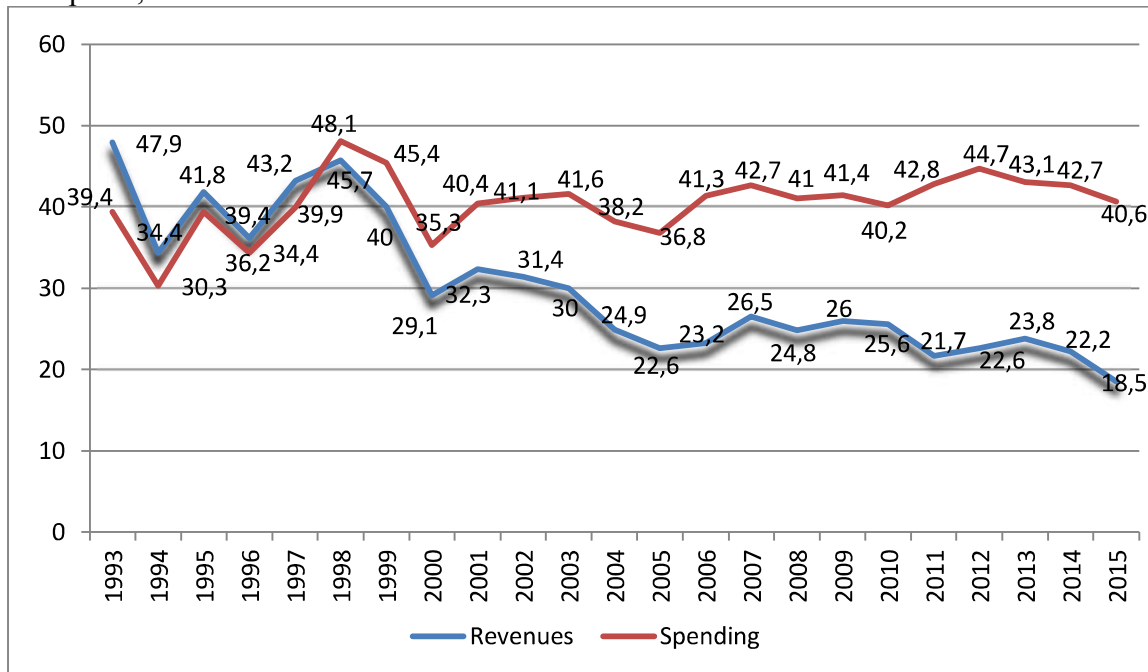


Fig. 1. Dynamics of the share of revenue and spending of the local budgets in Ukraine in the consolidated budget revenue and spending in 1993 - 2015

\* compiled by the authors based on the annual reports on the implementation of the Consolidated and local budgets of Ukraine.

Source: developed by the authors

The above updates the need for continued budget reforms towards actual budget decentralization.

A question arises, "And what is the essence of budget decentralization and how should it be reflected in practice?"

Based on the classical definition, according to which a decentralization – is a system of management in which a part of the central management functions is transferred to the local self-government authorities; cancellation or weakening of centralization [1], under budget decentralization one should understand the process of transfer of powers, financial resources and responsibility from central government to local authorities.

First of all, there should be an understanding that the budget decentralization should be considered as a mechanism of improving the efficiency of distribution and use of the budget funds. Thus, to get positive results due to an implemented reform not only the powers, which allow spending, should be passed on from the state to local authorities, but also a sufficient amount of financial and other resources to support them, as well as responsibility for implementation of these powers.

Budget decentralization carried out within the reform will be considered successful if its results in improved quality of public services, intensification of investment and entrepreneurial activity, strengthening of the fi-



financial base of the local self-government, improvement of socio-economic situation of cities and villages, development of the depressed regions, growth of jobs and slowing down of migration processes.

It is worth mentioning that no reform will ever be successful if there is a possibility to avoid responsibility for the committed offense, and a systematic non-observance of the budgetary discipline. Unfortunately, both are relevant for Ukraine. Thus, for example, the rule of the Budget Code is violated each year, which concerns the adoption of the Law of Ukraine or certain provisions thereof that affect the budget targets, a draft of which is drawn up for the next year (budget revenues are reduced and/or budget spending is increased), "not later than by July 15 of the year

preceding the planned one" [2]. The extent of liability for violation of this rule is not prescribed by any legal act Ukraine.

Part 6 of Article 159 of the Law of Ukraine on the Regulations of the Verkhovna Rada of Ukraine No.1861-VI dated 10.02.2010 on the deadline for adoption of the Law on the State Budget of Ukraine by December 1 of the year preceding the planned year is also systematically not implemented. For the years of independence of the Ukrainian state, the government succeeded to comply with that rule only once while adopting the Law on the State Budget for 2004 (November 27, 2003). The quality of this important document has also deteriorated, as evidenced by the number of amendments introduced (Fig. 2).

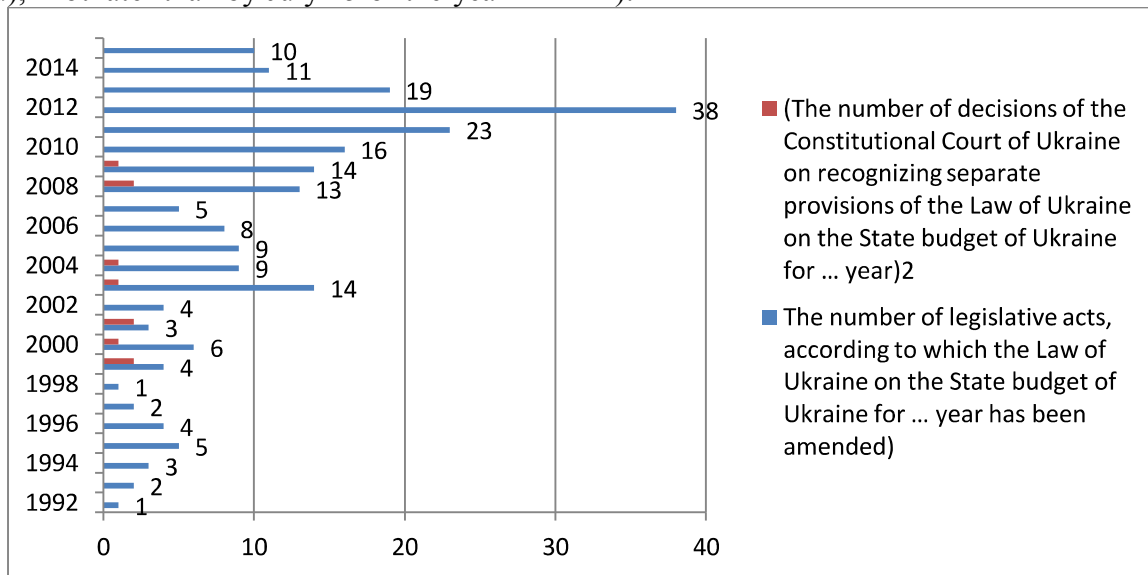


Fig. 2. Dynamics of the number of legislative acts, under which the laws of Ukraine on the State Budget of Ukraine for the corresponding year were amended  
Source: developed by the authors

It is worth mentioning that none of the implemented reforms have ever influenced the solution of these problems. On the contrary, this situation has not only a negative impact on the budget process in Ukraine, but also creates new problems in other branches. For instance, for "successful" implementation of the budget reform the fundamental principles, on which the tax legislation should be based, are violated. In particular, the principle of stability has been systematically violated since the adoption of the Tax Code of Ukraine (Table 1). It consists in the fact that "changes to any elements of taxes and duties cannot be

made later than six months before the beginning of the new budget period, when new rules and rates will be effective". [3] What is more, according to this principle, taxes and duties, their rates, tax incentives cannot be changed during the budget year. Let us recall that tax elements are subject, object, rate, taxable entity, taxable base, the source of payment and quota.

Data provided in Table 1 and Fig. 2 are indicative of poor preparation (neglecting many terms, tendencies, lack of validity of calculations with regard to the impact of legislative acts on various aspects of economic de-

velopment and living standards, etc.) of the adopted legislative acts, namely the Tax and the Budget Codes of Ukraine.

Table 1

### Violation of the stability principle of the tax law in Ukraine

Content of changes	Changes to tax law		Deviation from the legally established rule
	Adopted	Date of validity	
1	2	3	4
Changing the existing tax law based on the adoption of the Tax Code of Ukraine	02.12.2010	01.01.2011	1)... 5 months and 28 days earlier
Temporary tax benefits for UEFA	21.04.2011	25.05.2011	1)... 4 months and 26 days earlier
Changing the rates of export duties on certain types of crops	19.05.2011	01.07.2011	2)... should have been 6 months later
Extension of zero VAT rate application for certain operations on natural gas supply	20.09.2011	11.10.2011	1)... 8 months and 20 days earlier
Revision of certain rates of some taxes and duties	22.12.2011	01.01.2012	1)... 5 months and 8 days earlier
Some features of the income tax collection	23.02.2012	01.04.2012	1)... 7 months and 23 days earlier
Adjustments of the excise tax rates	15.05.2012	27.05.2012	1)... 10 months and 15 days earlier
Resizing incentives in collection of corporate income tax derived from the provision of hotel services	06.07.2012	01.08.2012	2) ... 5 months later
Changes of the excise tax rates	06.11.2012	10.11.2012	1)... 4 months and 6 days earlier and 2)...01.01.2013
Changing the terms of the environmental tax payment on certain transactions	04.07.2013	04.09.2013	2) ... not earlier than 01.01.2014
Suspension of certain provisions of the Tax Code	16.01.2014	01.01.2014	1)... 5 months and 16 days earlier
Changing taxation of certain transactions	08.04.2014	18.04.2014	1)... a 9 months and 8 days earlier
Changing the terms of taxation of passive income	04.07.2014	02.08.2014	2) ... not earlier than 01.01.2015
Changing the term of tax incentives provision concerning taxation of certain companies and organizations	04.08.2014	04.09.2014	1)... 1 months and 4 days earlier, and 2) ... 01.01.2015
Improving the investment activity taxation	07.10.2014	08.11.2014	1)... 3 months and 7 days earlier, and 2)... 01.01.2015
Changing the terms of taxation of certain transactions	02.03.2014	13.03.2014	2) ... not earlier than 01.01.2015
Extending the list of income tax payers who uses the benefits as non-profit organizations	18.03.2015	10.04.2015	2) ... not earlier than 01.01.2015
Exemption from taxation of certain drugs and medical devices	07.05.2015	01.01.2016	Rule not violated
Changing certain conditions of income taxation received by non-residents for debentures	22.05.2015	27.05.2015	2) ... not earlier than 01.01.2015 or 1)... 4 months and 22 days earlier
Improving the VAT administration	16.07.2015	29.07.2015	2) ... not earlier than 01.01.2015
Regarding the peculiarities of taxation during restructuring of public and publicly guaranteed debt and its write-down	17.09.2015	20.09.2015	1)... 2 months and 17 days earlier, and 2) ... 01.01.2015

1) Should have been adopted...

2) Validity date

Source: developed by the authors





Against the background of the above, legislative innovations on generation and approval of the local budgets irrespective of the adoption of the state budget (by December 25 of the year preceding the planned one) are timely and positive. It allows the local governments to be more independent.

Among the positive features of the budgetary reform, we should also note the right granted to the subjects of budgetary relations of independent selection of agency servicing the budget funds of local budgets development and own revenues of budgetary institutions (the Treasury bodies or the institutions of state banks); independent regulation of single tax rates, property tax and determination of fee for parking spaces for vehicles, tourist fee; simplification of the procedures for provision of local guarantees of making local borrowings from international financial organizations; a radical change of approaches to horizontal alignment of the income-bearing capacity of the local budgets; replacement of equalization subsidy to the basic one, and the funds transferred to the state budget from the local budgets - to the reverse subsidy; strengthening of the responsibility of the line ministries (Ministry of Education and Science of Ukraine, Ministry of Health) in connection with the introduction of the provision from the state budget to the local ones of medical, educational subvention and subvention to support the training of workers in vocational and other schools (in 2015 - subvention for

workers training) for the implementation of the state policy in the relevant area locally, etc.

However, these positive steps as a part of the reforms failed to solve the problems that have accumulated in the budget sector. The most substantial among them, in our opinion, is a chronic lack of funds to implement not only delegated, but also own powers by the local authorities.

Thus, "ensuring obtaining of vocational education in the public and municipal secondary schools, vocational schools" belongs to own powers of the executive bodies of village, town and city councils. According to the laws of Ukraine on the State Budget of Ukraine for 2016 No.928 dated 25.12.2015 on the Amendments to the Budget Code of Ukraine No.911 dated 24.12.2015, funding of vocational education in the cities of regional significance is transferred from the State budget to the relevant local budgets. However, according to the Ministry of Education and Science of Ukraine, due to the limited financial resources funding of 78 vocational schools in 33 cities of 14 regions was not envisaged at all in 2016. The above situation led to the introduction of amendments to the Budget Code of Ukraine in February 2016, again in violation of paragraph 3, Article 27 of this document.

The results of analysis of dynamics of the local budgets revenue part structure give no evidence in favor of decentralization (Table 2).

Table 2

**Dynamics of the revenue structure of the local budgets of Ukraine in 2002-2015, %**

Years	Tax revenues	Non-tax revenues	Revenues from capital transactions	Special purpose funds	Inter-budget transfers
2002	58.3	7.3	2.2	1.0	31.2
2003	54.2	7.1	3.0	1.5	34.2
2004	46.2	5.5	4.3	1.5	42.5
2005	44.0	6.6	3.9	2.1	43.5
2006	40.8	6.3	3.5	1.9	45.0
2007	41.7	6.0	4.3	2.5	41.7
2008	43.1	5.6	3.3	1.7	43.0
2009	44.0	5.8	1.9	1.1	46.2
2010	42.4	5.5	1.6	1.0	49.5
2011	40.3	6.0	1.0	0.5	52.3
2012	38.1	5.6	0.8	0.3	55.2
2013	41.3	5.5	0.6	0.2	52.4
2014	37.7	5.3	0.5	0.2	56.4
2015	33.4	6.8	0.6	0.1	59.1

Note. Calculated by the authors based on the annual reports on performance by the local budgets for 2002-2015

Source: developed by the authors



During the period of the budget reforms in Ukraine quite a stable upward tendency of the share of inter-budget transfers within the local budgets revenues (from 31.2% in 2002 to 59.1% in 2015) and the decline in the share of tax revenues (from 58, 3% in 2002 to 33.4% in 2015) have been revealed.

The tendency of the ratio of the growth rate of total revenues from the local budgets

and transfers is also negative (Fig. 3). Thus, for the past 14 years the growth rate of the scope of transfers exceeded the growth rate of revenues (without consideration of inter-budget transfers) of the local budgets only in 2007 and 2013. This once again confirms the lack of fiscal decentralization in Ukraine in practice, and gives evidence of low taxable capacity of the majority of Ukraine's regions.

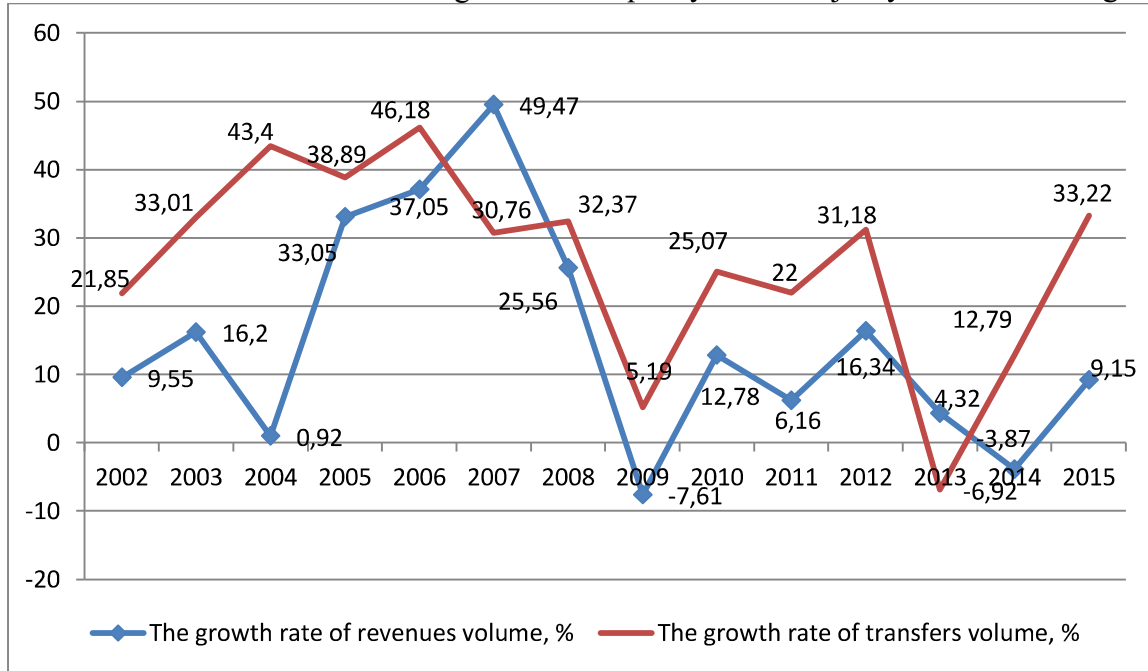


Fig. 3. The correlation of the growth rates of volume of transfers from the State budget and local budgets revenues

\* without transfers

Source: developed by the authors

Summarizing the above, we shall state that the existing procedure for the formation of local budgets insufficiently encourages the local authorities for action on pumping up the budgets, and is a risk factor for economic and social development of the regions and the national economy. In addition, formation of the revenue part of the local budgets mainly at the expense of transfers from the State budget influences the structure of their expenditures since a greater share (95.8%) in the structure of transfers make targeted subventions provided for specifically defined objectives

(Fig. 4).

Quality performance of functions by the state can be achieved through the appropriate scope and the optimal structure of spending of the state and local budgets of Ukraine. Budget expenditures are made in the process of distribution of the centralized fund of the state's monetary assets, which is based on - the scope and the nature of the functions of the public and local authorities predetermined by the Constitution of Ukraine, and its use for the implementation of the approved programs and activities [4].



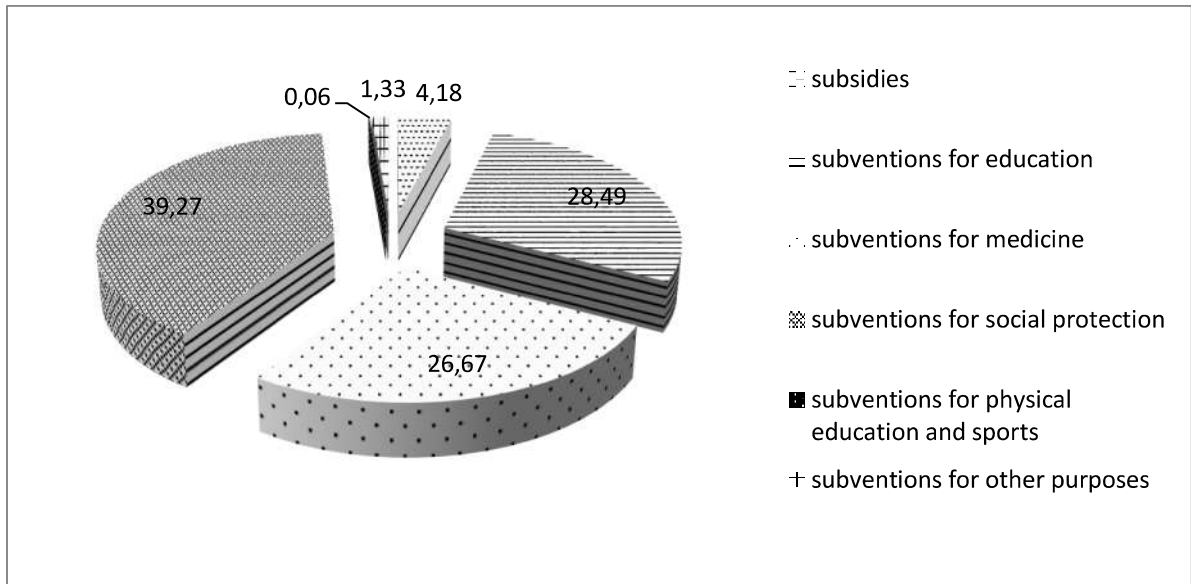


Fig. 4. Structure of inter-budget transfers from the State budget to the local budgets of Ukraine in 2015

Source: developed by the authors

Expenditures of the local budgets of Ukraine are dominated by spending on the sectors, for which the state allocates subsidies from the state budget, namely education, healthcare, social protection and social security (Table 3). On the one hand, it demonstrates the importance of these expenditures. However,

er, given the fact that capital expenditures in the structure of local budgets expenditures by the economic classification for these sectors do not exceed 6%, we cannot speak about the great prospects of development in the provision of educational, medical or social services.

Table 3

**Dynamics of the structure of expenditure of the local budgets of Ukraine in 2000-2015, %**

Types of expenditure	2000	2002	2005	2010	2012	2014	2015
General state functions	7.95	6.19	5.23	6.43	4.76	4.88	5.19
Defense	0.04	0.00	0.00	0.00	0.00	0.09	0.00
Public order, security and judiciary	1.42	1.31	0.07	0.16	0.09	0.11	0.11
Economic activity	13.08	5.84	12.39	4.92	5.84	4.09	6.83
Environmental protection	1.52	0.48	1.91	0.37	0.54	0.39	0.53
Housing and utility sector	5.87	4.89	6.77	2.89	8.85	7.84	5.60
Healthcare	22.62	21.48	21.95	22.68	21.16	20.64	21.26
Spiritual and physical development	3.82	3.58	4.79	4.01	3.68	3.98	3.43
Education	23.53	26.25	30.38	32.16	32.03	31.66	29.99
Social protection and social security	12.42	19.37	13.76	22.20	22.46	25.46	25.94
Funds transferred to the state budget	7.43	10.61	2.73	4.18	0.58	0.93	1.12
<b>Total expenditures</b>	100	100	100	100	100	100	100

Note. Calculated by the authors based on the annual reports on performance by the local budgets for 2000-2015

Source: developed by the authors

The data in Table 3 shows that the budget reforms undertaken affected the structure of expenditure as related to social protection and social security, and education, the share of which increased from 12.42% and 23.53% in 2000 to 25.94% and 29.99% in 2015 respectively. At the same time, the share of spending on economic activity, general state functions and inter-budget transfers transferred to the State budget dropped.

The joint share of spending on education, healthcare, social protection and social security in the structure of local budgets spending amounted to 77.79% (2015), and given the amount of subsidies for these branches (76.04% of the local budgets spending on education, healthcare and social protection was financed by subsidies), we can conclude that actually the central government authorities determine what and how should the local authorities finance.

A simultaneous increase of the scope of transfers from the state budget to the local budgets during this period confirms the thesis once again about excessive centralization of the budgetary finds, and does not give the local authorities sufficient autonomy in allocating these resources. In turn, this affects the

development of their territories and the volume of gross regional product.

The compiled correlation and regression dependence (on the example of Ternopil region) allowed calculating the change in the volume of gross regional product when the amount of local budgets spending changes:

$$y = 856797.91 + 3.41x,$$

where  $y$  – the volume of gross regional product in Ternopil region;

$x$  - the amount of local budgets spending in Ternopil region.

In particular, the results of the specified correlation and regression analysis give grounds to state that there is a direct close relationship between the volume of gross regional product and expenditures of the local budgets (Fig. 5) (coefficient of multiple correlation - 0.994). The coefficient of determination ( $R = 0.988$ ) suggests that the change in the gross regional product volume depends on the change in the volume of local budgets spending by 98.8%. The increase in the volume of local budgets spending by 1% leads to an increase in the gross regional product volume by 3.41%.

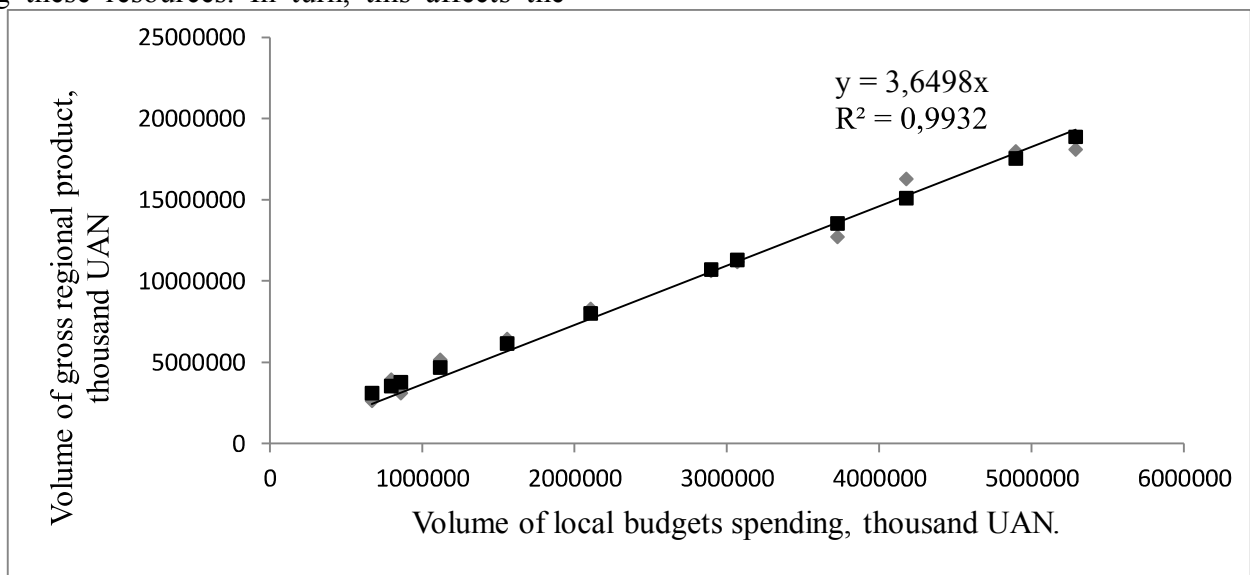


Fig. 5. Relationship of the gross regional product to the local budgets spending in Ternopil region for 2002-2013

Source: developed by the authors

Therefore, to increase the gross regional product one should increase the volume of local budgets spending, and, correspondingly, their revenue part through diversification of sources of these budgets filling and stimula-

tion of interest of the local authorities' heads in expanding the taxable base.

It is worth mentioning that some steps in this direction have already been made. In particular, the alignment of fiscal capacity of







territorial units since 2015 has been carried out not by expenditures, but by the revenues, which should stimulate the regions to increase the revenues.

A comparative analysis in tax proceeds received by the local budgets in 2014-2015 (Table 4), at first glance, indicates positive changes as a result of the budgetary reform: increase of tax proceeds to the local budgets in 2015 compared to 2014 (data without consideration of ARC budgets) by 13.8%, which was mainly due to the new payment - the excise tax on sale of sub-excise goods by the business entities of retail trade; crediting of 10% income tax of the private sector companies to the regional budgets; increase of single tax receivables, which in 2014 was credited to a special fund, and in 2015 - to the general fund of the local budgets and payments for land (land tax). Thus, the local budgets received such a significant additional resource as a result of decentralization only through the transfer of a part of corporate income tax and excise duty. Other significant taxes have been included to the local budgets before decentral-

ization. However, the local budgets spent more than 25% of personal income tax, the proceeds from which in 2015 decreased compared to 2014 according to preliminary data by - 7043.71 mln UAH or by 11.4%. Instead, the revenue from this tax to the state budget of Ukraine increased by 32,416.2 mln UAH, or by 256.34%, i.e. in general the local budgets lost more than gained.

Thus, we can conclude about the lack of effectiveness of the budget reform. It is not worth evaluating the reform without consideration of all factors, i.e. based only on the overall increase of revenues to the local budgets through transfers from the State budget and their increase only by individual budgets, first of all of the cities of regional significance, and villages or towns with petrol stations on their territories.

Studying the practice of budget decentralization in post-socialist countries of the EU, the growth of a share of own revenues of the local budgets should be noted (Estonia - 62%, Slovenia - 62%, Czech Republic - 73%) rather than transfers.

Table 4

**Tax revenues to the local budgets in 2014 – 2015**

Types of taxes and duties and their transformation		Revenues, mln UAH		Deviation 2015/2014
2014	2015	2014*	2015*	
1	2	3	4	5
Personal income tax		61964.89	54921.2	-7043.71
Corporate income tax		255.15	4276.8	4021.69
Fee for the use of forest resources	Rent for special use forest resources	417.35	578.27	160.92
Fee for special use of water	Rent for special use of water	627.95	554.16	-73.79
Fee for subsoil use	Rent for subsoil use	1410.27	1018.67	-391.60
Fee for the use of other natural resources	Rent for the use of other natural resources	2.55	3.26	0.71
Environmental tax		1212.57	1585.63	373.06
	Excise tax on retail sales of sub-excise goods	X	7684.63	7684.63
Fee for the first vehicle registration	Transportation tax	394.39	434.03	39.64
The tax on vehicle owners		3.68	1.80	-1.88
Local taxes and fees accrued before January 1, 2010		0.49	0.16	-0.33
Single tax		7332.04	10975.09	3643.05
Land fee	Land tax	11936.36	14831.42	2895.06
Tax on immovable property other than land (in 2015 as a part of property tax)		44.45	745.70	701.25

Continue table 4

1	2	3	4	5
Tourist fee		24.18	37.13	12.95
Fee for certain types of business activity		500.68	-42.39	-543.07
Fee for vehicles parking spaces		60.85	60.22	-0.63
Fixed agricultural tax		121.49	X	-121.49
Taxes and fees not included in other categories		0.07	6.10	5.03
	1).....	x	546,44	546.44
Total		86309.41	98218,36	11908.95

1) .... revenues for financial provision of measures implementation referred to in paragraph 33, Section VI of the Budget Code of Ukraine

\*without consideration of ARC local budgets

Source: developed by the authors

Based on the foregoing, we believe that the main obstacles to obtaining the expected effect of the budget reform are haste with its implementation and incompleteness of industrial and administrative-territorial reforms. First, it makes sense to complete the health care system, education, social security and administrative-territorial reforms, based on the priority of decentralization and subsidiarity principles. The result of the reform should be an optimized network of educational establishments, healthcare and social institutions; clearly defined powers of local government bodies; elimination of district public administrations simultaneously with the creation of executive bodies of the relevant local councils.

While these reforms are not finished, the structure of revenues of village, town and city (cities of regional significance) budgets should be left unchanged. However, the composition of revenues of the joint territorial communities should be determined so that compared with the revenues of the above stated budgets of local self-government it would be much more advantageous.

The suggested sequence of changes would allow avoiding charges for the use of budget reform as an enforcement mechanism for the creation of joint territorial communities.

Under current situation with further reforms we, above all, should respect the stability principle of the tax law and regulations prescribed by art. 27 of the Budget Code of Ukraine. Taxpayers and other agents of budgetary relations when planning their activities should be ready for changes. The haste with reforms does not guarantee the effect of their implementation. It creates additional problems instead, and contributes to strengthening of social tension in society, as well as increased economy shadowing. Budgetary reform should be preceded by measures stimulating intensification of business activity in settlements with low levels of taxability.

Further reforms of inter-budgetary rela-

tions should be carried out based on the model of "mild decentralization", which provides for the implementation of specific measures in terms of five stages: 1) increasing the efficiency of budgetary funds use by further reforming of major sectors funded from the local budgets; 2) completion of administrative-territorial reform, which would allow creating a new model of local self-government in Ukraine; 3) determining a clear division of functional authorities and responsibility for provision of public services between the tiers of authority; 4) reducing the dependence of local governments from the central government on generation of revenues and expenditures of local budgets through continuation of tax reforms and raising initiative of local self-government authorities; 5) improving the current system of inter-budgetary relations in accordance with the newly created model of local self-government in Ukraine.

**Conclusions and perspectives for further research.** Owing to the conducted research, we have made a conclusion about the lack of efficiency of inter-budgetary relations reform.

The main disadvantages of the implemented reforms have been determined to be the haste with their implementation without proper justification and preparation, which entailed systematic violation of the existing rules of the Budget and Tax Codes of Ukraine; incompleteness of sectoral and administrative-territorial reforms, which, in the authors' opinion, should have preceded the budget reform; increased centralization of budgetary funds contrary to the declared budget decentralization; delegation of powers from the state to local authorities without adequate financial support, etc.

The conducted analytical assessment of the budget targets in dynamics allowed revealing a number of negative tendencies and challenges, namely an increased share of inter-budget transfers, and a simultaneous decrease in the share of tax revenues in the structure of revenues of the





local budgets; an increased share of local budgets expenditures done at the expense of subventions from the State budget; exceeding of the growth rate of transfers volume received by the local budgets over the growth rate of revenues of the local budgets (without consideration of inter-budget transfers), which is indicative of a decrease in taxpaying capacity of the majority of the Ukrainian regions.

Despite an increase in the total volume of tax revenues to the local budgets in 2015, most of these budgets suffered significant losses due to the transfer of a part of the main type of tax revenues - personal income tax to the State budget of Ukraine without receiving the real sources of revenues in return (revenues of the excise tax to the relevant local budgets are essential only in settlements with gas stations and an extensive retail network on their territories).

Based on the correlation and regression analysis it has been found that the increase in local budgets spending by 1% increases the volume of gross regional product by 3.4%.

#### **Лопушняк Г. С., Лободіна З. М., Ливдар М. В. Реформування бюджетних відносин в Україні**

У статті дано оцінку процесу реформування бюджетних відносин в Україні. Визначено недоліки проведення бюджетних реформ та виявлено низку тенденцій і проблем, які негативно впливають на функціонування бюджетної системи загалом та окремих її ланок. З'ясовано, що між обсягом видатків місцевих бюджетів та обсягом валового регіонального продукту існує тісний зв'язок. Акцентовано увагу на збільшенні рівня централізації бюджетних коштів. Обґрунтовано доцільність диверсифікації джерел надходжень до місцевих бюджетів України. Окреслено етапи подальшого реформування міжбюджетних відносин в Україні.

*Ключові слова:* бюджетна реформа, бюджетні відносини, місцеві бюджети, податкові надходження, міжбюджетні трансферти.

#### **Лопушняк Г. С., Лободина З. М., Лывдар М. В. Реформирование бюджетных отношений в Украине**

В статье дана оценка процесса реформирования бюджетных отношений в Украине. Определены недостатки проведения бюджетных реформ и выявлен ряд тенденций и проблем, которые негативно влияют на функционирование бюджетной системы в целом и отдельных ее звеньев. Установлено, что между объемом расходов местных бюджетов и объемом валового регионального продукта существует тесная связь. Акцентировано внимание на увеличении уровня централизации бюджетных средств. Обоснована целесообразность диверсификации источников поступлений в местные бюджеты Украины. Определены этапы дальнейшего реформирования межбюджетных отношений в Украине.

*Ключевые слова:* бюджетная реформа, бюджетные отношения, местные бюджеты, налоговые поступления, межбюджетные трансферты.

**Рецензент:** Лондар С. Л. – доктор економічних наук, професор, Віце-президент ДННУ «Академія фінансового управління», м. Київ, Україна.

**Reviewer:** Londar S. – Professor, Ph.D. of Economics, Professor, Vice President DNNU "Academy finance management", Kyiv, Ukraine.

*e-mail:* afu@afu.kiev.ua

The stages of further reforms of inter-budgetary relations in the framework of the model of "mild decentralization" have been outlined, which will be developed in the further studies.

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*Стаття подана  
23.02.2016 р.*