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MODERNIZATION OF THE PROCESS OF FORMATION OF THE STATE BUDGET OF UKRAINE IN THE CONTEXT OF PROVIDING ECONOMIC SECURITY OF THE STATE

The social transformations of today determine the imperatives of formation of budgetary policy and the modernization of its instruments. The solution of current and strategic goals of socio-economic development depends to a large extent on effective management of public finances, which helps to ensure sustainable growth.

A significant indicator and criterion for the effectiveness of budget policy and organization of the budget process is budget security, which ensures a state of solvency and financial stability of public finances, enabling public authorities to perform their functions as efficiently as possible [1].

Budget security is a key component of a country's financial and economic security. Its primary role is determined by the objective necessity of the existence of the budget, its purpose to financially ensure the fulfillment of the state's functions and implementation of its economic strategy: redistribute part of the gross domestic product, regulate economic and social processes in the country while maintaining its economic sovereignty and macroeconomic stability.

Practice shows that in 2019 the formation of the State Budget was not qualitatively different from the usual one. The practice of budget changes (especially spending increases) continued without being tied to strategic priorities, as the medium-term budget resolution for 2018-2020 was not adopted by Parliament. Moreover, proposals for new expenditures submitted by parliamentarians are not always supported by appropriate sources of revenue. Therefore, the deficit is usually widened when making changes to the draft budget.

The estimates of the state budget indicators for 2019 were made on the basis of the nominal gross domestic product amounting to UAH 3946.9 billion. The increase in nominal GDP by 14.1% compared to the expectations of this year, taken into consideration the projected real GDP growth rate of 3.0% and consumer prices by 7.4%, is overstated. The state budget revenues for 2019 were set at UAH 1026.1 billion, which is 9.9% more than the amount specified in the State Budget Law for 2018 [2]. At the same time, the revenues of the state budget calculated using the GDP deflator¹ (1.108), i.e. without taking into account the inflation factor, will decrease by 0.8% with the projected economic growth of 3.0%.

The draft budget for 2019 provides for expenditures of the state budget in the amount of UAH 1112.1 billion or 27.7% of GDP, down 1 pp. GDP less than in 2018 [2]. In the context of extremely high level of poverty and social decline in the country, key sectors of human capital development, such as education, health care, social protection of the population, have traditionally been outsiders in the allocation of budgetary resources. This indicates the inability of the country's political elite to provide basic public goods and neglect the interests of the population.

The state budget deficit is planned to amount of almost 90 billion UAH or 2.3% of GDP, which is relative to 2018 [2]. However, taken into consideration the excessive level of debt load and the difficulty of refinancing of the debt, the risks of debt sustainability in Ukraine will remain high and the debt structure will remain unfavorable.

Therefore, the key to stabilizing the dynamics of socio-economic development and ensuring the implementation of public functions is the formation of an effective budgetary policy and an effective model of public finance management. Therefore, the primary measures aimed at reducing the challenges and risks that have arisen in the budgetary sphere of Ukraine should be: reducing the budget deficit and ensuring the balance of the budget system; improving the efficiency of tax mechanisms to stimulate socio-economic development; improving budgetary efficiency and introducing medium-term budgetary planning and forecasting; ensuring transparency in budgeting.

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