

THE CURRENT STATUS OF THE INTERGOVERNMENTAL FISCAL RELATIONS IN UKRAINE

The way the problem is formulated. Today the system of the intergovernmental relations is one of the main levers of the entire financial policy. The effectiveness of the links between the budget system is to promote socio-economic development of the territories and welfare. The intergovernmental relations and providing of the transfers are of particular importance in this case. However, despite the continued development and reform of intergovernmental relations in Ukraine today there are some problems that are systemic in nature and require resolution. This fact makes researches and analyzing the current status of the intergovernmental fiscal policies topical nowadays.

Analysis of the recent research and publications. Today, the state and the development of intergovernmental relations in Ukraine are paid much attention due to the constant changes that occur during the fiscal adjustment in this area. In particular, such scholars as A. Wasylyk, A. Epifanov, A. Kolomyjec, V. Kravchenko, J. Lunin, L. Lysiak, W. Oparin, J. Salo, S. Hey, S. Jusko examine issues of the theoretical aspects of the organization and the regulation of the intergovernmental relations. V. Stepanova focuses on the current problems and offers suggestions for improving the basic mechanisms regulating financial relations between the central government and local authorities [1, p. 115]. Specific aspects of the development of the intergovernmental relations are studied by O. Cernavska, B. Kanter, P. Miller, B. Aliev and others.

However, the constant development and improvement of the budgetary system cause necessity for further study of intergovernmental relations and the definitions of their development trends.

Formulation of the problem. The aim of the study is to identify the peculiarities and the characteristics of the current state of the intergovernmental relations. The objectives of the article is as follows: to analyze the dynamics and the trends of intergovernmental policy and to set the ways of intergovernmental policy improvement.

The main material of the study. Intergovernmental relations are an important device of financial relations between central and local administration, an important factor of economic and political development of Ukraine. They are always in the process of improvement, which is aimed to solve the problems of social and economic growth both separate administrative units, and the whole state, to resolve differences of regional development levels and to increase financial support for local governments.

Intergovernmental transfers ensure the formation of budget revenues at different levels, which is aimed at implementation of the spending programs assigned to local governments. That intergovernmental relations provide a balance between revenue and expenditure budgets of a certain level. Intergovernmental relations correspond to the principle of social justice at all levels of the budget system as main part of transfers are intended to cover the costs of social orientation.

However, intergovernmental relations are still challenging element in the budget process. In particular, budget management system requires improving, there is a lack of own revenue base of local budgets, the legal demarcation of central and local executive authorities and local governments tasks and functions for making expenditures needs better.

Thus, according to L. Ryabushko, one of the features of the intergovernmental relations in Ukraine is «politicization» of this process and as a result, there is a large section of the «shadow economy», which leads to an inefficient budget allocation [2, p.96].

The transfer policy should be based on the clear legal norms and the stable formulas of the resources allocation, providing incentives for raising additional own-source revenues and reducing costs, and intergovernmental transfers should be regarded as an important component of intergovernmental relations, which directly affects the availability of public social services, the level of fiscal equalization provision, the implementation of the important economic and social programs [3, p. 235].

In Ukraine the formation of transfers are caused by the needs of establishment of the mechanism for financial leveling of local budgets under the financial disparities between territories.

The Article No 96 of the Budget Code of Ukraine envisages the distribution of transfers into four types [4]: the equalization grants, subventions, funds transferred to the State Budget of Ukraine and local budgets from other local budgets, other grants (Fig. 1).

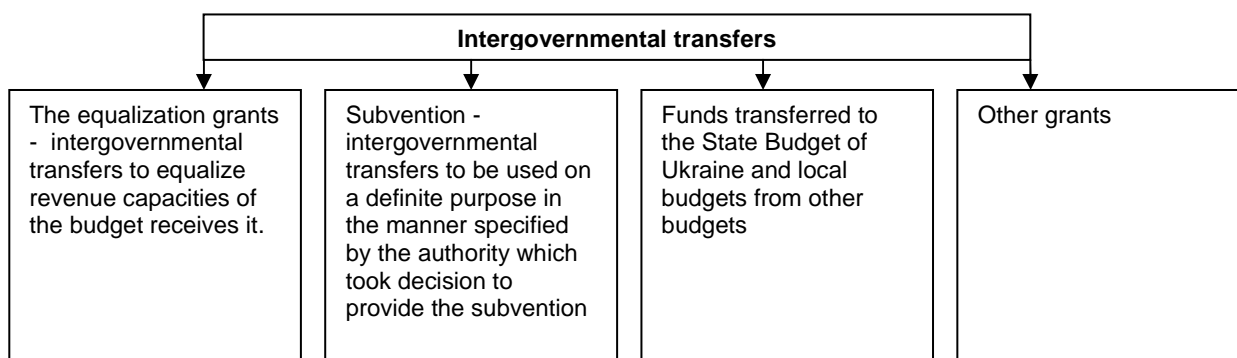


Figure. 1. Type of transfers

Source: compiled by the author from [4].

Now the domestic intergovernmental practice widely used both grants and subventions. Amount of intergovernmental transfers received from the state budget to local budgets is given in Table 1.

Table 1

Intergovernmental transfers received from the state budget to local budgets per 2010-2012

Intergovernmental transfers	2010		2011		2012	
	Fact, mil. UAH	Implementation of the plan, %	Fact, mil. UAH.	Implementation of the plan, %	Fact, mil. UAH.	Implementation of the plan, %
Total, including:	77766,2	95,6	94875	98,3	124460	96,9
general fund	72375,1	98,8	89743,8	99,0	114625	97,4
special fund	5391,1	66,7	5131,2	87,3	9834,2	91,3

Source: compiled by the author from [4].

As can be seen from the data in the table transfers in the amount of 124.5 billion in 2012 were converted, that represent 96.9% of the annual plan. There has A trend towards increasing the transfers in a recent years is also observed.

Traditionally, the largest share in the structure of the transfers comprised the equalization grant, which was transferred in amount of 51.6 billion, representing 100% of the annual plan [6, p. 63]. This type of transfer does not limit the discretion of local authorities in their own area of responsibility, allows local governments to spend subsidy funds at their own discretion. On the other hand, it leads to an inefficient use of the resources because the resources are not always allocated to the priority directions of expenditures for the appropriate area or locality.

At the same time there has been a 55,1% decrease of the funds transferred from local budgets to the state budget. Thus, the net transfer alignment of (the difference between the equalization grant and the amount of funds transferred to the state budget) amounted to 50.5 billion. (Fig. 2), which is 22.8% more than in the previous year.

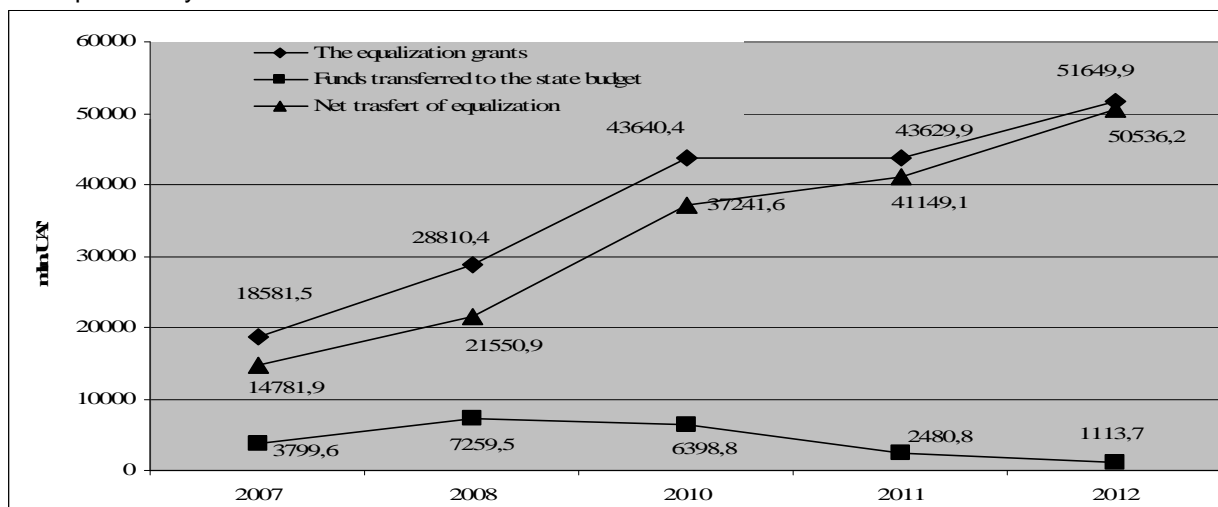


Figure. 2. Dynamics of the equalization grant transfers and funds transferred to the state budget from local budgets

Source: compiled by the author from [5].

In contrast to the grants, the subventions have target focus of the received funds. A special place in the system of intergovernmental transfers take the subvention of social security, as these subventions take the largest share in the structure of transfers that are transferred from the state to local governments.

Thus, in 2012 subventions of social security are listed in amount 42.7 billion. (their share in total transfers was 34.3%, which is 3.7 less than the level of 2011). The are including:

- subvention for assistance to families with children, to low-income families, to persons disabled from childhood, to disabled children and to children, who get temporary state aid has been transferred in the amount of 33.3 billion, representing 99.9% of the plan for year;
- subvention for benefits and subsidies for electricity, for natural gas, for heat, water and sanitation services, for rent, for removal of household waste - 6.7 billion (94.0% of the annual plan);
- subvention for the benefits of communication services, for the compensation of losses of the revenues, associated with the abolition of tax on vehicle owners, and the compensation for price reductions of certain categories of people - 1.9 billion. (91.1%);
- subvention for benefits and subsidies for the purchase of solid and liquid heating fuel and liquefied gas - 0.9 billion. (99.9%);

As we can see from Fig. 3, the largest share of total subventions is subvention for assistance to families with children, to low-income families, to persons disabled from childhood, disabled children and children, who get temporary state aid.

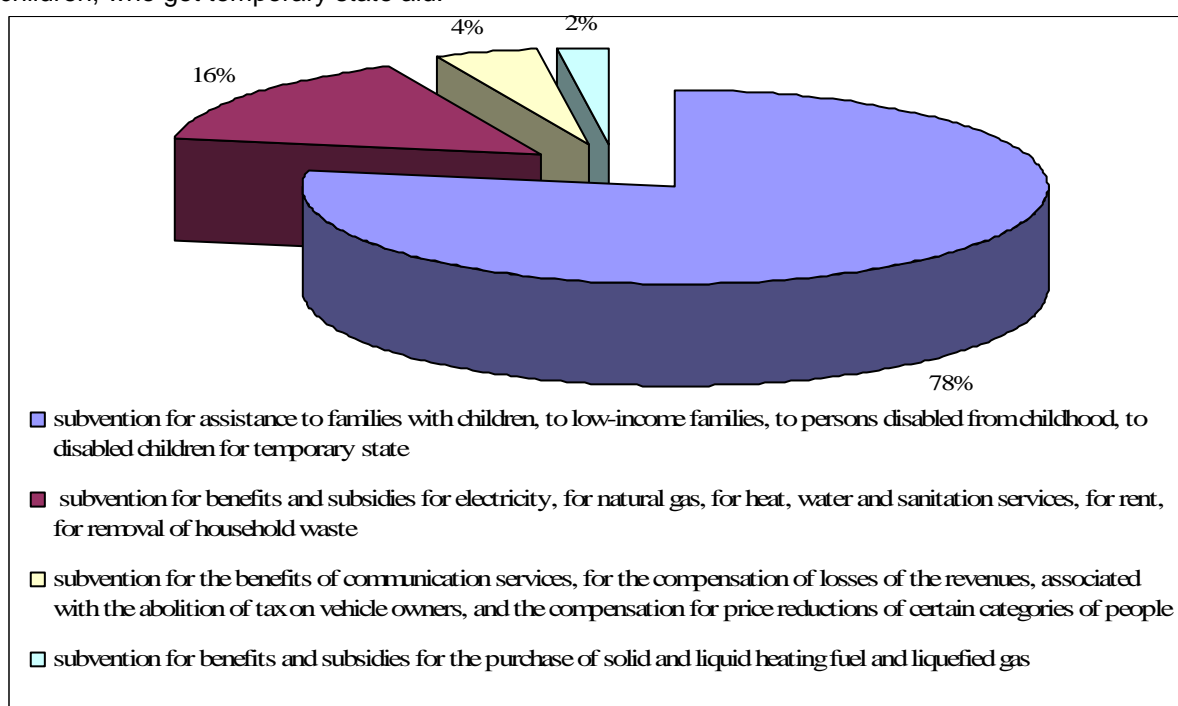


Figure 3. Structure of subventions for social protection

Source: compiled by the author from [6].

Despite the significant amount of funding from the state budget and state budget target funds (State Social Insurance for Unemployment Fund of Ukraine, Social Insurance Fund for Temporary Disability of Ukraine, Social Insurance Fund against accidents at work and occupational diseases and Pension Fund of Ukraine) expenditures on social protection and social welfare in Ukraine per capita is quite low compared to appropriate indicators of developed countries.

Thus, the current Ukrainian system of state social standards, of benefits, of compensations and social benefits, of social services and other forms and types of Social Security requires substantial revision and modernization according to the European model of social protection and social security, under which it provides the common actions of the state and civil society to ensure that all citizens are provided with basic material needs , are offered the participation in society , are endowed with strengthening of social cohesion [7, c. 10].

The Law of Ukraine «On changes to Law of Ukraine» On the State Budget of Ukraine for 2012» has increased the amount of granted to local budgets intergovernmental transfers by 9.6 billion. [8]. In particular, 12 new types of transfers were introduced by these changes. Thus, according to the State Treasury of Ukraine, except subventions to social area, 36 type of other subsidies was predicted to local budgets for the 2012. In general, they were financed in the amount of 21.1 billion USD, or 86.4% of the annual plan.

Also, in 2012 from the local budgets to the state budget transfers of \$ 1.3 billion were disbursed (50.6% less than the previous year).

In general, the total amount of transfers to the state budget amounted to 0.6% of local expenditures (Figure 4).

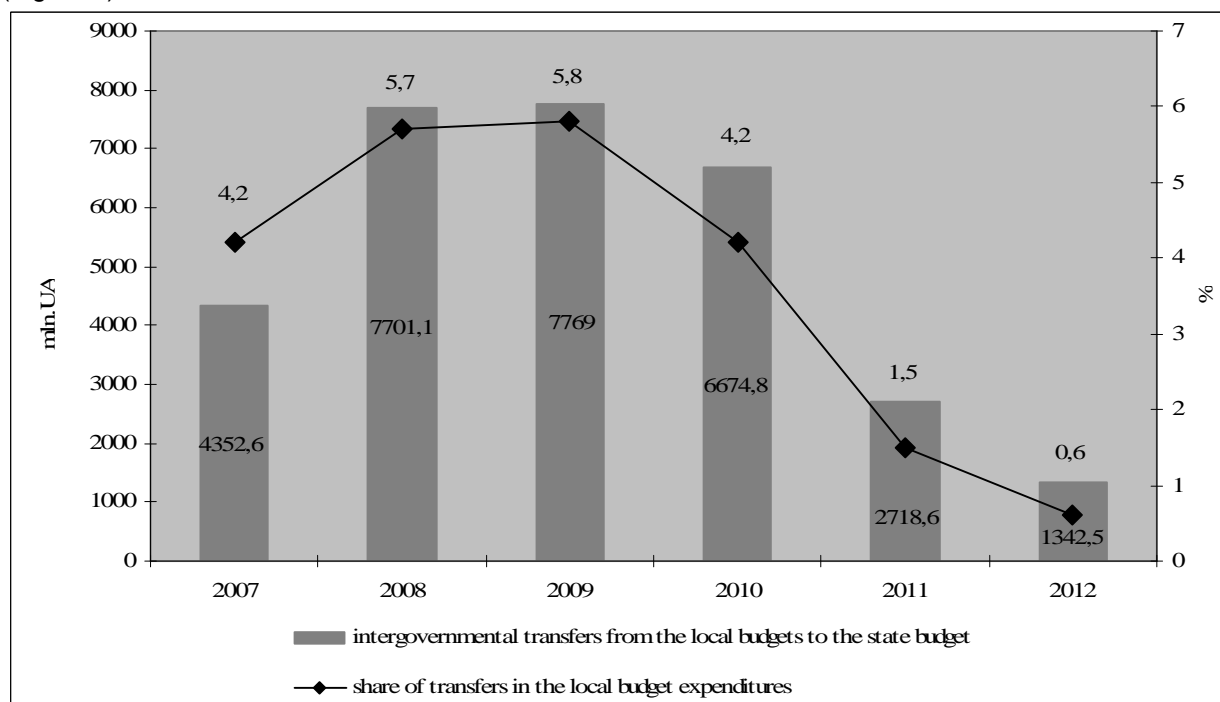


Figure 4. Dynamics of transferring from the local budgets to the state budget for the 2007-2012

Source: compiled by the author from [6].

Watching the graph one can observe the trends of reducing the share of the transfers in local budget expenditures. This indicates that more and more local budgets are transferring from donor budgets to the recipient budgets of the State budget.

V. Rusin noted, that the central government should use the intergovernmental transfers to deal with problems that are associated with significant regional differences in levels of economic and social development and well-being of the population [9, p. 133]. However, public support should be optional, not the main source of funding. This fact caused the introduction of the new conceptual approaches to intergovernmental fiscal policy improvement.

Thus, the ways intergovernmental fiscal policy improvements are discussed in the «Strategy of economic and social development of Ukraine in 2004-2015». The aim of this improvement is the accumulation at the administrative and territorial units level resources sufficient for their own and delegated functions of local governments as well as the production of the clear criteria of the state aid for regional development, and the providing of the competitive procedures for financing regional programs, and the implementation of fiscal transfers mechanism for delegated, and the introduction of formula distribution powers of state centralized capital investments on defined criteria [10, p. 331-334].

Therefore, we believe that in order to improve intergovernmental relations, it is necessary to improve the legal framework, in particular the division of functions between state and local governments at different levels. Another important measure is the introduction of a mechanism to encourage the depressed areas and to create opportunities for local budget reforms, and the improvement of financial discipline. It is necessary to develop a clear and transparent criterion against which you can evaluate the results of the income equality state policy.

The conclusions of this study. The economic analysis of the current state of the intergovernmental relations indicates that financial equalization system, which operates in Ukraine is rather flawed because it does not create the necessary interest of the local authorities to seek and mobilize the increased revenue and sustainable use of resources bringing more than 90% all budgets are subsidized, and only 8% is a budget that donors of other budgets under the current system of budget management.

In my opinion, it is necessary to create a mechanism for the intergovernmental relations, which will be derived from the budgets of all levels to rise the welfare of the population. This will provide a systematic vision of the internal problems of the budget system, that may arise during its construction, and provide necessary recommendations to solve them.

According to the results of the study one can conclude that further improvement of the intergovernmental relations system in Ukraine is very relevant. In order to solve the problems in this area the reforming, in our opinion, should be done by:

- the improvement of the regulatory and legal framework, that in the future will allow to local governments to attract extra-budgetary funds, particularly through the loans and the usage of the public property;
- the abandonment of non-targeted transfers and the transition to a system of conditional grants, which will monitor the usage of the public funds to be transferred to local budgets. Binding of financing to the specific tasks will accurately track the trends and the effectiveness of their use by evaluation of costs and benefits;
- the extending the financial base of local governments to simplify and to speed up the cash flow;
- the strengthening the revenue base of local budgets, and the increasing stimulus factors in the work of local authorities in respect of filling budgets.

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Starukh A.I. THE CURRENT STATUS OF THE INTERGOVERNMENTAL FISCAL RELATIONS IN UKRAINE

Purpose. The aim of the study is to identify the peculiarities and the characteristics of the current state of the intergovernmental fiscal relations.

Methodology of research. The theoretical basis for the study anchored in the analysis of the works of Ukrainian economists on the intergovernmental fiscal relations. The goal and tasks of the research have determined the need in a complex methodological approach, such as: theoretical generalization (for the disclosure of the contents of the relations between the budgets of the different levels), logical generalization (in the areas of research and substantiation of the intergovernmental fiscal relations future development), comparison and statistical generalization (during analysis of the intergovernmental fiscal relations development in Ukraine). The legislative and the normative documents regulating intergovernmental fiscal relations in Ukraine were the information base for the study, the statistics of the State Treasury of Ukraine, and the publications in periodicals.

Findings. The current state of the intergovernmental fiscal relations has been analyzed in the article. The dynamics of transfers' enumeration has been characterized. The ways of their improvement and suggestions for effective implementation of the intergovernmental fiscal policy in Ukraine have been proposed.

Originality. Scientific novelty is to identify trends of the intergovernmental fiscal relations and determine the ways of improving the current development of economy in Ukraine.

Practical value. The results have been obtained during the analysis of the intergovernmental fiscal relations, which in the aggregate can solve the important scientific task of developing the theoretical and methodological support to reform the system of the intergovernmental fiscal relations in Ukraine.

Key words: intergovernmental fiscal relations, transfers, budget equalization, subventions, local budget, state budget, funding.