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IMPROVING THE EFFICIENCY OF EXPENDITURE OF LOCAL BUDGETS OF UKRAINE

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In recent years, local budgets have become increasingly important both in terms of financial resources volume and the strength of the impact on socio-economic processes taking place in the regions. The main goals of local budget policy are financial security of regions and optimization of budget fund utilization. In order to achieve the above goals, local governments face an important task, particularly finding ways to improve the efficiency of local budget expenditure.

Such prominent economists as V. Bazylevych, L. Balastryk, A. Buryachenko, O. Vasylyk, G. Vozniuk, M. Gaponyuk, V. Demyanyshyn, A. Demyanyuk, A. Zagorodniy, O. Kyrylenko, V. Kravchenko, Z. Lobodina, T. Myhovych, Y. Pasichnyk, S. Savchuk, A. Slavkova, T. Smovzhenko, V. Fedosov, N. Shevchuk, S. Yuri, V. Yatsyuta and others dedicated their scientific articles to optimization of local budget utilization. Undoubtedly, the contribution of the mentioned scientists to the grounding of theoretical and practical aspects of this problem is significant. At the same time, nowadays due to the strengthening of decentralization processes, the issue of effective utilization of local budgets becomes even more relevant and requires further research.

The purpose of this article is to scientifically substantiate and analyze

the current state of execution of local budgets by expenditures and finding ways to improve and optimize utilization of budget funds in the context of decentralization as well as applying program-targeted budgeting method.

Local budget as the main financial base of local governments has a special place in the budget system of our country. At the same time, the structure and procedure of expenditures play an important role in the formation of independent local budgets. The expenditure part of local budgets reflects the consequences of economic and social processes in the country, because local budget expenditures are directly related to the interests of the general population and significantly affect the general social situation in a country and especially welfare, education, health care as well as services in the field of culture, sports and social security.

The essence of budget expenditures is manifested through their purpose, which involves the financing of socially oriented expenditures, regulation and development of economic processes, strengthening the investment component of the budget, stimulating interest in effective budget management.

In recent years, there has been a higher growth rate of expenditures to local budget revenues, that requires

further stability, transparency and efficiency of local budget expenditures. Program-target method is one of essential tools of budget management borrowed from foreign practice. Transition to program-target method of budget management on all levels of the budget system was expected to commence in 2019.

The reasons for the transition to the program-target method of budgeting are the following: the lack of connection between the goals of socio-economic development and utilization of budget funds; lack of interest of budget managers in its effective and targeted use; uncertainty in management decisions.

According to the Budget Code of Ukraine, the program-target method in the budget process is a way to manage budget funds to achieve concrete results at the expense of the budget with possibility to evaluate effectiveness of utilization of budget funds on all stages of the budget process [5].

Another major factor that plays an important role in the formation and implementation of local budget expenditures is financial decentralization, which involves the transfer of significant resources, as well as tasks, functions and powers from the central to the local level with proper separation between executive and local governments. . Analyzing the world practice of functioning of local budget expenditures, methods of their formation and ways of using funds, it is possible to draw certain conclusions for Ukraine. Implementation of foreign budgeting experience in Ukraine allows to find the optimal solution to increase

the efficiency of the budget process. Of course, each country has its own characteristics and differences that significantly affect any economic processes, but still, the implemented experience of foreign countries shows high rates of their development [1].

To maintain the financial stability of the regions and achieve their socio-economic development, a necessary condition is to direct budget funds to address such priorities as: human capital development, development of innovative technologies, introduction of new management approaches, improving infrastructure and improving social living standards. The effectiveness of spending on the local level depends on a number of factors. The most important are the political situation in the country, foreign economic activity, the direction of development of the monetary system, the priorities of socio-economic development of the regions, improving their investment climate and public participation in the budget process. It should be noted that some changes in the context of budget decentralization not only do not solve the existing problems, but, as practice shows, worsen the situation [2]. This has to do with transfer of funding certain government programs to a local government.

Such ill-considered decisions may lead to negative consequences, in particular, officials find themselves again in a situation where there are obligations but no financial resources. Thus the principle of public-private partnership must be applied. That makes it possible to attract additional sources of funding for programs

without increasing the expenditure burden on the local budget. In turn, that allows more efficient property management, saving financial resources, cooperating with the private sector, sharing risks, developing project financing, and creating new jobs.

After analyzing the statements of economists-practitioners about making informed decisions about the use of budget funds, we can conclude that there is no single right way. It all depends on the priorities of local governments and the interests of citizens [3].

Given the relevance of the implementation of budget programs that meet the requirements of socio-economic development of the regions, it is advisable to use the method of hierarchy analysis to finance them. Given the limitations of financial resources, this approach allows in a hierarchical sequence to implement programs from the most important to the least priority.

Using this method allows building a clear and transparent decision-making algorithm in any field of activity, including the budget sphere [4]. By building a hierarchy, conducting mathematical calculations and selecting experts, the method of hierarchy analysis allows to obtain a clear decision on the effective utilization of local budgets in terms of strategic planning.

The process of budget expenditure management on the local level requires optimization of the expenditure part of local budgets, taking into account the improvement of the quality of health care systems, education and housing and communal services reform. Accordingly, in the future it is advisable to conduct research for creating a stable and robust system of local budget expenditures, which will be the key to effective implementation of regional policy and ensure the financial sustainability of localities.

Keywords: local budget; socio-economic processes; analyze; finding.

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