

Institutional Providing Reforming Of Ukrainian Budget System In The Conditions Of Eurointegration

¹*P. Yukhymenko, ²O. Zagurskiy, ¹T. Sokolska, ¹B. Khakhula, ¹S. Polishchuk*

¹*Bila Tserkva National Agrarian University, Bila Tserkva, Ukraine*

²*National University of Life and Environmental Sciences of Ukraine, Kyiv, Ukraine*

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Abstract - Reforming of the budget system in the active process of European integration is a natural phenomenon, as this is an ongoing (continuous) process, that is associated not only with the evolutionary progress of the financial system as a whole, but also a permanent desire of the users budget benefits to a better life. Lack of a clear strategy for reforming the budget system of Ukraine led to its disorganization and living standards country's population worsens significantly.

The purpose is theoretical analysis of the process of reforming the budget system of Ukraine. The research is based on theories of social change and growth theory. The authors used modern functional and conceptual approaches, regarding policies reforms of the budget system.

In the article is presented theoretical analysis of the process formation of the institutional environment of budget system. It makes it possible to affirm the subordination of fiscal policy changes in the political sphere, targeting mainly on the implementation of current of tasks and pleasure first urgent needs of social and economic development as opposed to strategic tasks of development goals of economic restructuring. In this situation, the problem of balancing the budget is not solved by economic growth but by reducing the still unreformed budget sphere.

Reforming of the budget system it should be considered general change of paradigm of its social nature. Firstly, the focus of its functioning mainly is transferred from helping to stimulating and secondly, the whole system gains more "mixed" nature. In its functioning considerable role is given to non-governmental institutions, which makes the problem not weakening or minimizing, but its fortifications and strengthening.

Keywords – budget system, civil society, institutional modernization, reforming, social investment.

1. INTRODUCTION

Reforming of the budget system in the active process of European integration is a natural phenomenon, as this is an ongoing (continuous) process, that is associated not only with the evolutionary progress of the financial system as a whole, but also a permanent desire of the users budget

benefits to a better life. Its specificity is that it belongs in its content to dynamic systems, and therefore constantly subject to change in order to improve. Lack of a clear strategy for reforming the budget system of Ukraine led to its disorganization, and 65 amendments included (end of 2016) in the Budget Code 2010 did not eliminate the problem of

institutional application of the Budget Code, namely its weak performance. As a result, originally strong, established to reform and economic growth system of State and public finances Ukraine gradually turned into passive addition to the politically not regulated and economically weak system of public administration. This, in turn, further undermines institutional capacity and the ability of the system to recover.

2. LITERATURE REVIEW

The characteristic phenomenon in the process of modern reforming the budget system were considered in European economists- theorists and practicing experts J. Alber (2010), G. Brown (2004), J. Knopf, W. Kahlenborn, T. Hajduk, D. Weiss (2011), F. Larrain, R. Vergara (1997), J. Midgley (2003), J. Stiglitz (2003). Analysis of the reform efforts of the last period shows that ideologically Ukrainian reformers also trying to adapt the basic principles of reforming in conditions of Eurointegration to the "new economy" within the meaning of which developing economic systems of the most European countries, and the essence of which was described by German researchers H. Klodt (2006); and financial globalization M. Kose, E. Prasad, K. Rodoff, S. -J. Wei (2006; 2009), which requires new approaches to policy reform of the budget system, especially in the current global financial crisis. This approach gives reason to individual researchers to modern understanding of the reform of the budget system to identify the category of "modernization" G. Satarov (2011) A. Jakovlev (2006), the contents of which is improvement, changes that meet the requirements of today.

3. Methodology

In the process of modernization traditional knowledge and skills give a way to borrowed from other more developed

countries ones and formed on their basis new knowledge and skills, which gradually create a momentum for changing traditions and values characteristic for individuals, and when "the idea of change "infect" more and more people it can change the institutions themselves, and therefore the environment in which it "works". Increase a critical mass of individuals seeking to modernization changes, forces the ruling elite to carry out social and economic transformations that are modified to increase the level of economic, social and cultural indicators of social development.

However, they must be deep and systemic otherwise, as noted by D. Acemoglu, J.A. Robinson (2013), "economic reforms that do not take into account the most important political and institutional sources of inefficiency, but touch her symptoms only superficially, threatening whit the return movement, because they violate the political principle of compatibility for stimuli, resulting destroy the existing political balance and active coalition".

Economic modernization is based on institutional modernization, which has to change the basic principles of economic interactions, make them equally achievable to all members of society, coordinate the subjects' interests of the formal and informal sectors and provide them with motivational incentives for innovation-directed and environmentally responsible way of development country's economy. Moreover, it must meet certain requirements, such as:

– complex reforming of innovation orientation institutions (as in the amount of institutions aimed at innovative development below the threshold of 66% of the technology leader indicators and for mid-level quality, countries have a negative outlook on the technology convergence (F. Manca (2008);

– possibilities to overcome the tendency of inefficient institutions reproduction (overcoming inefficiency requires designing institute, able to influence on the market prices with the aim of evolution in

the direction of efficient equilibrium (N. Svetlov (2014);

– ability of "quality" institutions to implement mechanisms for creating new institutions based on them (the condition flexibility of institutional system and continuity of institutional transformations (T. Kuran (2003);

– creating the optimal level of respecting the intellectual property rights on innovation (S. Lewis, F. Şener (2012);

– understanding the reactions of economic agents on introduced incentive to innovative activities that can be achieved by ensuring their broad participation in modernization processes (reaction on incentives to invest should be training of highly qualified personnel (U. Isterli (2006) and adequate responses (in the form of institutions adjustment) for such reactions.

Therefore, preferably modernization strategy should be based on ideological reasonable basis that not just brings together a group of interests and meets the requirements of business, and at least for the vast majority of society becomes a national idea. After all, "the success of any development strategy should be judged, ultimately, by the fact that it has changed in human life. Improving living conditions must be essential and this improvement should be an integral part of the concept of development" (A. Sen A. (1998).

4. Transformational changes in institutional architectonics of budget system

If you select only changes in the budget system of Ukraine, they can be seen as from the standpoint of effort (work), aimed at overcoming the accumulated backlog in shaping the institutional environment of functioning budget system with the embodiment of the best domestic and foreign samples, and from the standpoint of period (time) during which the work is performed. It is in this context we will consider and evaluate transformational

changes in institutional architectonics of budget system formed on the concept of the noted Budget Code of Ukraine, in particular.

Summing organizational side of the budget system reforms, it should be noted that it is limited by factors that inhibit the rise of the general political culture the budget process participants in Ukraine. We select the most important ones: 1) inadequate quality pressing problems of our political elite, burdened with the legacy of the old approaches and technologies in solving the urgent problems, which the budget system faces; 2) lack of a clear understanding of the trajectories of Ukraine's development as among the elite and society as a whole. From a position of political management both factors contribute to the strengthening in budgetary system "corporatism, which is not characterized with democratic content, where oligarchic components dominated with a tendency to escalation in authoritarian corporatism with a pronounced client-patronage relationships Latino type" (V. Kremen', V. Tkachenko (2007).

This typical difference of institutional reforms process from European countries is one of the reasons of slow motion in reforming the national budgetary system. As the potential of internal driving force, which is the aspiration of most the budget process participants to obtain full budget (of budget funds sufficiency), and vector to minimize the explicit and implicit losses by the taxpayers and subjects of budgeting are not used sufficiently.

Therefore, for Ukraine in terms of European integration, the most important role in the process of budget system reforming is owned by institutional modernization, which earlier had been earlier taken into account not sufficiently in ideologies of Ukrainian reformers. Even universalized basic principles of the Washington Consensus, which were taken as a basis for reforming social and economic system of Ukraine in the first years of independence, underestimated the importance of institutional factor of

modernization in certain ones of its systems, dependence on trajectory of the previous development, the need in correcting not only the "a fiasco" of the state, but the "a fiasco" of the market.

Hardly anyone would deny that the five first principles of the Washington Consensus (a budget discipline, public expenditure priorities, tax reform, financial liberalization, exchange rate) are the foundation of macroeconomic stability and directly related to the efficiency of functioning country's budget system. Without their observance in the long term prospect, functioning of the market economy is impossible. It can be affirmed that constant ignoring them led to the wrong trajectory of development the country's budget system architectonics and, ultimately, to change the ratio of revenues and costs in it, which was the main cause of the accumulation of debt, which have to be unraveled nowadays with the help of international financial institutions (IMF and the World Bank).

However, blind adherence to these principles as any others, without taking into account national peculiarities of economic development and perfection of institutional architectonics of budget and financial systems is the cause of economic hardship. Present attempt of foreign partners through the programs of help to restore balance and sustainability of public finances are exposed to weakened institutional and human resources ability of budget system. The last progressively breaks away from the real sector and becomes "a virtual" with an emphasis on obtaining financing instead of budget revenue and balance problem is solved not due to the economic growth but by reducing the still unreformed budget sphere.

This, in turn, undermines institutional capabilities and the ability of the system to recover. It is impossible not to notice insufficient fulfillment of its role by the state as to creating the perfect institutional environment for reforming, which would lead to rivalries between all participants of

the budget process for the efficient use of available budgetary resources but not to the approval of the budget corporatism and "manual control" of budgetary expenditure. The imperfection of the institutional environment was the cause of difficulties in transition to democratic principles in the system. The government and basic social resources are concentrated in the hands of small group, which in terms of European integration, not fully parted with the desire to increase the degree their influence in the budget system. In the basis of the interaction of these corporate groups relations of patronage and client relationships are put, that are practiced in the allocation and use of limited budget resources. They, are usually, give a lot to their preferences, avoiding general approval for other institutional (legal) mechanisms.

Budgetary system of any society is the whole set of forms and methods of organization intergovernmental relations, institutional structures and budgetary funds which provide the process of mobilizing and subsequent using of its resources. Accordingly modern reformers have to come from the fact that the budget system is a highly sensitive organism and returning to reasonable in the long term the only possible budgetary policy is not the solution of the problem of country's development, which is entangled with debts. Innovation in it always generates complex problems before which it is important to stand. J. Stiglitz (2003) called this phenomenon "offset economic policy institutions with its objectives". In the conditions of "visible" reforming under the absence of purposeful change the institutional environment, which is participated by agents, that develop and implement the transformation plan "the simplified market ideology provides a screen related to a real business in accordance with the content of" new "mandate". This screen is the cause of this slow movement towards European integration.

Even failure of previous reforms practice in the search for a national model of

economic development did not contribute to a clear understanding in an environment of reformers that the realization of the above five principles of the Washington Consensus is not enough to bring the lagging countries on the path of normal growth and development. G. Brown (2004) noted in this regard that "entering or returning to the "normal internal accounting rules "in no way creates all (and not even decide everything) the conditions for development. Only absolutely necessary prerequisites for the emergence of such conditions are formed".

Now with height of the covered period, it can be argued that in practice of reformers in Ukraine one of two important aspects of reform was dropped. The first, which was more or less taken into account by Ukrainian reformers, concerns the interaction between macroeconomic changes and institutional structure of the budget system.

The reaction of macroeconomic variables on macroeconomic impacts is dependent on existing institutions, although it can be assumed that these reactions are invariant concerning the institutional organization of the system. However, reformers dropped another more important line of communication between macroeconomic management and economic institutions: macroeconomic influences may lead to significant changes in the institutional structure that requires not increasing the power of managerial influence but coherency impacts with internal laws of development the system to avoid potential institutional pitfalls. In practice, this means that each institutional transformation requires effort on forecasting and providing to avoid possible institutional pitfalls. These efforts have to become an integral part of preparation for any reforms and changes in the budgetary system of Ukraine.

The main reason of within efficiency of reforming the budget system of Ukraine became the uncertainty and unpredictability that accompanies the process of its reforming and in terms of a

clearly defined direction of development that is Eurointegration. Society must clearly understand that such a state of budget system functioning is beneficial for reformers, because "money (stolen from the state treasury by speculators) will not be scattered in the air. They come to speculators' pockets, who "will win amount equal to losses of state". Protecting the country from the embezzlement of budget funds, notes J. Stiglitz (2003), requires political decisions, and change in public awareness activities.

For Ukraine, which already adheres to the average European level fiscal redistribution (see Fig. 1) and tries to change its status in the global distribution, the principal is not the figure as the structure of fiscal exemptions (budget revenues) and efficiency and focus on growth and Analysis of the structure of budget expenditures according to functional classification makes it possible to assert the subordination of budget policy changes in the political sphere, targeting mainly to fulfill current challenges and meet first of one the urgent needs of social and economic development as opposed to strategic tasks of development and objectives of economic restructuring. From budget to economic activity it is directed almost three times less than in the countries of the Organization for Economic Cooperation and Development (OECD) (3.3% vs. 9.5%, according to 2013).

structural changes expenditures.

5. Theoretical concepts of budget system reforming

If we generalize theoretical aspect of the reforming the budget system, the reform process must be based on theories of social change, institutional reform, human capital, self-regulation conflict, addiction, revolution (Table 1).

Flagged basic theoretical concepts of budget system reforming are entitled to affirm that from a theoretical point of

view, the implementation of reforming the institutional environment and institutional structure of the budget system is connected with the conscious action of political subjects (economic agents) in various areas of social and economic life and processes (objects), that is why in practice its modernization may undergo as a movement of "from the top down" and the movement "from the bottom up."

When reforming is in terms of the first option, it is natural and it is noted in Ukraine, reformers are trying to limit circle activities that they carry out exclusively those which they can control (in this case reforms the institutional aspects of ensuring the effective functioning of the budget system are minimized, and technological aspects are stimulated).

This approach deepens the "gap" between the structural organizations of the system and institutions of civil society, leads to abuse and inefficient use of public funds that destroys efficiency of function the whole budget system. The results of promulgation through electronic declaration the wealth of politicians and officials are direct evidence of the existence of this "gap" and the material welfare of the people and its servants. And the researches of F. Larrain, R. Vergara (1997) prove that every 10% point of increasing inequality in income distribution (income higher quintal relatively to income low quintal) corresponds to 0,9% of fall in production per capita that once again confirms "between inequality and economic there is growth a negative correlation".

The basis of the second option is separation and elucidation of the essence of institutional structural components so called architectonics system. In terms of European integration for Ukraine just "modernization from below" is extremely necessary, that provides activation of stakeholders (business) and attracting broad masses of people in business and in the process of forming developed civil society institutions which are capable clearly articulate the goals of budget

policy, control the use of budget funds and defend the public interest in the relationship with the institutional structure of the budget system. These important public institutions ("third sector") are marked with following crucial features: 1) protection or achievements of interests are achieved (reached) basing on the realization of collective initiatives; 2) independence of system of any of its level from institutional organization; 3) community, but not attempts to replace institutional structure of the budget system under full independence; 4) activity within the legitimately established political and legal norms (V. Kuprij (2010)).

European countries in a greater extent realize the second option based on the paradigm of "social and investment state" which is justified by J. Midgley (2003). According to him, the social investment originates within the productive approach to use of budget funds, i.e., social budgeting subjects to priorities of economic growth. At the same time they go along the path of mitigating the pressure on the budget system through corporatization of social sphere (J. Alber (2010); J. Knopf, W. Kahlenborn, T. Hajduk, D. Weiss (2011)] and inclusion the state in the system of market relations – the active involvement of businesses based on market approaches to the implementation of large social projects. Because "a lot of changes in social policy passed in response to business needs, or more general concern with regard to national competitiveness and business needs" – noted by K. Farnsworth, Chr. Holden (2006).

6. Model of interaction between civil society and institutional structures of the budget system

The originality of institutional architectonics of budget system consists in that it is associated with all the civil society institutions that should take into account by reformers. According to different types of classifications (financial

basis, socio-political structure, foundation of spiritual sphere, etc.) the elements of such public institutional formations are households, enterprises and organizations of different ownership forms and public institutions ("third sector").

In the economic system immediate initiators of institutions establishment "third sector" are economic individuals, their motivation for activity vastly differ from the goals of business unit's development. For a simplified model describing the relationship between institutional structures of the budget system with civil society subjects, we can suppose that as an association of individuals and directly individuals will be marked in the model as "public institutions", and enterprise – as "business institutions" (Fig. 2).

In the proposed architectonics model of the budget system (arrows 1, 7) ensures its integrity and stability and also embodies technological and institutional innovations of its development (arrows 3, 5) in relation to subjects and civil society institutions. Instead, as public so and business institutions must adapt ("institutional adaptation") to internal and external externalities (arrows 4, 6). Public and business institutions interact between themselves as buyers and sellers of production factors, at the same time realizing one to one certain obligations – arrows 9, 10 (e.g., social responsibility of business).

That is, socialization of XXI century budget should be considered not as an element of economic growth (due to the growth of the tax base, improving defense capabilities), but as an independent goal of budget system of national economy functioning.

7. CONCLUSIONS

Therefore, in the approach to reforming of the budget system it should be considered general change of paradigm of its social nature. Firstly, the focus of its functioning mainly is transferred from helping to

stimulating and secondly, the whole system (intensification of budgeting use) gains more "mixed" nature. In its functioning considerable role is given to non-governmental institutions, which makes the problem not weakening or minimizing, but its fortifications and strengthening.

Organization of today's budget system in Ukraine can rather be characterized as a system of rules that also contains and threats of anti-stimulus. Action of anti-stimulus is manifested in the fact that informal rules that are created at present and existing formal institutions are in a state stresses and discrepancy that considerably increases costs for organization and does not create incentives for growing economy and welfare of the population in full measure, for conscientious payment of taxes.

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Table 1 THEORETICAL CONCEPTS OF BUDGET SYSTEM REFORMING

Theory	Content
Social changes	The process of budget socialization should take place taking into account factors, scales and typology of changes in the current social environment, the roles of social movements, analysis of features evolutionary and cyclic changes, postindustrial society, globalization
Institutional reforms	Theoretical aspects are based on synthesis of achieving classical and neoclassical, institutional and neo-institutional economic theory in research of purposeful change the institutional structure of the budget system architectonics
Human capital	It reveals the influence of human capital on the dynamics of socio-economic development country and efficiency of acceptance of administrative decisions in the budget process
Self-regulation	Offers are based on synthesis of ideas of monetarism theories and Keynesian to explain the spontaneous economic recovery and development
Conflict	The center of attention is to review contents, typology, model and concept of conflict in the socio-economic environment in the context, that reform is an effect of restricting, emphasizing the contradictions between existing conflicting values, goals and means
Dependence	In isolates the aspect of limiting any modernization changes by solutions that formed constituted institutional basis of the system in the past
Revolution	It focuses on contents definition, varieties, causes and effects of revolutionary changes in the budget system in interaction with changes in model of socio-economic system of the country

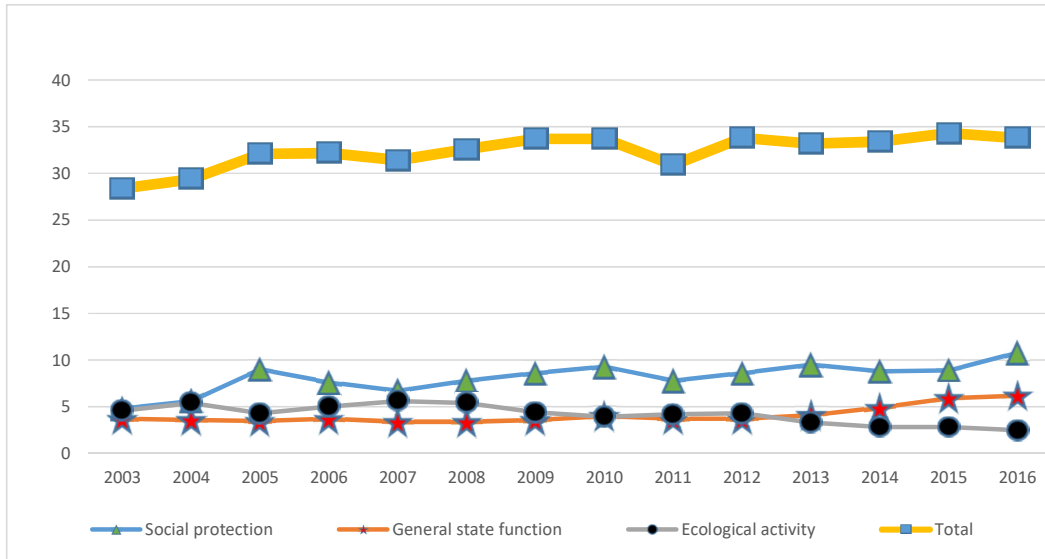


Fig.1 The use of budget funds according to functional classification in % of GDP

Source: compiled by the authors based on data from the State Treasury Service of Ukraine.
- Electronic resource: Access: www.treasury.gov.ua/main/uk/index and the State Statistics Service of Ukraine. - Electronic resource: Access: www.ukrstat.gov.ua

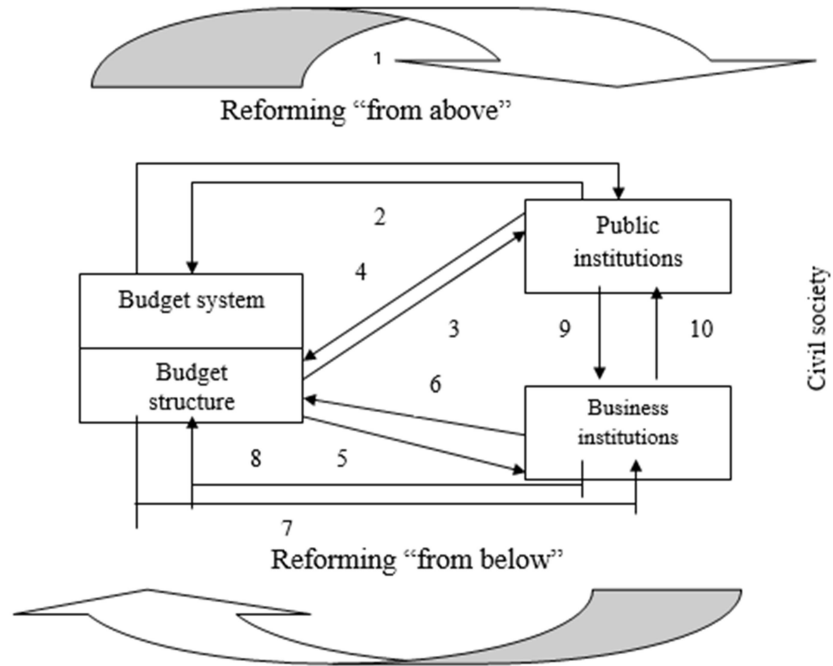


Fig. 2. The model of interaction between civil society and the basic principles of the European budget system.