

CHAPTER 14

THE METHODOLOGY OF FORMING UNITED TERRITORIAL COMMUNITIES’ BUDGET EXPENDITURES IN UKRAINE

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INTRODUCTION

In the current context of the reforming local self-government in Ukraine, special attention is paid to the budget decentralization, as it is one of the background preconditions of the independence, as well as an effective activity of the local self-governmental authorities. The expected outcome of the process of decentralization founded in Ukraine results in the formation of capable and self-sufficient united territorial communities (UTC) that would possess corresponding financial, material, land resources, social objects of the infrastructure necessary for the improvement of citizens’ social needs, creating the conditions for territorial development, rational usage of the budget money. It is UTC, in particular, that is to become the “engine” for the regional development, as well as the distribution centre of the finances locally.

However, the formation of the financially independent and self-sufficient communities is not possible without streamlining the system of finance managed by the local authorities in terms of effective planning of financial resources. That is why the issue concerns methodology research on the planning of expenditures of territorial communities with the aim of the satisfaction of citizens’ full needs providing social services and stable socio-economic growth.

One of the major areas in the system of managing the finances locally that is concerned is budget planning, while it is pending local authorities could analyse the contents and structure of available financial resources, evaluate their prospects and ways of increasing them, as well as choose the most efficient option for their implementation.

14.1. The theoretical background of budget expenditures of united territorial communities

Budget expenditures play a key role in stimulating socio-economic development for both the territorial communities and the country overall,

taking part in distributional processes of financial resources among the branches of the budget system and the state as well among local authorities on the one hand and individuals and entities on the other hand. Due to the expenditures of the corresponding budget, both the state and local authorities perform the functions that have been entrusted to them in order to satisfy and account for citizens' needs based on the subsidiary principle.

Many native and foreign scientists devote their scientific merits to the problem of "expenditures' nature" through the development evolution and economic essence of the functional implication. So, based on the analyses, we offer our own authorial interpretation of the definition "expenditures of the united territorial community". They are economic relationships that appear between the entities of budget legal relations in order to distribute monetary funds to finance personal and delegating power, programs and events, community's socio-economic development, social needs' satisfaction. This phenomenon also serves as a means of alignment of income capability of a certain category of people living on this territory.

The necessity of the research classification according to their features has arisen recently. There exist many approaches to the classification of local budget expenditures.

According to Article 10 of The Budget Law of Ukraine, budget expenses are classified as:

1) budget programs (program expenditure classification and budget crediting);

2) property of the main manager of budget money (departmental classification of expenses and budget crediting);

3) functions, which are closely connected with expenditures and budget crediting (functional classification of expenditures and budget crediting);

4) economic characteristics of the operations, performed while being conducted (economic classification of budget expenditures).

Program (allows analysing the degree of certain results' achievement based on every program and evaluates the effectiveness of money expenditure), governmental (systematize budget expenditures in terms of head managers), and economic (shows economic characteristics of the operations). The distribution of the budget money according to their classification is the same both at the state and local budgets. The classification of expenditures allows determining the similarity of the operations by local authorities and grouping separate operations into

homogeneous categories. It helps to find out the character, structure, and economic impact on the level of socio-economic development of the corresponding territorial community, region, as well as the state on the whole¹.

Some authors consider² local budget expenditures to be grouped on the grounds of the following objectives: financing cultural, educational, healthcare, and social service institutions; funding local authorities; financing councils.

V. Fedosov, V. Oparin, and L. Safonova suggest that budget expenditures should be classified according to the following characteristics: production reproduction; social implementation; fields of economics and social sphere; target designation; the level of the budget system³.

N.V. Prosyanyk supports a similar idea, which offers to classify local budget expenditures according to the following criteria⁴:

- economic characteristics (current and major expenditures);
- participation in social production (financing major and circulating means);
- the role in social production (the development of the material production and non-material sphere);
- scope feature (production, education, culture financing, and social security, etc.).

V. Demyanyshyn and A. Tulyulyuk applied a very interesting approach to classifying expenditures of the local authorities according to the role in replicating process; socio-economic contents; functional classification; subject (economic) classification; program target classification⁵.

S.L. Koval suggests dividing local budget expenditures (UTC inclusive) into three groups⁶:

¹ Zhadan, O. V. (2018). Ekonomichna klasyfikatsiia vydatkiv: natsionalnyi i mizhnarodnyi dosvid [The economic classification of expenditures: national and international experience]. *Scientific review*, 8 (51), 22–34. (in Ukrainian)

² Chechetov, M. V., Chechetova, N. F., Berezhna, A. Yu. (2004). Biudzhetni menedzhment [Budget Management]. Kharkiv : INZhEK. (in Ukrainian)

³ Fedosov, V. M. (Ed.). (2004). Biudzhetni menedzhment [Budget management]. Kyiv : KNEU. (in Ukrainian)

⁴ Prosyanyk, N. V. (2013). Rol derzhavnogo upravlinnia vydatkamy mistsevykh biudzhativ u rozvytku miskoho kompleksu: zarubizhnyi dosvid [The role of public administration of local budgets expenditures in the development of the urban complex: foreign experience]. *Business Inform*, 6, 15. (in Ukrainian)

⁵ Demyanyshyn, V., Tuliuliuk, A. (2008). Problemy sutnosti ta skladu vydatkiv mistsevykh biudzhativ [The problems of essence and composition of local budgets expenditures]. *The world of finance*, 3(16), 135–144. (in Ukrainian)

⁶ Koval, S. L. (2014). Vydatky mistsevykh biudzhativ: problemy ta shliakhy [Local budget expenditures: problems and ways]. Formation of the model of power distribution “Center-Territory”: theory and practice: collection of scientific-pract. conf. Ternopil: TNEU. (in Ukrainian)

1) economic activity expenditures (council development, building construction, farming, forestry, and fish farming, transport, and other services connected with economic activity);

2) social care sector expenditures (social benefits and social security for certain categories of citizens, other social measures);

3) social care sector financing and expenditures (providing for cultural and art establishments, education, healthcare, physical education and sports).

According to G.O. Sykrusheva⁷ and Ye.S. Stryuchenko⁸, it is necessary to aggregate expenditure items of local authorities in order to increase the effectiveness of their implementation. Such aggregation of expenditure classification of local authorities can be adjusted to the UTC budgets, which is depicted in Table 1.

Table 1

Aggregated UTC classification of budget expenditures^{9,10}

Aggregated expenditures	Expenditures according to the budget
Administrational expenditures	Local authorities, firefighters, metropolitan organizations to provide civil order
Social expenditures	Education, healthcare, social care and social security, state cultural-educational, theatrical, entertainment programs, media, physical education and sports
Economy and infrastructure	Council, transport, traffic department, emergency crews, local debt service, building construction, environment protection, target funds, budget loans, undivided money
Transfers	Inter-budget transfers

⁷ Sukrusheva, H. O. (2011). Neobkhdnist prohozuvannia vydatkiv mistsevykh biudzheta v suchasnykh umovakh rozvytku ekonomiky Ukrainy [The necessity of forecasting of local budgets expenditures in the current conditions of the development of the Ukrainian economy]. *Bulletin of Economy of Transport and Industry*, 36, 86–89. (in Ukrainian)

⁸ Stryuchenko, E. S. (2006). Otsenka effektivnosti rashodov byudzheta (na primere Sverdlovskoy oblasti) [The evaluation of the effectiveness of budget expenditures (for example, Sverdlovsk region)]. Abstract. dis.... cand. econ. sciences: 08.00.10. Yekaterinburg. (in Russian)

⁹ Sukrusheva, H. O. (2011). Neobkhdnist prohozuvannia vydatkiv mistsevykh biudzheta v suchasnykh umovakh rozvytku ekonomiky Ukrainy [The necessity of forecasting of local budgets expenditures in the current conditions of the development of the Ukrainian economy]. *Bulletin of Economy of Transport and Industry*, 36, 86–89. (in Ukrainian)

¹⁰ Stryuchenko, E. S. (2006). Otsenka effektivnosti rashodov byudzheta (na primere Sverdlovskoy oblasti) [The evaluation of the effectiveness of budget expenditures (for example, Sverdlovsk region)]. Abstract. dis.... cand. econ. sciences: 08.00.10. Yekaterinburg. (in Russian)

The implication of the aggregated structure of expenditures with analytical aims proves that the structure and absolute budget expenditures of UTC is closely connected with the following social economic and qualitative indexes such as quantity, age/sex aspect of the population, the level of socio-economic development, proper resources' implementation, production capacity and its growth, prices, territory, etc. The above-offered classification of the aggregated budget structure allows evaluating the priorities of budget policy in the sphere of finances and performing a comparative analysis of the development of UTC peculiarities.

The UTC conducts delegated responsibilities and functions, which perform state assignments and reach targets. That is why the UTCs are entitled to conduct the following functions:

The responsibilities, in their turn, are conducted according to the three main streams:

- legal – local authorities' activity results as to the fulfilment of their duties are conducted on the grounds of legislative regulation;
- functional – appointed rights and duties performed by local authorities to solve certain tasks and the achievement of set goals is dynamic and depends on structural changes in socio-economic development and financial policy overall;
- resourceful – realized in terms of state and local authorities duties of the UTC regardless of target budget expenditures according to their spheres of conducting, volumes, and the terms of their financing.

There often appear misunderstandings between functional and resourceful (expending) power connected with a variety and diversion of the objectives of state authorities and the UTC.

It is necessary to strictly divide duties between the levels of local budgets, local authorities, and the state, especially when it refers to UTC functions. As clear management and competences will allow increasing the effective expenditures of the UTC. According to the Constitution of Ukraine, it is the state that guarantees that people will be provided with social services (healthcare, social security, education, culture), however, they will have to be allotted from the local budget of the UTC aiming at maximum proximity to provide guaranteed services and standards, they are to be allotted from local authorities budgets solely, especially from the UTC budgets. Correspondingly, UTC expenditures will not only be affected by intergovernmental relations that are built between the levels of the budget system but also a complex of relations in the process of a

distinct division of a functional mandate. The distinctive features of a decentralized state system are the issue of functions' attachment according to different levels of state and local authorities. There are no strict rules both in practice and theory for the division of authorities' responsibilities as to solving general social problems, however, we define a string of points how to effectively share expending mandates that have already been observed in the theoretical approaches to local finance functioning.

To effectively realize governmental policy, we can define the following principles that optimize the division of expenditure authorization among the state, local authorities, and the UTC^{11,12,13}:

- the subsidiary principle (maximum proximity to the authorities that perform expenditures for the consumers of particular social services);

- the principle of territorial authorization (entire responsibility of the UTC on a defined territory that performs expenditures and a particular territory of consuming these services);

- the principle of social authorization (the only approach to the formation of the social services package for citizens despite their place of living);

- the principle of the most relevant approximation of the level of budget service for its consumer (the more difference is in state authorities and the UTC in the possibility to provide budget services, the more services ought to be provided at the highest level of the budget system);

- the principle of scale effect (budget services are as available as possible to consumers means that their decentralization affects the increase in their quantity, effectiveness, as well as the economy of their budget money).

The major principle of expenditure responsibilities segregation among the levels of budget systems is considered the above-mentioned principle of subsidiary. According to it, the budget system is built from

¹¹ Vyznachennia ta klasyfikatsiia vydatkiv mistsevykh biudzhetyv [The definition and the classification of local budgets expenditures]. Retrieved Apr. 12, 2019, from: <http://www.govfor.com/index.php?id=237>. (in Ukrainian)

¹² Ashmarina, E. M., Shohin, S. O. (Ed.). (2009). *Finansovoe pravo* [Financial Law]. Moscow : OOO "Izdatelstvo "Elit". (in Russian)

¹³ Kachanova, E. A. (2014). *Strategicheskie priorityi formirovaniya finansov munitsipalnykh obrazovaniy v usloviyah reformirovaniya byudzhethnogo ustroystva* [Strategic priorities of the formation of municipal formations finance in the context of the budget reform]. Dis ... dr. econ. sciences: 08.00.10. Moskow. (in Russian)

the bottom to the top. Local authorities are made to perform many functions; they are able to deal with them independently. Due to the fact that this type of authorities is located at close proximity to the consumer, it means that services are provided more effectively. The next principle of authorization segregation is called the principle of social justice that presupposes that citizens are given a full package of services according to the unified standard despite their place of living. As local authorities are closer to their citizens (service consumers), they will get an opportunity to independently make decisions about the formation of the services' range to satisfy their needs, as well as improve the welfare of this community.

Regarding the principle of the territorial correspondence, any functions performed by local authorities must be conducted independently despite their aims. To avoid the doubling of the functions performed, they should be strictly divided among all the levels of the government to provide the necessary amount of income for their implementation.

The main task of the state and budget policy is to provide equalization of socio-economic conditions of the development of the UTC, increasing the level of social standards, the quality of social and welfare services, and the increase of citizens' living standards. As the major part of the expenditures of local budgets, UTC budgets, in particular, are directed to social and cultural spheres: education, healthcare, social care, etc.

14.2. UTC Budget Expenditure Planning

The formation and planning of the expenditures by the local authorities as a part of UTC's budgets are based on regulations of the Budget Code of Ukraine, as well as normative legislative acts that regulate the process of planning and serve the background for performing financial responsibilities. The main directions while forming and realizing the budget policy of local authorities regardless of expenditures of the UTC must be providing citizens with social and economic necessities fulfilling their expenditure mandate foreseen by the legislation.

According to Article 1 the Budget Code of Ukraine, there was governed the regulation of the relations that appears in the process of composing, examining, improving, fulfilling of budgets, reporting about their fulfilment and control sticking to budget legislation, and the issues

of responsibility for breaking fiscal legislation, legal regulations of the state and local debt formation and paying off are defined¹⁴.

Correspondingly the establishment of effective and efficient methodology of expenditure planning of local budgets, the UTC in particular, backgrounding budget assignments, necessary for performing their own and delegated functions, budget programs' realization, having been formed according to the priorities of socio-economic development of both the state and the region with the effective approaches to budget planning must become the main directions for mastering the planning of budget expenditures at all levels, and the reformation of the whole budget process in particular.

The planning makes up the system of goal and index setting, as well as objectives and tasks; moreover, it requires backgrounding necessary resources to solve them.

Methodological principles of budget planning at the local level must be based on the following components: budget income formation, planning and forming budget expenditures, local debt management that will affect positively the socio-economic development of the corresponding territorial community. Budget planning is an amalgamation of mechanisms that coordinate financial links and provide the formation of multi-level budgets.

Ye. A. Chernysh emphasizes that methodology is a science about the structure, logical organization, methods and means of activity; it characterizes the internal organization and cognition regulative process or factual transformation of any object. We agree with the given idea that "methodology of planning means the system of approaches, principles, indexes, methods, and techniques of working out and backgrounding planned decisions and planning logics"¹⁵. That is, the major attention is drawn to the formation of methodology logics of planning with a fixed succession of actions to achieve the most effective results.

Planning methodology of budget expenditures must provide the entity of expenditure responsibility planning and budget assignment planning on the grounds of the unified methodological base.

¹⁴ Biudzhetniy kodeks Ukrainy [The Budget Code of Ukraine]. Retrieved Apr. 12, 2019, from: <http://zakon2.rada.gov.ua/laws/show/2456-17>. (in Ukrainian)

¹⁵ Chernysh, E. A., Molchanova, N. P., Novikova, A. A., Saltanova, T. A. (2000). *Prognozirovaniye i planirovaniye v usloviyah ryinka* [Forecasting and planning in the market conditions]. Moscow: PRIOR. (in Russian)

In our opinion, local budgets' planning methodology can be observed as a unity of principles, methods, instruments, with the help of which planning and forecasts of budgets take place.

The major elements of planning methodology of UTC's budget expenditures belong to¹⁶:

- planning budget expenditure principles;
- methods for planning budget expenditures;
- instruments for planning budget expenditures;
- responsibilities, mandates, and order of participants' cooperation for planning budget expenditures;
- index system with the help of which they can conduct the evaluation of efficiency at the stage of formation and implementation and estimate achieved factual results.

That is why the necessity of mastering methodological aspects of budget planning arises to define socio-economic effect from expenditures within an average period on the grounds of program target method implementation. To develop the system of expenditures' planning of the part of local budgets, it is necessary to work out methodology approaches concerning activity strategies on a medium term based on the objectives, tasks, and expectations of their functioning in prospective according to the set priorities and assignments in the programs and strategies of socio-economic development.

The program of budget expenditure classification, namely program division of expenditures is the basis for implementation and use of program-based budgeting method. It gives an opportunity to define the priorities of state development and corresponding territories and connect them between each other under the conditions of resource lack. The program of budget expenditure classification has been worked out on the grounds of functional classification. Each program corresponds to a function and, correspondingly, there is only one doer who is in charge of finances. It allowed structuring expenditures by their performers and increasing transparency of the budget system in general¹⁷.

¹⁶ Shinkaruk, E. V. (2007). *Planirovanie rashodov byudzheta v usloviyah reformirovaniya byudzhethnogo protsessa v Rossiyskoy Federatsii* [Budget expenditures planning in the context of reforming the budget process in the Russian Federation]. Dis. ... cand. econ sciences: 08.00.10. Moscow. (in Russian)

¹⁷ Shapoval, S. (2016). *Planuvannia vydatkiv biudzhetu v systemi finansovo-ekonomichnoho rehuliuвання* [Planning of budget expenditures in the system of financial and economic regulation]. *Foreign Trade: Economics, Finance, Law*, 4, 110. (in Ukrainian)

Program-based budgeting is based on program expenditure classification that corresponds to the demands of budget resource distribution, aiming at their most effective and productive use.

S.N. Kozlov considers that program classification of budget expenditures is due to the organizational structure of budget expenditure pursers and imposes responsibility for the realization of budget programs, which in their turn are formed on the grounds of functional expenditure classification¹⁸. Economic classification of expenditures defines the resources that are used for the implementation of the given programs¹⁹.

Thus, currently in budget planning, both the program of budget expenditure classification and the traditional budget classifications are used simultaneously – they are functional, departmental, and economic. As the latter are necessary for doing the analysis sufficiently and for the budget structure. Program classification contains the division depending on a type of scheduled services and goals but not on expenditures type. The goal of expenditures formation according to program classification lies in the implementation of the program target method at the local level, the UTC in particular. It is necessary to create the conditions for the effectiveness of public legal entities on their own and delegated functions, the increase of availability and quality of social services, the realization of long-term priorities and targets of socio-economic development of territorial communities.

In terms of the methodology of budget planning according to program-based budgeting method, the major elements that form expenditures at the UTC level are: budget policy directions as to the program classification of expenditures, the elaboration of the list of departmental and interdepartmental target programs financed from the UTC budget, target indexes and program indicators, budget program identification.

We agree with the idea offered by I.O. Chugonov that the system improvement of local budget expenditures, namely, the UTC by means of program-based budgeting implementation will affect the increase in budget process transparency, state and local authorities' responsibility to

¹⁸ Kozlov, S. N. (2012). Tehnologiya podgotovki programmnoy byudzheta [The technology of Program Budget Preparation]. *Bulletin of NSREI*, 7 (14), 40. (in Russian)

¹⁹ Mulendeeva, L. N. (2015). Praktika formirovaniya programmnoy byudzheta na primere Samarskoy oblasti [The practice of formation of the program budget on the example of Samara region]. *Economic sciences*, 7(128), 98. (in Russian)

maximize the efficiency of socio-economic development tasks, and allows combining state development strategies and separate administrative-territorial units. That is why the implementation of program-based budgeting method will give an opportunity to increase the effectiveness of budget usage of the UTC coming from the achieved results of a certain budget program²⁰.

Budget programs finance social, investment, scientific, ecological measures at the state and budget levels. Financial relations are built via the system of budget programs between state and local authorities, main pursers of budget money, entities²¹. According to the Budget Code, a budget program is an amalgamation of measures aimed at reaching common goals, tasks, and expected result, defining and realization by a purser of budget money according to the responsibilities, which have been assigned to him²².

Budget program is an essential element of program-based budgeting that connects general state programs with those from different ministry departments and establishments and local authorities.

The Budget Code of Ukraine allocates the provisions of the implementation of a medium-term budget planning and program-based budgeting method of making up and fulfilment of local budgets, including UTC budgets; major conditions of the given schedule have also been determined. It will give an opportunity to create a medium-term budget at all levels of a budget system involving international practice in prospect²³.

In comparison with program-based budgeting, statutory (ratio/normative) method does not contribute to the backgrounded and target division of budget money for different socio-economic activities. At the statutory method of budget planning, efficiency and productivity are absent while dividing financial resources, pursers of budget money have no opportunity to manage budget money freely to achieve the goals

²⁰ Chuhunov, O. I. (2015). Planuvannia vydatkiv mistsevykh biudzhativ u systemi finansovo-ekonomichnoho rehuliuвання [The planning of local budgets expenditures in the system of financial and economic regulation]. *Bulletin of the Chernivtsi Trade and Economic Institute. Economic Sciences*, 3, 163–175. (in Ukrainian)

²¹ Uskov, I. V. (2012). Programmno-tselevoy metod planirovaniya kak osnova razvitiya sistemyi mestnyih finansov [Program-target planning method as a basis of local finance system development]. *Economical Bulletin of Donbas*, 1 (27), 104–108. (in Russian)

²² Biudzhetniyi kodeks Ukrainy [The Budget Code of Ukraine]. Retrieved Apr. 12, 2019, from: <http://zakon2.rada.gov.ua/laws/show/2456-17> (in Ukrainian)

²³ Karamushka, L. (2015). Seredniostrokove planuvannia vydatkiv mistsevykh biudzhativ [The mid-term planning of local budget expenditures]. *Bulletin of KNTEU*, 2, 85–95. (in Ukrainian)

on qualitative social services, investment project realization at the level of territorial subdivisions, and there is no substantiated and effective monitoring system of budget fulfilment.

The application of the program-based method of planning budget expenditures of the UTC is connected with the necessity to solve a complex of issues at the local level that bear a system feature. It means that in the course of allotting finances pursers of budget UTC's money can hardly get the objective perspective of their activity, that is: reaching targets and accomplishing tasks, defining priority directions to spend budget money, and arranging actions and measures in order to increase the level of service quality for the locals²⁴.

The abovementioned issues are getting more complex due to a range of factors within financing management of the UTC²⁵:

1) lack of common agreement as to the providing for necessary financial resources and practically achieved results of the UTC, enterprises, and establishments;

2) absence of strictly set methodological regulations for evaluating expenditure effectiveness that narrows the power of the UTC to increase the efficiency of their implementation;

3) double-check measures are not ideal, they are aimed at the evaluation of quality services, target and effective use of budget money.

The abovementioned problematic aspects make it necessary to systematize and realize a range of managerial decisions and measures, provided with the necessary resources and the monitoring system for checking the results of their fulfilment. The most appropriate and suitable extension of program-based budgeting, from the point of view of the following criteria, will help to realize the complex of connected measures and involvement of the necessary financial provision.

Starting from 2015, the UTC under the conduct of administrative-territorial reformation and establishment of institutional entities, there was adopted direct inter-budget relations with the state budget. It preconditioned the implementation of program budgeting method within

²⁴ Moiseenko, M. A. (2013). Razvitie programmno-tselevogo byudzhetnogo planirovaniya kak instrumenta povysheniya effektivnosti rashodov mestnogo byudzheteta [Development of program-target budget planning as a tool for improving the efficiency of local budget expenditures]. Dis. ... cand.econ. sciences: 08.00.10. Rostov-on-Don. (in Russian)

²⁵ Moiseenko, M. A. (2013). Razvitie programmno-tselevogo byudzhetnogo planirovaniya kak instrumenta povysheniya effektivnosti rashodov mestnogo byudzheteta [Development of program-target budget planning as a tool for improving the efficiency of local budget expenditures]. Dis. ... cand.econ. sciences: 08.00.10. Rostov-on-Don. (in Russian)

the budget process based on medium-term planning. According to the Budget Code of Ukraine, program budgeting in terms of the budget process means management of budget money to achieve certain results at budget's expense money using the evaluation of the effectiveness of budget money at all the stages of budget process²⁶. Specifically, the implementation of the given method at the local level as to the composing of budget projects that are related to the state budget was scheduled for 2017.

According to Article 20 of the Budget Code of Ukraine, the main components of program-based method of planning within the budget process are: budget programs, productive indexes of their estimation, responsible performers, and identifications of budget programs²⁷.

Methodological approaches as to planning budget expenditures of the UTC on the grounds of program-based budgeting method that are connected with backgrounding of the particular managerial decisions in order to achieve the set assignments are shown in Figure 1.

Program-based method of budget planning of the UTC aims at providing the direct connection between the division of resources and accomplishing socio-economic policy's goals to develop the UTC. The main instrument for it, in this case, is long-term regional target development programs. The correlation of priority program directions of socio-economic development and the measures taken for target budget programs are able to provide the increase in efficiency of local authorities' activities, the reduction in irrational, non-elaborated expenditures, and correspondingly, to avoid ineffective waste of budget money. Thus, passing to program-based budget on the grounds of program-based budgeting method requires the improvement of the quality of managing budget expenditures, their backgrounding, direction to reach quantitative measuring results, connection between different program instruments, and the increase in rates of covering by program means of budget money²⁸.

²⁶ Biudzhetni kodeks Ukrainy [The Budget Code of Ukraine]. Retrieved Apr. 12, 2019, from: <http://zakon2.rada.gov.ua/laws/show/2456-17> (in Ukrainian)

²⁷ Biudzhetni kodeks Ukrainy [The Budget Code of Ukraine]. Retrieved Apr. 12, 2019, from: <http://zakon2.rada.gov.ua/laws/show/2456-17> (in Ukrainian)

²⁸ Orlov, I. Yu. (2016). Napravleniya razvitiya programmno-tselevogo upravleniya regionalnoy ekonomikoy (na primere respubliky Tatarstan) [The directions of development of program-target management of the regional economy (for example, The Republic of Tatarstan)]. *Kazan social and humanitarian bulletin*, 3 (20), 53–58. (in Russian)

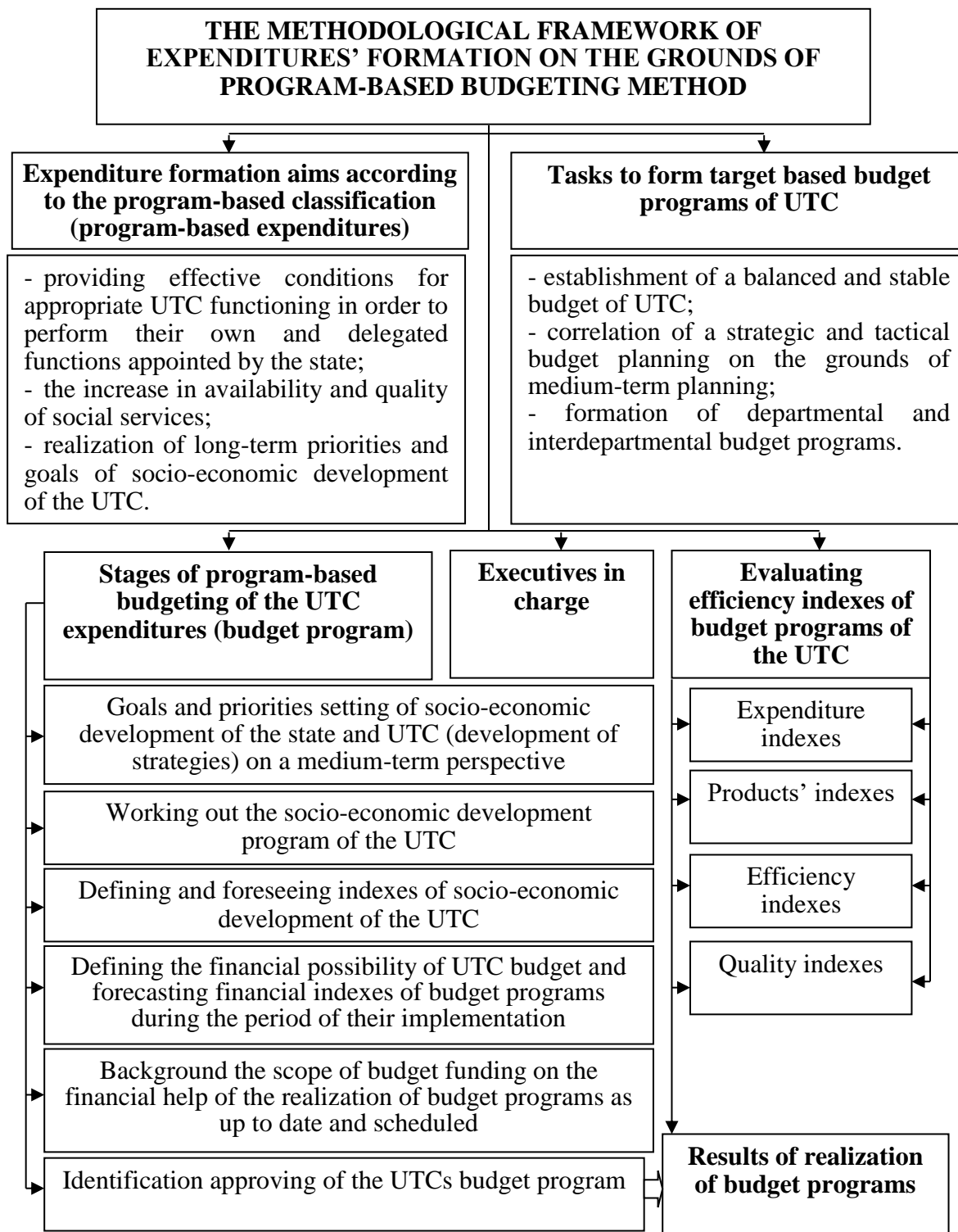


Figure 1. The methodological framework of expenditure's formation on the grounds of program-based budgeting method

Source: developed by the author²⁹

²⁹ Tkacheva, T. Yu. (2014). Kontseptsiya dostizheniya garmonizatsii byudzhethno-nalogovyih otnosheniy na osnove soglasovaniya interesov ekonomicheskikh sub'ektov [The concept of achieving harmonization of

Special attention within program-based budgeting of expenditures must be paid to the control of the achieved final goals of budget fulfilment: scheduling, the use of budget money at all levels of the budget system, as well as monitoring of the profits received from budget money based on the fulfilment of target budget programs. In this case, the method of program planning, controlling fulfilment and monitoring is considered while using the budget and is based on efficient goal settings, as well as assignments in local authorities' activity, budget money beneficiaries, and also while implementing the indexes that characterize qualitative and quantitative parameters of the given tasks' realization and budget program fulfilment. The following indexes belong to the expenditure indexes, goods indexes, productivity and quality according to the Order of The Ministry of Finances of Ukraine as of 10.12.2010 № 1536 "On Productivity of Budget Program".

It is necessary to refer to the introduction of a medium-term budget planning that is one of the main elements of the full-fledged introduction of program-based target method in the budget process at the state and local level. As the implementation of a medium-term budget planning primarily at the local level will allow local authorities to agree their strategic scheduled actions with the resources in terms of preparing budget projects for the next upcoming year, as well as a local budget for two years. It will also be beneficial while building an effective budget policy for a much longer term, taking into consideration the socio-economic interests of the corresponding territorial communities³⁰.

Taking up a medium-term budget scheduling, first of all, requires defining target-based tasks of its organization. Thorough research of the international planning experience and national methodology practice in the sphere of budget planning in terms of conducting a state reformation allows the following functions that will have to fulfil medium-term plans, namely³¹:

- 1) the outlook of the consequences of decisions made in terms of state socio-economic strategy of the country's development;
- 2) the instrument for implementing a medium-term fiscal policy;

fiscal relations based on the harmonization of the interests of economic entities]. Dis. ... dr. econ. sciences: 08.00.10. Orel. (in Russian)

³⁰ Naboka, T. S. (2015). Upravlinnia vydatkami biudzhetu ta napriamky yoho vdoskonalennia v Ukraini [The management of budget expenditures and directions of improvement in Ukraine]. Dis. ... cand. econ. sciences: 08.00.08. Kyiv: KNEU. (in Ukrainian)

³¹ Shinkaruk, E. V. (2007). Sovershenstvovanie srednesrochnogo byudzhethnogo planirovaniya [Improving the mid-term budget planning]. *Finance and credit*, 23, 4-7. (in Russian)

3) the means for making this process more transparent and efficient referring budget money division;

4) the instrument for providing stable and effective budget policy.

Medium-term planning of expenditures of the UTC lies in the fact that budget pursers define the plan of their activity for 3 years' term, as well the amount of budget money necessary for reaching those goals set in the documentation of the UTC. Correspondingly, the main aim of medium-term planning of budget expenditures of the UTC is to provide the more efficient application of the limited budget resources due to a realistic evaluation of inflows in the prospect and defining the priorities in financing budget expenditures by means of foreseeing for a few budget periods³².

The implication of a medium-term budget planning of the expenditures of the UTC presupposes the so-called "an average-term triennial period" when a budget is approved for the current year, however, the fiscal estimations of budgets are endorsed separately. After the triennial period has finished, the approved projects become the background for the new budget and the third year is added to them. Thus, the abovementioned planning provides budget stability, prediction, and opportunity to react to a changeable situation, restructuring of the mandate, the realization of new priorities of the budget policy³³.

As the projects of local budgets for the upcoming scheduled period starting from 2020 will have to be based on the indexes defined in the prospects of the local budget that have been approved in a year before the planned one according to the Budget Code of Ukraine³⁴.

As it is stated in Article 75 of the Budget Code of Ukraine, local fiscal authorities will have to compose local budget outlook together with other main budget pursers taking goals and priorities into consideration on three years. These regulations have been defined in program-based and outlook documents of the economic and social development of Ukraine and a certain territory, accounting the Budget Declaration³⁵.

³² Karamushka, L. (2015). Seredniostrokove planuvannia vydatkiv mistsevykh biudzhetyv [The mid-term planning of local budget expenditures]. *Bulletin of KNTEU*, 2, 85-95. (in Ukrainian)

³³ Lunina, I. O. (2006) Derzhavni finansy ta reformuvannia mizhbiudzhethnykh vidnosyn [Public finances and of inter-budgetary relations reformation]. Kyiv: Naukova dumka. (in Ukrainian)

³⁴ Biudzhethnyi kodeks Ukrainy [The Budget Code of Ukraine]. Retrieved Apr. 12, 2019, from: <http://zakon2.rada.gov.ua/laws/show/2456-17> (in Ukrainian)

³⁵ Biudzhethnyi kodeks Ukrainy [The Budget Code of Ukraine]. Retrieved Apr. 12, 2019, from: <http://zakon2.rada.gov.ua/laws/show/2456-17> (in Ukrainian)

A medium-term budget prognosis of the UTC is one of the main documents that are made up in terms of budget planning at the corresponding territorial level; its major parameters must correspond to the directions of the UTC's economic development. The working out and implementation of a medium-term plan could only be possible on the backgrounds of a system approach to form the goals of the state and regional budget policy, the factors that influence it, the development of alternative development directions. If there is the lack of clearly fixed and estimated complex points of the development, there appear many issues that are hardly possible to solve, including the monitoring of certain territories' development, providing the united process of state management, the evaluation of the effectiveness and efficiency of the state and regional policy and local authorities that perform it, reaching stated targets and solving the existing problems in socio-economic sphere³⁶.

The indexes of UTC budgets can be used by the local authorities of the UTC while managing economic processes to find out negative trends, providing stability, as well as preventing issues while making calculations of a budget, complex outlook, and the estimation of performing budget policy, finding out the necessity and means for realization of particular measures to solve socio-economic tasks and satisfying citizens' needs.

The participants that take part in the UTC expenditures' planning under the conditions of a medium-term budget planning and program-based budgeting must make not only local fiscal department and local authorities but also all pursers of budget money. The main tasks of the local and state authorities should be working out the programs of socio-economic development of the country and territories, the realization of effective state and local budget policy on its basis, backgrounding the necessary amount of expenses to achieve the set goals and tasks, and developing a complex of programs, means, and offers as to the financing of scheduled expenditures.

CONCLUSION

UTC expenditures are one of the major elements in the system of socio-economic development management that run the processes of

³⁶ Dzankisova, I. H. (2012). Osobennosti planirovaniya rashodov byudzheta v usloviyah reformirovaniya byudzhethnogo protsesssa [The peculiarities of planning of budget expenditures in the context of budget process reforming]. *Bulletin of the Khetagurov North Ossetian State University: Social sciences*, 1, 375–382. (in Russian)

territorial infrastructure under the conditions of implementing administrative-territorial reformation and the system of state expenditures in general. As the main aim of the UTC system expenditures' function serves citizens' needs satisfaction on a certain community territory according to the principle of subsidiary. That is why the necessity of complex research of methodological regulations of the formation and scheduling of the UTC expenditures arises. Its main aim is to improve its efficiency.

A medium-term budget planning implementation for the UTC budget expenditures will give entities of inter-budget relations an opportunity to determine their strategic goals and tasks of the development with the existing and prospective financial resources in the course of project preparation of the UTC on the corresponding year, and on two more scheduled periods that will give an opportunity to reach the above stated results and form a long-term budget policy of the development of a corresponding territorial community and the state in particular³⁷.

So, we can assume that a program-based budgeting method is one of the main instruments of efficient management and budget fulfilment aiming at the results and maximum satisfaction of citizens' needs. The given method presupposes setting and selecting priority goals and tasks of budget money use, as well as the development of common measures on their reaching within fixed terms.

SUMMARY

On the grounds of scientific researches of the financial study, there was given the author's interpretation of expenditures' essence of united territorial communities. We have done the research on the classifications of budget expenditures of the united territorial communities with the aim of a thorough authority distribution and the competence of state and local authorities. In terms of the research, attention is paid to the necessity to work out a methodology for medium-term planning of budget expenditures of the united territorial communities on the grounds of program-based budgeting method implementation. Moreover, the local authorities will be able to improve management efficiency and

³⁷ Muzyka-Stefanchuk, O. A. Orhany publichnoi vlady yak subiekty biudzhetykh pravovidnosyn: monohrafiia [Bodies of public authority as subjects of budgetary relations]. Retrieved Apr. 12, 2019, from: https://jurisprudence.club/finansovoe-pravo_706/osoblivosti-zdiysnennya-byudjetnogo-48264.html (in Ukrainian)

financial resources' application in order to provide their citizens with the best possible social security and services on a corresponding territory.

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