

**CHALLENGES AND PROSPECTS
FOR THE DEVELOPMENT
OF THE SYSTEM OF PUBLIC
AND MUNICIPAL ADMINISTRATION**

Collective monograph

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BASES OF INTERNATIONAL INNOVATION SYSTEMS FORMATION

Bilozubenko V. S.

INTRODUCTION

Modern global challenges and trends determinate new dominants of the national economies development. This is accompanied by the search for new ways of innovation intensification and effective innovation systems creation. The specific character of the current stage of world economy globalization is manifested in a level increase of innovation activity internationalization and deepening of international scientific and technical cooperation. Integration trends acceleration leads to the international innovation systems (IIS) formation, that become a new institutional format for innovation and interaction supporting, and fundamentally change the national economies innovative development models. IIS should effectively structure international organizations and country associations, creating conditions for increasing the member countries unity in innovative development accelerating. Thus, a vital scientific and practical task is to develop theoretical, methodological and practical foundations for such systems formation^{1,2,3}.

There are some reasons of the IIS formation that can be identified:

- the necessity for international research and innovation projects realization;
- knowledge and technology global markets development;
- increasing competition for leadership in intellectual resources;
- expansion of the international company activities, alliances and consortia, the international networks emergence;

¹ Білозубенко В.С. Інноваційна система Європейського Союзу: особливості формування та розвитку: монографія. Донецьк: ДонНУЕТ, 2012. 456 с.

² Carlsson B. Internationalization of innovation systems: A survey of the literature. *Research policy*. 2006. Vol. 35, №1. P. 56-67.

³ Borras S. Introduction to special issue on a European system of innovation. *Science and publ. policy*. 2004. Vol. 31, Iss. 6. P. 422-424.

- knowledge and innovation transformation into international public goods;
- irregularity in the natural and scientific resources distribution among countries, the general asymmetry of scientific development;
- aggravation of global humanity problems.

1. The nature of international innovation systems

IIS are formed as a result of the internationalization processes development of national innovation systems (NIS), international scientific and technical cooperation and integration. The IIS formation is based on the national systems openness and internationalization. It initially depends on the path of NIS construction, namely the convergent path (type) dominance. The IIS concept creates a new systemic aspect, which includes opportunities expanding for innovation, the scientific and technical potential of countries combining and efforts to solve global problems. Hypothetically, the IIS concept makes it possible to:

- cover a wider range of national economies innovative development factors, identify new scientific productivity and innovation factors (at the micro, meso and macro levels);
- highlight a new level of innovation support, justify the format of the international organizations innovation policy;
- establish new models for the organization of innovative processes and their participants interaction;
- create a new (spatial) approach to the development of various networks, clusters, communication platforms, etc., that play a big role in the emergence of innovations and often acquire a cross-border character.

IIS (as national systems) has spatial boundaries, that are defined by administrative boundaries, legal and political features. As the IIS unites several countries, it has more complex cultural characteristics, but presupposes a certain political unity. IIS acquire independent significance. They are formed in integrative manner, combining and covering systems of lower orders, complementing and strengthening their potential. On the one hand, the IIS emergence is based on the certain international space existence with a unified institutional environment, and on the other hand, it leads to further consolidation of this space and its institutional development.

IIS needs to be interpreted as a spatial integration formation, that is based on the general institutional foundations for ensuring of innovation activity and markets (knowledge, labor, capital, goods and services), has a specific architecture, covers the integration of lower levels innovative systems (national, sectoral, regional) and creates a more favorable environment for innovation through the internationalization benefits.

The IIS formation is based on the NIS integration of several countries and on the creation of interconnected international institutions that regulate scientific and technical cooperation, ensure the coordinated implementation of measures to stimulate innovation, and also create an environment for cross-border interaction of participants in innovation processes. IIS can be considered as institutional and social system; this fact makes it possible to determine its legal, organizational and cultural features.

The consideration of IIS complements the existing innovation systems hierarchy covering such types as: a) national; b) technological (that is formed for the specific technology development and implementation); c) regional (that is formed at the regional level); d) sectoral (that is formed at the level of the economy sector). In the modern innovation theory not only the possibility is traced, but also the need to create innovative systems at a higher political and territorial level (that is, international and global), which fact is confirmed repeatedly by theoretical and empirical studies.

To understand the nature of IIS, it is to be expected that the affinity postulate (from the Latin word *affinitas* – close link, consanguinity) of national and international innovation systems, as they have similar tasks, structure, functions, formation features, development direction, etc. Moreover, taking into account the level and composition of national and international innovation systems they have natural differences: institutional (IIS covers both national and international institutions); spatial (IIS forms a space where several countries are included) and structural-functional (IIS includes international organizations and forms new interaction structures, provides for the new institutional environment creation and the appropriate policies implementation). This makes it possible to describe the attributes and properties of NIS and IIS from a more general point of view, which should be perceived exogenously and

endogenously; this fact is determined by the following features of the system: a) link with the external environment (communicativeness, interactivity), integrity (as a result, the openness or the closeness); interconnection and interaction between elements; information interaction of elements; hierarchy (hierarchical ordering); the presence of feedback; equifinality; unity in understanding the processes occurring in the system and with the system participation, as well as the factors of its development; dependence on the properties of the included elements; b) as a whole: autonomy, adaptability, maneuverability, flexibility, stability (maintaining the structure), reliability, relevance, specificity, alternativeness, organization, integration; c) as an organizational structure: emergence, non-additivity, hierarchy, differentiation, synergy, structuredness, etc.; d) as a social education: purposefulness, manageability (the need for external management), self-regulation, self-organization and self-development⁴.

The predicate “*international*” defines the international nature of the system, however, the value of the system can vary significantly depending on the area. Typically, international organizations, treaties, standards, relations or communications can be considered in relation to international systems. International systems encompass a certain group of states that have assumed relevant obligations and joined in a common infrastructure that provides flows, interactions, and transactions.

The international system, in general, should be considered as a way of relations organizing between countries, ensured by a set of special institutions (norms, requirements) and infrastructure, and allowing coordinated realization of each country national interests. Institutions form the international system environment, and its infrastructure can be represented by special partnership institutions, executive bodies, information exchange mechanisms, etc. The information technologies using forms a new paradigm of international systems.

International systems can be created as independent elements of international life or as functional (sectoral) subsystems of certain forms of international relations. Strengthening of pluralism and decentralization

⁴ Білозубенко В.С. Інноваційна система Європейського Союзу: особливості формування та розвитку: монографія, Донецьк: ДонНУЕТ, 2012. 456 с.

is natural for modern international systems; it determines the possibility of their configuration changing.

IIS are formed and developed on the following conceptual principles: 1) identification of innovations as an interactive process where various participants from several countries interact; 2) the international competition dominance based on innovation; 3) innovation recognition as the main factor in economic dynamics on an international scale, in structural, institutional and social transformations in general; 4) the need to create a special institutional framework for ensuring and regulating of innovation activity at the international level; 5) the feasibility of innovation activity stimulating at the international level, in particular in the field of global problem solving; 6) taking into account the direct dependence of the appearing and spreading of innovations on the structural, institutional and social features of international processes; 7) the need to improve the quality of relations between countries and other actors at the international level.

It is necessary to take into account significant differences in the construction of functional blocks (research, technological, managerial, educational, infrastructural) in national and international innovation systems. However, the idea of structural relationship serves as the basis for the IIS creation in a configuration similar to NIS. The functional blocks of IIS are formed by the relevant elements generalization (integration) of the innovative systems of the countries. Their structure is determined by the goals and objectives of the IIS. It is important to take into account that macro-level innovation systems cover the private and public sectors.

It is necessary to highlight individual subsystems in addition to the functional blocks in the structure of the IIS. The most important ones are subsystems of: new knowledge generating; development and commercialization of innovations; regulation; intellectual property protection; monitoring and control. Such subsystems selection should be supplemented with a proposal for the industrial systems structuring that includes the following elements: a) object structure (enterprises, organizations); b) the process structure (innovative processes, support processes); c) project structure (projects and goals); d) environments (communities, institutions, communications). It is also advisable to

separate the various centers (“nodes”) in the innovative systems structure on the basis of concentration of resources and activity that makes it possible to detail spatial and industry specifics. The IIS configuration defines its “functional” models (financial, organizational, managerial, infrastructural, etc.) that are more and more prone to “transition” to the Internet.

The IIS formation, as well as other innovative systems, is aimed at reducing the various costs that arise in the field of innovation activity, including transactional, transformational and informational costs. Besides, the IIS should provide more effective protection of the participants interests in innovative processes, streamline individual processes of new knowledge generation and diffusion. IIS reduce the significance of various institutional and physical constraints by creating an optimal regime for innovation activity. Within the framework of such a regime the level of uncertainty decreases, more favorable conditions for the innovation commercialization and better access to resources arise that makes it possible to accept a higher level of risk.

Among the main functions of IIS should be highlighted the following:

- communication function (the system ensures the interaction of participants in innovation processes (at the international level));
- stimulating function (the system provides scientific progress, the new knowledge creation, implements new incentives for innovation);
- transformational function (the system provides the transformation of knowledge into innovation, change of institutions, and the reform of national systems;
- cooperative function (the system provides cooperation among participants of innovation processes, maintains a constant relationship);
- integrative function (manifests itself multidimensionally and applies to various organizations, communities, institutions, subsystems, components, etc.; integration is necessary for a synergistic effect);
- institutional function (the system leads to the creation of new formal and informal institutions);
- organizational function (the system becomes the basis for the organization of innovative processes at the international level);
- information function (the system provides information exchange, creates a new information space, flows and mechanisms).

IIS covers all levels of innovation support. IIS forms the structure of institutions that mediate the flow and support of innovative processes at the appropriate level. Moreover, the system must be adequate to the level of complexity, variability and diversity of innovations, covering all the types. IIS should reproduce the whole range of conditions necessary for innovation activity, and be organically linked to knowledge markets. IIS covers various interactions and transactions of innovation processes participants; it is manifested in cooperation, the provision of services, and the exchange of resources at the micro level.

The IIS emergence process can be described by several conceptual models^{5,6,7}: a) „stage transition” (IIS arises as a result of a transition to a new development level of international relations, innovative systems; it is accompanied by an improvement in the institutional environment); b) „common benefits” (the IIS is considered as a result of a specific advantages understanding that are manifested during its creation); c) “management structure evolution” (the IIS emergence is the result of the consistent evolution not only of institutions, but also of the management structures development that enter the international arena).

IIS should be considered as a certain space that is distinguished by more favorable conditions in comparison with the global environment. Its creation is due to the fact that the resources and structures necessary for the innovation emergence are located in different countries. New incentives arise for the innovation internationalization in the process of market integration.

The differences between IIS and national systems are not limited by the spatiality and complement of functions. NIS can be combined with different specializations, and this requires its certain universality and flexibility. Taking into consideration the IIS scale, the degree of integration and internal fluctuations are its the most important characteristics; integrity and coordination are differently provided there.

⁵ Carlsson B. Internationalization of innovation systems: A survey of the literature. *Research policy*. 2006. Vol. 35, № 1. P. 56-67.

⁶ Borras S. Introduction to special issue on a European system of innovation. *Science and publ. policy*. 2004. Vol. 31, Iss. 6. P. 422-424.

⁷ Stein J.A. Is there a European Knowledge system? *Science and publ. policy*. 2004. Vol. 31, № 6. P. 435-447.

All countries that are integrated in it should necessarily adhere to common interests and development directions.

IIS is a multi-level system; this fact determines the features of its management and internal communication. The complexity of IIS as a large system is not only due to the composition of the elements, but also to the lack of centralized management. This requires additional legal, administrative and political support (multinational or supranational).

IIS becomes a new institutional entity, provides economic ties between countries, and becomes a gradient in the transformation of countries innovation systems. A new type of international institutions is emerging; these institutions support innovation processes and are an integral part of international integration and globalization. The IIS emerging demonstrates the general strategic course of countries innovative development.

Nevertheless, the accelerated development of international scientific and technical cooperation should be considered as the main driving-force of the IIS formation. This form of relationship develops quite intensively, and this requires new institutions and mechanisms creation. As part of the international division of labor, scientific and technical cooperation complies with the common patterns of its deepening in the context of globalization. International cooperation affects the various innovations development and using in different ways.

The IIS emergence is a consequence of the global economic paradigm establishment. Globality expects the influence of global factors and patterns of innovative development that are determined by megatrends of human civilization and problems. This determines the need for new institutions and special systems, including such areas as management, resources, commercialization, protection of property rights, and incentivation.

The improvement of international institutes of scientific and technical cooperation is an important dominant that promotes the IIS creation and development. At the present stage, institutions are gradually uniting into a holistic world regulatory system including international organizations and treaties. The activity of international organizations significantly changes the global political support for innovation processes making it more strategic.

The basic prerequisite for the IIS formation is the creation of international innovation and research spaces (as institutional structures). It is proposed to understand the international space as the territory of several countries, where uniform institutes for regulating certain processes operate, and relatively more liberal conditions for the subjects interaction and the mobility of knowledge, people and capital are provided. Besides the political impulses, this requires the legal framework, international structures and partnership mechanisms; uniform regulatory standards using; unified information dissemination systems creation, etc.

On the one hand, integration in space allows a country to realize its potential at a higher level, and on the other hand, it allows to use the potential of partner countries attracting new resources for development. A certain knowledge “bank” also arises within the space framework that becomes the basis for general development and attracts new participants. The knowledge “bank” is associated with knowledge intensive circulation within the IIS space.

The context for the IIS formation is created by international scientific and technological integration that develops on the basis of international research centers and may be the direction of the countries general economic integration. IIS is meant to be a new basis for the such integration development contributing to the various barrier elimination (physical, institutional, cultural, structural, technological, etc.) and the international complexes emergence.

IIS is a special international regulatory structure that has developed as a result of international division of labor deepening, the science and innovative processes internationalization. This structure is designed to regulate the interaction processes in the innovation field; it creates the necessary legal mechanisms, infrastructure and resource conditions for innovation activity.

2. Basics of the IIS formation

The IIS formation should be considered as a process of international space creation for innovation activity and within its framework there is a NIS unification of several countries, and the factors for multilevel ties

and cooperation in the field of research, technology and innovation are created.

IIS institutes mainly arise in two ways: a) through the harmonization and transformation of national institutions where new institutional structures arise and operate at the international level; b) the special international institutions and structures creation; harmonization and/or unification of national institutions is carried out on their basis. The institutional nature of IIS requires considering it as an environment and a mechanism for regulating a whole complex of processes related to the acquisition of new knowledge, development, implementation and diffusion of innovations. IIS creates a new type of support for innovative processes at the international and national levels by combining the institutions of several countries.

NIS operate in a free market and they are a fairly complex integration object. Therefore, the IIS creation requires special foundations for individual elements uniting of the NIS. NIS integration is a consistent process where new models and mechanisms of innovation activity should appear as a result. IIS is not a simple “sum” of national systems, it is the innovation processes uniting throughout the stages and phases, individual operations, participating entities as well as the development of a unified approach to stimulate and regulate innovations.

The scope of the IIS functions as well as the international character of this system gives rise to certain structural differences with the NIS. The IIS includes various international organizations, innovative systems elements of countries such as those related to the public, private and social sectors. The IIS formation directly affects public authorities that regulate innovation processes and are international cooperation subjects. The stage of such authorities involvement to the IIS depends on the content of state innovation policy at the country level and on the IIS goals.

The IIS formation in practice is possible with the NIS complementarity of the countries and the additionality of their scientific and technical complexes. The IIS emergence is caused by the countries interdependence, the problems commonality. Moreover, the positions of countries and their potential, naturally, can differ significantly; this leads to different behavior strategies within the IIS. Countries with

fundamentally different economic structure forms cannot be included in IIS, and this is also reflected in the innovative development model. The IIS formation basic principles are considered in relation to the conditions of the capitalist economy to a greater extent.

Let's divide the IIS formation principles into system-wide (inherent to all systems) principles and specific (used only when IIS creating) principles. The system-wide principles should include the following principles of: equality; objectivity; the decisions validity and the sequence of their implementation; efficiency; realism; flexibility; cooperation deepening; universality and specificity combination (in the activities of international organizations); balance; reality check; continuous improvement and development of individual elements; support sufficiency and legal framework quality.

It is proposed to distinguish the following specific principles of the IIS formation: 1) international organizations specialization; 2) institutional convergence of national innovation systems; 3) international scientific and technical cooperation deepening at various levels; 4) the IIS model relevance to the existing globalization challenges; 5) preparedness to perceive uncertainty and paradoxicalness in the international systems functioning; 6) harmonious element interaction at various levels; ensuring stability and compliance with desired goals.

The formation core principle is based on the institutional convergence principle, especially for uniting of various national innovative development models with their advantages, disadvantages and differences. This convergence achieving requires additional measures at the grouping level and in individual countries. Due to the significant differences between countries, it is possible to use a differentiated approach to their NIS integration. Similar NIS located at the same stages of the life cycle have a great tendency to unite.

The IIS formation provides for the international organizations creation. Two types of international organizations should be distinguished for scientific and technical cooperation reasons: Type 1 – individual specialized institutions (scientific unions, centers, forums, associations, etc.) that have different functions, but their activity focuses exclusively on the scientific research and innovation field (usually in one field of knowledge); Type 2 – integration organizations (associations) with such

activity areas as the support of scientific research and innovation in general (in all areas of knowledge); organizations of the Type 1 can also be created inside organizations of the Type 2.

Fundamentally, these two types of organizations create two IIS models. Their institutional features are^{8,9,10,11}:

1) IIS formed on the basis of a specialized international organization operates primarily in the form of an individual, independent, non-governmental international organization; it most often unites participants in one category (research institutes, universities); it has clearly defined activity area (field of knowledge or economy sector); organization structure is formally established there;

2) IIS formed on the basis of an integration association operates on the basis of integration institutions and an extensive network of international organizations, covers the reproduction and market space of the association, providing for the conditions creation for the interaction of all categories of innovative processes participants; functioning is subordinated to single governing bodies (interstate or supranational) there.

The second model is more complex and it is one of the lines of general economic integration; therefore, this system itself becomes one of the forms and components of the integration process; and so, the IIS formation is supported within other interaction areas.

Each model has its own advantages and disadvantages (Table 1).

⁸ Білозубенко В.С. Інноваційна система Європейського Союзу: особливості формування та розвитку: монографія / В.С. Білозубенко. – Донецьк: ДонНУЕТ, 2012. – 456 с.

⁹ Borrás S. Introduction to special issue on a European system of innovation. *Science and publ. policy*. 2004. Vol. 31, Iss. 6. P. 422-424.

¹⁰ Stein J.A. Is there a European Knowledge system? *Science and publ. policy*. 2004. Vol. 31, №6. P. 435-447.

¹¹ Barkin J.S. *International Organization: Theories and Institutions*. Palgrave Macmillan, 2006. 185 p.

Table 1

Advantages and disadvantages of IIS formation models

	IIS formation models	
	1 – based on a specialized international organization	2 – within the integration grouping
Advantages	<ul style="list-style-type: none"> – specialization; – ease of organization; – the possibility of freer entrance and exit of countries; – formation at an accelerating pace; – sector-specific measures to support research and innovation; – ease of resources accumulation 	<ul style="list-style-type: none"> – the formation of a single market of knowledge and technologies, the creation of a closed innovation cycle with access to the world level; – comprehensiveness, coverage of a large number of innovation areas; – full range of measures implementation to support science and innovation;
Disadvantages	<ul style="list-style-type: none"> – focusing primarily on scientific research; – difficulty in long-term interaction ensuring and large projects implementation; – limitation by a separate science or an economy sector 	<ul style="list-style-type: none"> – complexity of organization and legal support; – political contradictions possibility; – mandatory integration deepening that is accompanied by additional difficulties

The first model (creation of specialized organizations) can be completely recreated within the framework of the second model, including for the purposes of interaction with third countries. The second model focuses IIS on ensuring of large-scale developments commercialization within the framework of an educated common market and in accordance with direct consideration of new market incentives and it is the main thing in the emergence of innovations. Therefore, the second model, being more complex, is more effective in the globalization context. It reproduces all the conditions necessary for innovation, and the functions of innovative systems. Especially its advantages are manifested in conditions of external environment instability as it is possible within the grouping to ensure the stability of the exchange and commercialization processes, the development course observance by the member countries.

Models differ by the IIS formation temporal parameters that also significantly depend on the scenarios. The first scenario is inert evolutionary. It does not provide for active actions on the part of the

countries governments that are in the grouping as well as its interstate (supranational) authorities. In this case, the IIS is formed on the basis of relations and institutions that arise at the micro level without the conditions specified from “above”. The IIS functions are determined by the market forces, so the scenario requires a long time, but reflects the real system need.

The second scenario is the reformist one; it assumes proactive actions made by states to create a new relations system by reforming structures that exist at the national level and by creating new (international) mechanisms. The conditions for the subjects relations development are set from “above” taking into account trends and problems that occur at the micro level. This scenario is accelerated one and it is accompanied by radical NIS transformations. The specific feature of the IIS model “integration” is that the involved countries should ensure the convergence of a wide range of institutions that provide innovative development. This is reflected on the parameters of using the existing scientific and technical potential of countries.

Using the example of the innovation support system created in the EU, we can distinguish such IIS key elements as:

- a single legal framework for adopting a common innovation policy;
- a system of supranational authorities and other international organizations that support innovative activities through coordination and implementation of joint activities;
 - stable ties of international scientific and technical cooperation;
 - joint surety of innovative processes (financial, managerial, social, political, etc.);
 - a single information space and interaction networks (channels);
 - a single market of knowledge, technology, capital, labor, goods and services;
 - a common approach to investing in knowledge and related mechanisms;
 - joint research and innovation infrastructure;
 - a unified system of intellectual property rights protection.

Global experience shows that the IIS formation can take place only if a sufficiently high level of political and economic integration is achieved, when it is really possible to create new effective organizations and pursue a single innovative policy. The IIS effectiveness directly depends on the integration processes quality; and it is built within their framework. On the other hand, IIS is turning into a separate unifying mechanism by which countries are consolidating around innovative development common problems solving.

IIS as a spatial-integration formation arises in specific historical conditions as a result of the driving forces that are common to the regional space. IIS acquires a geo-economic dimension by influencing the position and strategy of integration grouping in the global space. The IIS geoeconomic importance is constantly growing due to the innovation increasing importance as the basis for creating competitive advantages in world markets.

The IIS is not intended to limit the interaction of countries with the global environment, but it is aimed at creating of a new procedure for its regulation in accordance with the general goals and potential configuration. Taking into account the global environment turbulence, escalating competition, the spread of crisis and so on, the IIS should provide a certain “immunity”, that is, promote stabilization of the grouping economic complex, absorb the “shocks”, and allow countries to meet challenges jointly. The attractiveness of a particular IIS may extend to third countries.

The proposed IIS interpretation as a space-integration formation makes it possible to generalize the IIS basic properties, among which are: 1) multi-level integration, including the integration of NIS, of elements of the countries scientific and technical potential, etc.; 2) political consolidation that is implemented in the member countries general innovation policy; 3) the institutional environment harmoniousness that is achieved through the national institutions unification, as well as the international institutions creation; 4) eclecticism, that is, a combination of countries with different levels and models of innovative development; 5) hierarchy due to the lower orders systems inclusion. It follows from these properties that the IIS can

be built as a network structure that ensures the interaction of subjects with specific “network” effects (freedom of interaction, combination of resources, mutual learning, dissemination of experience, concentration of efforts, competition, etc.). Despite being flexible, networks increase system resilience that takes on dynamic properties. The network structure allows IIS without losing its stability to combine heterogeneous elements, ensure the mobility of the participants. The network paradigm development is important for a balanced system and internal convergence.

The IIS formation as a complex system is carried out on several stages; the characteristics of these stages are presented in the Table 2.

Table 2

IIS formation stages based on the integration grouping

Stage	Description
Preparatory (initial) stage	the IIS concept and model are developed; alternative formation scenarios are evaluated; various participants consultations are held; economic and financial base for the necessary activities is created
Regulatory and constructional stage	regulatory acts are being introduced, goals are formulated and a strategy for the IIS formation is developed; business event schedule is drawn up and methodologies for evaluating its effectiveness are adopted; the basic elements of infrastructure are created, a system of international organizations is designed, and the algorithmic closureness of their functions is justified
Practical stage (implementation stage)	the necessary organizations and mechanisms are created in accordance with the goals; the IIS general structure is adjusted and its legal support is improved

The IIS should undergo a certain “maturing” to achieve the necessary parameters, and as a result of this “maturing” the system enters a stable state and self-maintains. During its formation, the IIS participants are consolidating, including through informal ties and the wider use of the created infrastructure.

The IIS formation meets the needs of innovation processes participants, creates new requirements for innovation policy pursued by countries at the national level.

Each of the countries in the IIS adopts a transition to collective innovative development management, including through the transfer of certain functions to international institutions.

Certain IIS disadvantages are possible for individual countries that are included in it. For example, the dependence of individual countries (outsiders) on leading countries may increase. However, in general, IIS should provide a push to overall progress, and it should separately give incentives for outsider countries in order to reform and develop its own innovation system.

The IIS formation effectiveness is evaluated in relation to the countries that are in it and the integration grouping as a whole. It seems necessary to highlight the primary and secondary IIS effects. Primary effects are effects that increase the innovation effectiveness. These include such effects as synergy; concentration; resources accumulation and mobility; social mobilization; knowledge diffusion; social networks activation, resource saving, etc. The secondary IIS effects are consequences and outcomes that contribute to level increase of competitiveness and economic growth. These effects include structural changes stimulation, export development, enhancement of economic activity, etc. It is necessary to distinguish IIS internal and external effectiveness. Internal efficiency concerns the internal problems solution of the association countries (general or individual problems). External efficiency is a change in the position of countries and associations generally in the world market, the solution of various geo-economic and geopolitical problems.

The IIS formation is associated with the characteristic costs for creating international institutions and ensuring the system integration. They should be presented as the integration interaction costs (Table 3).

Table 3

The integration interaction costs in the IIS formation

Interaction components	Cost characterization
Cognition	costs for the exchange of information and the new environment knowledge that provides the system with integrity and evolution
Communication	costs for the communications model changing, including for the purposes of establishment of contacts, interaction mechanisms development, information processing, information flows regulating, etc.
Congregation (consolidation)	costs for rapprochement, association and integration of national systems
Adaptation	costs for new environment factors assessing, new fence mending, protecting interests in the integration process, implementing special measures for a new space development and new conditions adapting
Convergence	costs for the interaction of objects and their transformation to achieve certain convergence criteria and a single environment formation, as well as the convergence mechanisms formation and control over this process
Institutionalization	costs for the institutional integration framework formation and the related complex interactions normalization, that is: necessary institutions identification, their coordination; new institutions development and their implementation, etc.
Symbiosis	costs for the coexistence of various elements integrated into a single system, that is: protection of interests, general organization, equivalent exchange ensuring, etc.
Succession	costs for problem solving associated with the new elements superimposition on pre-existing systems elements, that is: changing of systems and communities, control, negative effects compensation, etc.

It is necessary to evaluate the costs for inclusion in IIS at the country level, where the costs for internal transformations performing should also be allocated, besides the contributions for organizations creation.

When assessing the IIS effectiveness, it is necessary to take into account the possibility of a greater synergistic effect at two levels: a) internal level that arises inside the IIS as a result of the potentials uniting of the included countries in it; b) external (global) level that arises as a result of knowledge and resources attracting that are necessary for innovation from the outside due to a more attractive knowledge

market and opportunities for innovation. The scale of the synergistic effect should be considered from the economy perspective of individual countries and the entire grouping, as well as national regions and companies. The innovative activity indicators diagnostics at the level of countries association is dominated in the IIS study and should include, for example: 1) assessment of attracted resource level to the innovation area at the grouping level; 2) innovation activity overall effectiveness assessment; 3) comparison of IIS parameters with other countries or country groups. The IIS interpretation as a space also necessitates its internal differentiation analysis, in particular: an assessment of the countries innovative development unevenness, the convergence and synchronism degree of parameter changes; countries NIS openness diagnostics, their orientation to interaction with internal and external space.

The quality of the formed IIS is measured by the functions completeness that it is tasked to perform, and it is also represented by the innovation activity effectiveness. The IIS efficiency is largely determined by the degree of its stability in a dynamic external environment and the potential for self-organization. A high level of efficiency always implies a high independence, the ability to generate missing elements. The process of IIS forming cannot be detached from economic system transformations of an integration association as a whole, scientific progress and technological dynamics.

CONCLUSIONS

IIS makes it possible to bring innovation support to a new institutional level, to combine national scientific and technological potential and to derive numerous cooperation benefits. IIS is formed integratively by combining lower orders systems (national, regional, sectoral), complementing and strengthening their potential. IIS functional blocks and subsystems are formed by summarizing the corresponding NIS elements. Some of the IIS main functions are: communicating, stimulating, transformational, cooperative, integrative, institutional, organizational, informational. IIS covers all levels of innovation maintaining by creating a new institutions structure. A new type of

international institutions that support and regulate innovation is emerging.

IIS can be formed on the basis of two types of international organizations: Type 1 is represented by separate specialized institutions (scientific unions, centers, forums, associations, etc.); Type 2 is represented by integration organizations (associations) which activities include support for science and innovation. This creates two IIS models with own characteristics, advantages and disadvantages. A more complex second model assumes either an inert evolutionary scenario for the IIS creation or a proactive reformist one. The main IIS elements (using the EU as an example) are: a single legal framework for innovation policy; system of supranational authorities and other international organizations; stable ties of international scientific and technical cooperation; joint provision of innovative processes; a single information space, a single market of knowledge, technology, capital, labor, goods and services; a common approach to investing in knowledge and related mechanisms; joint research and innovation infrastructure; unified system of intellectual property rights protection.

The IIS has specific properties as a spatial-integration formation, and it is designed to facilitate the interaction of countries with global space. Each of the countries in the IIS adopts a transition to collective management of innovative development.

SUMMARY

The principles leading to the emergence of international innovation systems (IIS) are presented in the article. The essence of such systems is elaborated on the basis of the attitude determining of national innovation systems, their properties and differences, as well as the specific characteristics of IIS. The principles of the IIS concept establishing and the functions of such systems in relation to the included countries are also discussed.

The IIS formation foundations with an emphasis on the institutional aspect and the element integration of national systems are formulated. General and specific principles of the IIS construction are presented, separately explaining the institutional convergence principle. Two models of the IIS formation are proposed (based on a specialized

international organization and within the framework of an integration association) based on the international organizations typification, as well as their advantages and disadvantages. It is proposed to consider the inert evolutionary and reformist scenario of the IIS creation. The main IIS elements, that use the innovation support system created in the EU as the example, are presented. The features of the IIS construction and its role as a spatial-integration formation are explained.

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ORGANIZATIONAL AND LEGAL PRINCIPLES OF THE DIGITAL SOCIETY'S BUILDING IN UKRAINE

Brus T. M.

INTRODUCTION

Modern society is characterized by globalization and informatization. The EU's Digital Economy Initiatives are the Industrial Policy for the Globalization Era 2020; The Digital Agenda for Europe and the Entrepreneurship 2020 Strategy. The key components that make up the «digital» economy and are in the focus of the «Digital Agenda -2020» are the «digital» industry (ICT as a sector of economy), «digital» infrastructure, «digitization» of business, industry.

The Digital Agenda for Europe, developed by the European Commission back in 2010, identified the leading role of the use of information and communication technologies (ICT) to achieve Europe's goals and priorities by 2020. Successful implementation of this Agenda will accelerate innovation, economic growth and improve life citizens and businesses and easier access to government services and personal development.

Outside of the current global trends of digitization (digitization), Ukraine has not remained. Building a new information society, or as it is called, a «digital» society, challenges the public administration and opens new opportunities.

Prime Minister of Ukraine O. Goncharuk said that 2020 will be a crucial year for Ukraine in the field of digitization. The state needs to fully switch to digital mode and comply with the concept of «The State in a smartphone». If the digitalization goals are achieved, Ukraine's GDP growth plan of 40% will be realistic in five years.

Digitalization is defined as the saturation of the physical world with electronic-digital devices, facilities, systems and the establishment of electronic-communication exchange between them, which in fact allows for the integral interaction of the virtual and the physical, that is, creates

cyber-physical space. Its main purpose is to achieve the digital transformation of existing and the creation of new industries, as well as the transformation of life spheres into new more efficient and modern ones. Such an increase is only possible if ideas, actions, initiatives and programs related to digitization are integrated, in particular, into national, regional, sectoral strategies and development programs.

Creating digital infrastructures is a major factor in increasing citizens' access to the global information environment and knowledge. Back in 2011, free access to the Internet was recognized by the UN as a fundamental human right – digital law.

According to scientists, if Ukraine develops under the target scenario of digitization in the next 5-10 years and a significant proportion of the digital economy (up to 65% of GDP) will appear in the structure of the economy, then the nominal GDP of Ukraine will increase to 1 trillion US dollars. To reach this level, Ukraine must ensure the rule of law and remove the institutional (legislative, tax, etc.) barriers that hamper the development of the digital and innovative economy; to promote continuous state stimulation of digitization of economic and business sectors; to initiate transformation projects on the basis of modern models of public-private partnership.

As the practice of developed countries shows, the introduction of digital technologies significantly increases the efficiency of different sectors of the economy and business and their growth in relation to those who do not use digital technologies.

Therefore, the digitalization of society puts before the public administration a number of tasks that are necessary for the fulfillment. Providing public services in electronic form is one of the priority directions of e-government building in Ukraine. This will not only facilitate citizens' access to them, but will also help minimize corruption risks, attract investment in the Ukrainian economy and increase public confidence in the government.

The introduction of e-government will help create a state that is geared to meeting the needs of citizens and will meet the challenges of the digital society.

1. Areas of using electronic technologies in public administration

The use of new electronic technologies in public administration can be pursued in several strategic directions. Attention is drawn to some of them, as defined by the Concept of Development of the Digital Economy and Society of Ukraine for 2018-2020 and the plan of measures for its implementation, which were approved at the beginning of 2018 by the decree of the Cabinet of Ministers of Ukraine:

1. Creating «digital» jobs for civil servants. In a digital economy, jobs are no longer tied to physical jobs. They become «digital», virtual, mobile, that is, do not require a permanent employee in the workplace. The concept of «digital jobs» is spreading extremely fast in the business environment and is favorably received by the overwhelming majority of workers who like flexible working methods, the ability to work from home, on vacation, from anywhere. In the future, those countries that break down barriers between people, jobs and technology and empower their citizens will be successful, allowing them to be effective and creative regardless of location. Digital technologies are a catalyst for new ways of working¹.

It is clear that not all public servants will be able to work in digital workplaces. This will be determined by the range of tasks and powers of civil servants, which will be more likely to be related to the provision of services to citizens and businesses online. However, even the partial transfer of civil servants' jobs into the digital space will significantly reduce the costs of hardware and organizational support, maintenance of office space, business trips and more. But at the same time, this area is connected with the need to develop digital skills for civil servants, which should become one of the priorities of public service and local self-government personnel policy.

2. Introduce the concept of open data, according to which certain data should be free for use and disseminated by any person, subject to the rules of attribution and (or) share-alike license. Some positive developments in this direction have already been made. In accordance

¹ Лопушинський І.П. «Цифрові робочі місця» державних службовців як вагома складова електронного урядування в Україні. *Теорія та практика державного управління і місцевого самоврядування*. 2018. № 1. URL: http://nbuv.gov.ua/UJRN/Ttpdu_2018_1_29

with the Law of Ukraine «On Access to Public Information» No. 2939-VI of January 13, 2011, and the Law of Ukraine «On Amendments to Certain Laws of Ukraine on Access to Public Information in the Form of Open Data» of December 25, 2015 No. 922– VIII Open Data Work started in Ukraine. The latter one defines the concept of public information in the form of open data – public information in a format that allows its automated processing by electronic means, free and free access to it, and its further use².

In accordance with the Cabinet of Ministers Resolution «On Approval of the Regulation on Datasets to be Disclosed in the Form of Open Data» No. 835 of October 21, 2015 A Single State Open Data Portal was created and Open Data services are operating on the web pages of some central executive bodies³.

The most important achievement of the regulation of the open sphere is that the following important aspects are enshrined in legislation: the open data sphere is defined; a regulatory body has been identified; a designated governing body; identified the main datasets; the technical requirements for open data formats and distribution methods are defined.

Recently, the concept of open data is rapidly gaining ground. Increasingly open data are used in the development of socio-economic development programs of the state and regions. Using of open data in a business environment helps create conditions for market competition. Thanks to this concept, citizens are more able to obtain any information about the activities of public authorities and the provision of administrative services.

However, the capabilities of this tool as a tool for assessing and monitoring the work of public authorities and public administration are not yet fully utilized.

3. In the context of the need to solve problems of improving the quality of services, optimizing the number of employees and reducing

² Про внесення змін до деяких законів України щодо доступу до публічної інформації у формі відкритих даних. Закон України від 25 грудня 2015 р. № 922-VIII. URL: <https://zakon.rada.gov.ua/laws/show/319-19> (дата звернення 27.09.2019)

³ Про затвердження Положення про набори даних, які підлягають оприлюдненню у формі відкритих даних. Постанова Кабінету Міністрів від 21 жовтня 2015 р. № 835. URL: <https://zakon.rada.gov.ua/laws/show/835-2015-%D0%BF>

the costs of special importance are the so-called «digital» platforms, which will allow simplifying and optimizing internal processes in the organization, improving interaction with citizens and reducing financial and resource costs for the tasks. The most useful models of digital platforms that can be used in public administration are Business to Government (B2G), Consumer to Government (C2G), Government to Consumer (G2C), Government to Business (G2B), and Government to Government (G2G).

Model «a government for citizens» (G2C) will allow to decrease the time of delivery of certificates, receipt of forms and other information by citizens, and will minimize a necessity to stand in turns. It, in turn, will give possibility to save the resources of budget and citizens' money.

Model «a government for a business» (G2B) will allow to automatize tax payments, to conduct electronic tender procedures on supplying with products and others like that. Due to the principle of transparency it will allow to save large money.

Model «a government for a government» (G2G) will allow to automatize relations and circulation of documents between departments, to manage work of state machinery, to conduct internal office work and coordinate activity of regional managements and territorial subdivisions, that largely will promote efficiency of public government bodies.

It is the government's task to use these models as quickly as possible in their activities to improve their efficiency.

4. Using of analytics as a continuous and dynamic process of data collection and analysis in all areas will allow to obtain the necessary and structured information for solving operational and situational tasks, developing plans, programs, initiatives and more. The use of analytics at all stages of the activities of public authorities and in the provision of public and administrative services, the constant collection of data and their rapid processing with the help of special information systems will allow prompt and effective management decisions.

5. Using blockchain technology to create a digital state and prevent corruption in public administration.

This technology is based on the creation of a decentralized, secure database that cannot be changed. Today, in state information systems, human data is very unreliably stored in different state centralized

databases in different registers. Blockchain technology will allow the creation of a user's electronic cabinet, which will store information about the user from different registers, which he will be able to obtain independently without the help of the staff of administrative centers.

This technology was first used for the financial sector in the creation and use of cryptocurrencies. But it is of interest to other areas, such as banking institutions or government agencies that provide access to large databases such as medical records, retirement benefits, and more.

However, all these changes require regulatory and organizational support, which in turn makes it necessary to amend the existing regulatory framework. The magnitude of such changes may vary: from issuing an internal order of the executive authority to create a structural unit whose main function will be to provide electronic services, to amending the legislation governing the provision of such services. As a rule, such changes relate to the re-engineering of the process of providing the service electronically, as this process becomes much simpler and faster and, unlike the paper form, does not have such a large number of restrictions and requirements.

The State Agency for Electronic Governance of Ukraine (hereinafter – the Agency), which was established on October 1, 2014, has been responsible for the implementation of the Government's policy in the field of e-government, informatization, development of the information society, formation and use of national electronic information resources, digitization of state authorities. The Agency had the status of a central executive body, the activity of which is directed by the Cabinet of Ministers.

On September, 2, 2019 Resolution of Cabinet of Ministers accepted "Some questions of optimization of the system of central executive that Agency was regenerate on Ministry of digital transformation of Ukraine bodies", and a head of new Ministry is under an obligation in ten days' term to provide preparation and introducing Cabinet of Ministers of Ukraine of project of position and suggestions in relation to bringing to the acts of legislation of changes that swim out from the accepted

resolution⁴. Probably, basis of development of Statute about new Ministry will be position about the State agency on questions the electronic management of Ukraine.

In accordance with Statute Agency carried out the activity after such basic directions:

- grant of electronic administrative services with providing of principles of comfort, transparency, availability, that is able to show out co-operation between the state and citizens on a new, higher level;

- realization of public policy is in the field of forming of open data that can characterize efficiency of work of public power. They are used by both government bodies and scientific, research, educational establishments, commercial companies and citizens. On the basis of open data the useful create to business and society services. The process of opening of data not only assists to development of digital economy in Ukraine but also approaches our country to competent included in European community;

- ensuring electronic interaction of state registers, ie interoperability. Unification of state registers into a single system of interaction is an effective way of optimizing the work of state bodies, combating bureaucracy, ensuring remote and prompt access of citizens to quality administrative services. In particular, «Trembita is introduced» – a system of interaction of state electronic information resources, and a National Register of Electronic Information Resources is being formed;

- ensuring the introduction of electronic document flow into the activities of public authorities, which significantly increases the speed of decision-making and, consequently, the speed of response and resolution of social problems;

- creation of a national system of electronic identification of Ukraine, which helps to give access to data or services. Among the tools of electronic identification are the electronic signature, MobileID, BankID, ID card;

⁴ Деякі питання оптимізації системи центральних органів виконавчої влади . Постанова Міністрів України від 02 вересня 2019 р. № 829 URL: <https://www.kmu.gov.ua/ua/npas/deyaki-pitannya-optimizaciyi-sistem-829>.

– promoting the implementation of e-democracy tools that enable citizens to participate in government decision-making and local self-government;

– ordering the formation and responsibility for the implementation of the National Informatization Program to coordinate the planning and implementation of information projects within the system of state authorities⁵.

Another normative document defining the directions of digital development in Ukraine is the Cabinet of Ministers Resolution No. 56 «Some Issues of Digital Development», according to which the implementation of the principles of the state policy of digital development in the realization of citizens' rights and freedoms is ensured by the executive authorities in the process of preparing new normative-legal acts or amendments to regulations and the exercise of power through the use of digital technologies⁶.

The Cabinet of Ministers also introduces a number of amendments to the normative acts aimed at improving the existing regulatory basis for documenting administrative information in the electronic form of executive bodies and local self-government. In particular, changes were made to the Regulations on State Registration of Regulatory Acts of Ministries and Other Executive Bodies, approved by the Decree of the Cabinet of Ministers of Ukraine of December 28, 1992. No. 731⁷ and the Regulation of the Cabinet of Ministers of Ukraine, approved by the resolution of the Cabinet of Ministers of Ukraine of July 18, 2007. No. 950⁸ on digital expertise. If the draft act deals with the issues of informatization, e-government, formation and use of national electronic information resources, development of information society,

⁵ Про затвердження Положення про Державне агентство з питань електронного урядування України. Постанова Кабінету Міністрів України від 01.10.2014 № 492. URL: <https://zakon.rada.gov.ua/laws/show/492-2014-%D0%BF>.

⁶ Деякі питання цифрового розвитку. Постанова Кабінету Міністрів від 30 січня 2019 р. №56 URL: <https://zakon.rada.gov.ua/laws/show/56-2019-%D0%BF>.

⁷ Про затвердження Положення про державну реєстрацію нормативно-правових актів міністерств та інших органів виконавчої влади. Постанова Кабінету Міністрів України від 28 грудня 1992р. №731. URL: <https://zakon.rada.gov.ua/laws/show/731-92-%D0%BF>.

⁸ Про затвердження Регламенту Кабінету Міністрів України. Постанова Кабінету Міністрів України від 18 липня 2007р. № 950. URL: <https://zakon.rada.gov.ua/laws/show/950-2007-%D0%BF>.

e-democracy, provision of administrative services or digital development, together with a legal act, the State Agency shall submit a conclusion to the state registration authority. e-Governance Issues on Digital Expertise in the Form Specified in Annex 21 to the Cabinet of Ministers of Ukraine Regulation the Cabinet of Ministers of Ukraine⁹.

Changes were also made to the resolutions of the Cabinet of Ministers of Ukraine of July 18, 2007 No. 950 and of January 17, 2018, No. 55, in terms of translating the work of executive bodies into electronic form, as well as creating a complete process of organizing interaction in the system of executive bodies exclusively in paperless form¹⁰.

The main result of the changes in the regulatory framework will be the complete translation of the work of the executive bodies into electronic form, as well as the creation of a coherent process of organization of interaction in the system of executive authorities exclusively in paperless form, completion of the complete cycle of preparation of draft acts in electronic form.

2. Features of providing digital administrative services

The implementation of the state digital development policy in Ukraine is based on the following principles:

- openness – is to ensure open access to departmental data (information), unless otherwise provided by law;
- transparency – providing open external interfaces to departmental information systems, including application programming interfaces;
- reusability – is to ensure open inter-agency sharing of solutions and their re-use;
- technological neutrality and portability of data – is to provide access to departmental services and data and re-use regardless of technologies or their products;

⁹ Деякі питання цифрового розвитку. Постанова Кабінету Міністрів від 30 січня 2019 р. №56. URL: <https://zakon.rada.gov.ua/laws/show/56-2019-%D0%BF>

¹⁰ Про внесення змін до постанов Кабінету Міністрів України від 18 липня 2007 р. № 950 і від 17 січня 2018 р. № 55. Постанова Кабінету Міністрів України від 17 квітня 2019 р. № 375. URL: <https://zakon.rada.gov.ua/laws/show/375-2019-%D0%BF>.

– citizen-oriented – is to ensure that the needs and expectations of citizens are first and foremost taken into account when deciding on the forms or methods of exercising state functions;

– inclusiveness and accessibility – providing opportunities for all citizens to enjoy the latest advances in information technology access to services;

– security and confidentiality – is to ensure for citizens and economic entities a safe and secure environment in which electronic interaction with the state occurs, including its full compliance with the rules and requirements established by the laws of Ukraine on protection of personal data and information belonging to the state, electronic identification and trust services;

– multilingualism – is to ensure that administrative, information and other services, including cross-border, are provided to citizens and economic entities, using the language of their choice;

– decision-making support – is to ensure the use of the latest information technologies for the development of software products that support decision-making by the executive authorities in the exercise of power;

– administrative simplification – is to accelerate and simplify administrative processes through their digital development;

– retention of information – is to ensure the storage of decisions, information, records and data, reliability and integrity, as well as their availability in accordance with security and confidentiality policies for a certain period of time;

– evaluation of efficiency and effectiveness – is to carry out a comprehensive evaluation and comparison of at least two alternative solutions to ensure the effectiveness and efficiency of the exercise of power¹¹.

The law of Ukraine «On administrative services» determined that the administrative services in electronic form are provided via the Unified state portal administrative services, including through the integrated information system of state bodies and bodies of local self-government.

¹¹ Деякі питання цифрового розвитку. Постанова Кабінету Міністрів від 30 січня 2019 р. №56. URL: <https://zakon.rada.gov.ua/laws/show/56-2019-%D0%BF>

The procedure and requirements for integration of information systems of state bodies and bodies of local self-government of the Unified state portal of administrative services approved by the Central Executive body, providing forming of state policy in the sphere of providing administrative services, together with the Central Executive body, providing forming of state policy in the sphere of e-government development¹².

Today the greatest time with the introduction of e-services is play a paper form in electronic form in the development of software to provide electronic services. As an alternative solution to this problem, experts suggest amending the legislation with a view to securing the possibility of filing signed by the electronic digital signature of the data.

The portal of the Government of Ukraine in the section Electronic Services contains a list of electronic services in 9 categories, totaling 129. The principle of «life and business situations» applies when forming new e-services, and allows faster and more efficient response to citizens' requests.

A single state portal for administrative services has also been introduced, where citizens and businesses can obtain information on the location, documents required to obtain administrative services, including information that can be obtained electronically.

The entity providing the administrative service, enterprise, institution or organization within its field of management, possessing the documents or information required to provide the administrative service, shall:

1) to provide such documents or information for free within three working days of receiving the request from the subject of the administrative service, unless otherwise provided by law;

2) take measures to develop the system of interdepartmental electronic interaction, to provide free and open access to their information systems and databases, unless otherwise provided by law;

¹² Про адміністративні послуги. Закон України від 11.06.2017 № 5203. URL: <https://zakon.rada.gov.ua/laws/show/5203-17>.

3) ensure, in accordance with the law, the storage and protection of information obtained as a result of the provision of administrative services;

4) provide free remote access to their own information systems and electronic databases (registers) containing information necessary for the provision of administrative services, administrators of administrative service centers and entities providing such administrative services, including through the system of electronic interaction of public electronic information resources;

5) take measures to introduce the provision of administrative services in electronic form¹³.

The use of digital signatures empowers the extension of electronic administrative services. Nowadays, the use of electronic digital signature is determined by the Laws of Ukraine «On Electronic Document and Electronic Document Management»¹⁴ and «On Electronic Trust Services»¹⁵.

However, the introduction of electronic document circulation marked the adoption of the 1999 European Union Directive on Electronic Signatures. This Directive has enabled Member States to develop their own electronic records policies. It had both positive and negative consequences. On the one hand, it has legitimized electronic document flow and data exchange, even if the latter is unencrypted by cryptographic tools. On the other hand, such independence led to the creation of different and incompatible systems of verification and identification in different countries, which did not contribute to the creation of a single market.

In the course of harmonization of the Ukrainian legislation with the European one in Ukraine, in 2003 the Law on Electronic Digital Signature was adopted, which for the first time introduced the concept of electronic signature and electronic digital signature into legal circulation.

¹³ Про адміністративні послуги. Закон України від 11.06.2017 № 5203. URL: <https://zakon.rada.gov.ua/laws/show/5203-17>.

¹⁴ Про електронні документи та електронний документообіг. Закон України від 22 травня 2003 р. № 851-IV. *Відомості Верховної Ради України (ВВР)*, 2003, № 36, ст. 275.

¹⁵ Про електронні довірчі послуги. Закон України від 5 жовтня 2017 р. № 2155-VIII. *Відомості Верховної Ради (ВВР)*, 2017, № 45, ст.400.

These concepts are gaining ground in the business environment and the administrative field.

In 2016, the European Directive was repealed and replaced by the EU Regulation 2014 on electronic identification, verification and trust services.

Ukraine is responding accordingly: the Law on Electronic Digital Signature expired on December 7, 2018, but the Law on Electronic Confidential Services was adopted.

According to the latter, the digital signature is electronic data that is added by the subscriber to other electronic data or logically connected with them and used them as a signature, that is, give the possibility to identify a person that signed a particular document. Legal status equivalent to a handwritten signature or seal¹⁶.

With the services a digital signature to sign electronic documents, to use electronic services, registered in the state portals of the kind. The documents, signed with digital signature have the same legal force as usual.

From the benefits of using electronic digital signature I would like to highlight the following:

- reducing the time for transfer of electronic records unlike paper;
- ease of use of the electronic signature. The key is to have computer and access to the Internet;
- cryptographic transformation of data allows you to ensure the security and confidentiality;
- ease of communication with the public authorities in the preparation of reporting documentation, creating and sharing data etc.;
- increasing the number and accelerating the implementation of business communications.

The law of Ukraine «On electronic trust services» also determines that the electronic signature or seal cannot be recognized as invalid and denied the opportunity to be considered as evidence in court cases solely on the grounds that they are electronic or do not meet the requirements for qualified electronic signature or seal. From this point of view, the

¹⁶ Про електронні довірчі послуги. Закон України від 5 жовтня 2017 р. № 2155-VIII. *Відомості Верховної Ради (ВВР)*, 2017, № 45, ст.400.

legal status of the simple electronic signature remains the same – the lack of qualification does not make the document so signed is automatically null and void, but the degree of credibility may be low. Qualified electronic signature, on the contrary, has the presumption of authenticity. Advanced signature takes a middle position: its authenticity cannot be presumed, however, the Law sets the schema with such a signature, the average level of reliability¹⁷.

It should be noted that the Law imposes special requirements on qualified providers of electronic trust services, namely: such a provider (which may be a natural or legal person) must, in addition to other organizational and technical measures, certify its complete information security system. It should be noted that accredited key certification centers established under the Law on Electronic Trust Services receive this status automatically and must be entered into the Trust List automatically by the Central Certifying Authority within one year after the Law enters into force.

Digital signature is becoming increasingly important, especially after choosing a course on the concept of «The State in a smartphone», an electronic project that aims to enable citizens to receive all necessary information and government services through gadgets. But this will only be possible if citizens receive a digital signature. In our opinion, such a policy is necessary and also envisages educational activities aimed at overcoming the resistance of the population to everything new and unknown.

Digitization of all areas of public activity will promote the transformation of the Minister of Digital Transformation to the level of Deputy Prime Minister, as well as the introduction into the functions of one of the Deputy Ministers in the Ministry, as well as the Deputy Head in each regional state administration responsible for the implementation of digital transformation.

Thus, at the present stage of development of the Ukrainian economy, political will has finally emerged to implement the changes in the field of digitization. Since such changes are not possible without changes in the

¹⁷ Про електронні довірчі послуги. Закон України від 5 жовтня 2017 р. № 2155-VIII. *Відомості Верховної Ради (ВВР)*, 2017, № 45, ст.400.

public administration system, and inevitably entail the development of electronic services and changes in the system of their provision, certain changes have already been initiated in the organizational structure of the authorities and the regulatory provision for digital transformations in the state.

CONCLUSIONS

Thus, the inconsistency of the public management system with the modern challenges of time puts them at risk of reducing the efficiency of their activities, increasing the cost of completing the tasks set, reducing the effectiveness of interaction with business and citizens.

The digitalization of society will give equal experience to all citizens in information, services and knowledge, will focus on improving the quality of service delivery in various fields, will significantly improve the efficiency, productivity and competitiveness of the use of digital technologies in all sectors of the economy, will be accompanied by increased confidence and security. The use of new information technologies will promote the development of the information society and the media, as well as enhance links with the European and world environment through the use of common digital standards.

Digital technologies also open up new opportunities for involving citizens in social and political processes through the use of e-democracy tools such as e-parliament, e-voting, e-justice, e-mediation (pre-trial dispute resolution), e-referendum, e-Consultations, e-petitions, e-political campaigns, e-polls and more.

Ukraine has embarked on a general digitization exercise, which entails the need for changes in organizational structures and regulatory support for this process. Real steps have already been taken to overcome the differences between the principles of e-Government and the practical application of the principles stated in the regulations. Since most of the regulations in this field have been strategic in nature and have been implemented by the Association Agreement with the EU, now is the time for conscious action to achieve clearly defined goals and objectives. Implementation of e-government technologies at the proper level and their legal support is not instant and requires both considerable time and considerable effort to adapt the existing Ukrainian legislation.

The creation of the Ministry of Digital Transformation of Ukraine was a positive achievement in the formulation and implementation of e-Government policy and coordination of actions in this field by different ministries and agencies. Unlike the previous State Agency for Electronic Governance of Ukraine, the Ministry is empowered with broader authority and is responsible not only for the implementation of the policy but also for its formation.

Ukrainian society still lacks citizens' motivation to translate communication with public authorities into the online environment. This problem is especially true for middle-aged and elderly people who believe that a personal appeal to a public authority is the key to an effective solution. Awareness in the digital field of this category of citizens also plays a negative role in their low interest.

In addition, a large number of civil servants do not see the prospect of mastering new technologies, are not aware of the problems of e-government and do not see the benefits of implementing it. Moreover, some public servants see the digitalization of public administration as a threat to their professional activities, because they believe it can lead to job cuts and make corruption in the workplace impossible for someone.

These are just some of the problems and challenges facing Ukraine in the context of building a digital society. The speed of response to these challenges will depend on Ukraine's compliance with the requirements of the development of the world economy, quality of life of citizens and compliance with the principles of functioning of a democratic society.

SUMMARY

The article describes the main directions of development of digital society in Ukraine, in particular the legal basis of the digitalization of the public administration. Analyzes the principles of the state policy of digital development in Ukraine and priority directions of development of electronic management and the use of electronic technologies in public administration, namely: the creation of digital jobs for civil servants, introduction of the concept of open data, use of digital platforms to solve problems in public management, the introduction of a permanent data collection and analysis, the use of technology to the block chain.

The main tasks of the Central Executive authority on implementation of e-governance. Noted that structural changes in the ministries, in particular the creation of the new Ministry of digital transformation is to facilitate cooperation of different departments and public authorities to respect the principles of transparency and openness of work of public authorities and minimizing corruption in activities of public officials.

An effective modern e-government tool that has become widespread in the public administration system is electronic administrative services, whose delivery process has its advantages and disadvantages.

The introduction of electronic document flow in the work of public authorities is an important step towards the digitalization of the public administration system as a whole. The new government has set itself the goal – by 2020, to fully translate the records in public administration into a digital form, which will help accelerate the workflow and effectively solve problems in public administration.

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**HISTORICAL BACKGROUND
OF TAX SYSTEM FORMATION IN UKRAINE
IN THE TWENTIETH – EARLY TWENTIETH CENTURIES
AND FEATURES OF NATIONAL FISCAL POLICY**

Krushelnyska T. A.

INTRODUCTION

With the development of society and the state, theoretical disputes about the nature of taxes have raised around their nature and, more sharply, regarding their role in the state, and over time, with the new civilizational challenges, the scientific controversy does not cease. From a historical approach to the study of the tax system and the peculiarities of national fiscal policy, it becomes possible to determine the nature of the contradictions and inconsistencies that torment the integrity of the national tax system today, undermining the economy of the country. In addition, historical experience allows us to identify the cause and put an end to the unfolding of tax ambivalence between tax institutions and taxpayers.

In the early twentieth century in the academic environment of the Russian Empire (Ukraine was a part of which), there was an intense controversy over the theory of taxes, and it concerned mainly the problems of the nature of taxes, their forms, types, functions. The works of economists I. Ozerov, A. Sokolov, N. Turgenev, I. Yangul and others have become an valuable asset not only for national but also for global tax theory. After the October 1917 Revolution, due to political factors, the acquisitions of these and other eminent tax theorists have been forgotten, and the state's vision and fiscal targeting have changed in the country. In the Soviet period, tax theory underwent devastating destruction, which rejected the development of the country, public administration, and economy many years ago.

Therefore, one of the crucial components of the process of development of tax public administration in Ukraine is the formation of a modern tax system as the main source of financial support for the

performance of state functions. Creating effective tax system of Ukraine is characterized by intensification of the contradictions between disparity modern forms of taxation issued from the practice of developed countries and a powerful legacy of command-administrative public administration. Even in modern Ukraine it makes visualizes now. These contradictions are amplified by mentality of citizens who do not want to pay taxes and historically predefined fiscal institutions, which tend to force the administrative methods of work.

1. Forced-revolutionary taxation in the early twentieth century in the USSR

In his works J. Stiglitz emphasized that the evolution of the role and functions of the state in public life was reflected in the functional purpose of the tax system, with which we fully agree¹. The author argues that the fiscal orientation of the tax system and the compulsory nature of taxation persist regardless of the development of government functions². The evidence of the creation and functioning of the tax system of Ukraine in the twentieth century, as in other post-Soviet states, denies the rigidity of not only the fiscal orientation of taxes, but also their existence.

From the beginning of its existence in 1917, while the absence of its own system, the financial system of the Soviet state was built on the institutions of tsarist Russia. The main income was the issue of money and contributions. The first Soviet taxes had no real fiscal significance, but were of the nature of class struggle and frank confiscation. For example, the RNK Decree of August 14, 1918 imposed a simultaneous levy on the maintenance of Red Army families, which was levied on owners of private trading companies who had hired workers. A decree of the Central Executive Committee and the RNK of October 30, 1918, introduced a one-off extraordinary ten-billionth revolutionary tax, which imposed the city bourgeoisie and the kulaks³.

¹ Стігліц Джозеф Е. Економіка державного сектора. Пер. з англ. А. Олійник, Р. Скільський. *Київ Основи*, 1998. С. 232–235.

² *Ibid*, с. 232–234.

³ Решения партии и правительства по хозяйственным вопросам. *Сборник документов*. 1917-1928 гг. : в 6-и т. Москва. Издательство политической литературы, 1957. Т. 1. С. 212-214.

As P. Hay-Nyzhnyk noted, in financial and taxational work of Ukrainian People's Republic (UPR) government of that period consists unreasonably belief, that for almost the entire period of the UPR power in the country was in a state of permanent search of money. State is funded by voluntary contributions, loans, disposable compulsory taxes and power requisitions that through tough force, harm the reputation of the Central Council, the State Treasury was filled mainly by excise duties, which were in the days of tsarist Russia, so it was quite easy to collect, but they did not generate enough revenue⁴. The haphazard fulfilling of the budget illustrated the 'one day' policy, without any reasonable plan and perspective⁵.

In a collapsed economy, money flow stopped and, as a result, its naturalization of economy and commodity relations took place, so the USSR government had to switch to natural taxation. The decree of the Central Executive Committee of October 30, 1918 'On the taxation of agriculture with a natural tax' on the principle of income tax introduced a natural tax levied on the introduction of part of agricultural products⁶. The tax was levied on surpluses (as it seemed to the government) of products beyond the needs of the farms under the progressive system, depending on the number of tens of crops, the number of farms and the number of family members. A special system of individual taxation has been established for the kulak farms. The local councils could have attracted the kulak farms to taxation under the higher standards. This gave broad authority to the representatives of local authorities and had a pronounced subjective character, to approach selectively the taxation of certain taxpayers and the size of the tax itself.

The priorities of the tax policy of the Soviet republic of that period were expressed by Lenin in 1919. In particular, it was envisaged that the RCP would pursue a progressive tax, income tax, and property tax in all cases where possible. In the era of dictatorship of the proletariat and state

⁴ Гай-Нижник П. Податкова політика Центральної Ради, урядів УНР, Української Держави, УСРР (1917-1930 рр.). Київ. Цифра-друж, 2006. С. 143-147.

⁵ Ibid, p. 143-147.

⁶ Решения партии и правительства по хозяйственным вопросам. Сборник документов. 1917-1928 гг. : в 6-и т. Москва. Издательство политической литературы, 1957. Т. 1. С. 212-214.

ownership of the main means of production, he emphasized, the finances of the state should be based on the direct rotation of a certain part of the income from different state monopolies for the needs of the state⁷.

Due to the inability to sufficiently fulfill the state treasury, the next step was taken to tighten tax policy. Thus, RNA Decree of 11 January 1919 on a national scale was introduced Food allotment⁸, according to which the number of grain and grain fodder for public use distributed for the removal of the population between provinces. As a result of the introduction of the sub-distribution of peasants, not only the surplus food, but also some of the necessary products were removed. One of the features of the tax policy at that period are revolutionary taxes from the urban and rural population. As a basis for charging assigned class principle: in addition to solving financial problems (cash resources) performed as and politically well: fighting against wealthy citizens.

From the direct taxes of that period, it is necessary to name the industrial tax, which was levied on trade and industrial enterprises, as well as income tax. It also played a political function: as the capital grew, the tax rate progressively increased. In addition, the approach to taxation not only failed to produce the expected economic result, but on the contrary became a powerful disincentive in society, which led to the fact that according to Yu. Polyakov, the industry was in ruins, agricultural production in 1920 was only 50 % of the pre-war level (1913), „... almost all urban population was hit by strikes in the country ...”⁹. In order to eliminate the threat of „... the death of the revolution”, individual leaders were asked to abolish the firm price for bread, to allow the free trade of bread, which „... would nullify” a civil war, and between peasants and power „... peace would come”¹⁰. In the end, it forced “... the country’s

⁷ Ленин В. И. Сочинения [изд. 4.]. Москва. Гос. издат. пол. литературы, тип. “Печатный двор”. 1950. Т. 29. С. 118.

⁸ Про розкладку між губерніями зернових хлібів і фуражу, що підлягають відчуженню в розпорядження держави. Декрет РНК від 11 січня 1919 р. URL: <http://www.pravoznavec.com.ua/books/letter/8/kernel.php/624>.

⁹ Поляков Ю.А. Переход к НЕПу и советское крестьянство. Москва. 1967. – С. 25. URL: yandex.ua/yandresearch?tex.

¹⁰ Павлюченков С.А. Орден меченосцев. Партия и власть после революции. 1917-1929. Монография. Москва. Собрание, 2008. Р. 50-51.

leadership to change its attitude... to the economic course...”¹¹, to change the tax policy, to review the taxation system of peasants, for all who at that time were almost the only taxpayers in the country.

The decision to lift agriculture and the economy as a whole, which was urgently adopted by the government and had to normalize economic relations and remove the economy from ruins, was the abolition of the food distribution and the introduction of a food tax. To this end, a resolution on the transition to a new economic policy (NEP) was adopted at the X Party Congress on March 21, 1921, which was later developed in the Resolution of the Central Executive Committee on Replacing Food and Raw Materials¹².

The resolution on the NEP opens a new stage in the development of public administration of the country's tax system. According to this document, the basic principles of the food tax were laid down and it was emphasized that the total amount of the tax should be reduced as the Soviet state's industry and transport were restored. Due to restrictions and, in some cases, virtually no cash circulation, the RNA Decree of April 21, 1921, “On the Natural Tax on Bread, Potatoes, and Oil Seeds”, introduced natural taxes on these and, later, other types of agricultural production on the progressive principle of construction. About the peculiarity of taxation at that time was a form of payment of a natural tax. It was assumed that natural taxes could be paid in 18 different types of products, with the possibility of replacing each other in terms of a certain equivalent.

The government has made decisions about new taxable products, but the efficiency of administering natural taxes at the time is beyond criticism. Tax losses, as transportation and storage of products reached 40% of the amount of taxes collected. However, there was a catastrophic shortage of selected products to cover even the minimal state needs, so in order to eliminate the physical losses of products and their expensiveness, as it was charged by the Decree of the Central Executive Committee and the SNA of March 17, 1922 “On a single natural tax on

¹¹ Поляков Ю.А. Переход к НЭПу и советское крестьянство. М. 1967. – С. 25. URL: yandex.ua/yandsearch?text.

¹² КПСС в резолюциях и решениях съездов, конференций и пленумов ЦК. Москва. Госполитиздат, 1983. Т.2. С.370-371.

agricultural products for 1922/23”¹³ entered only natural tax is established as the only weight unit – in pounds or wheat progressive recovery is determined by three factors: the amount of arable land eater (one person), provision of livestock and crops.

There is no consensus among scientists as to the value of the NEP in the construction of a socialist state. Indeed, “... the successes of the NEP were reflected in the relatively rapid recovery of industry, transport and agriculture, and in the creation of a viable financial system”¹⁴ [111, p. 82], the whole country was involved in the process of reconstruction, resulting in an unstable market link between the state and the peasant¹⁵. It is achieving this, albeit fragile-called ‘communication gives us reason to believe during the NEP in one of the most advanced in the establishment and governance of the tax system in the Soviet state.

During the first 5 years, the restoration period, from 1921 to 1926, the index of industrial production increased more than 3 times, agricultural production increased 2 times and exceeded the level of 1913 by 18%. But even after the recovery period, economic growth continued at a rapid pace: in 1927 and 1928, industrial production growth was 13 and 19%, respectively. On the whole, during the period 1921 – 1928, the average annual growth rate of national income was 18 %¹⁶. However, in spite of the general optimistic picture reflected in the historical sources of those times, A. Drozdoukov emphasizes, the contradictions between the state and the population, between agriculture and industry became more and more aggravated “... as the problems of modernization of the country were brought to the fore”¹⁷. N. Rogalina generally insists on the doom of the NEP because of the limited market of that period, “... which made economic decisions politically possible”¹⁸. Let us mention, indeed,

¹³ Єдиний сільськогосподарський податок на 1923-24 рр. Декрет та постанова. – Харків. : *Видав. відділ Наркомпроду*, 1923. 16 с.

¹⁴ Дроздюков А. В. Итоги НЭП сквозь современную историографию. *Инновационное образование и экономика*. Москва. .2007. № 12 (1). С. 82.

¹⁵ Дэвис Р. Развитие советского общества в 20-е годы и проблема альтернативы. *Россия в XX веке: историки мира спорят*. Москва. 1994. Р. 214.

¹⁶ Дроздюков А. В. Итоги НЭП сквозь современную историографию. *Инновационное образование и экономика*. 2007. № 12 (1). С. 82-87.

¹⁷ *Ibid*, p. 85.

¹⁸ Роголина Н. Л. Новая экономическая политика и крестьянство Нэп: приобретения и потери. *Сборник статей*. Рос. АН. ин-т рос. истории; отв. Ред. В. П. Дмитренко. Москва : Наука, 1994. С. 142-143.

the NEP as the economic policy of the Soviet state was gradually supplanted and eradicated. However, its undisputed achievement was the promotion of the material base for the establishment of statehood in the USSR, including through the taxation of private activity, which became possible only due to the temporary softening of state policy towards independent private business activity.

An important result of the NEP was that economic successes were achieved on the basis of fundamentally new, unknown before the history of public relations of the state and the private owner. Thus, at that time in the industry key positions were occupied almost exclusively by state trusts, in the credit and financial sphere – state and cooperative banks, and in agriculture – small peasant farms, private or covered by simple types of cooperation. According to this completely new under the NEP were economic functions of the state have changed radically and priority objectives, budget and fiscal policy. Previously, the Center had directly forced the natural and technological proportions of reproduction into order, but now it has moved to regulating prices, seeking indirect, economical methods to ensure balanced growth.

The industrial sector of the economy, which is now largely state-owned, has not been left out of taxation by the USSR government. In 1926, income tax on state-owned enterprises, cooperative organizations and joint stock companies with participation of state and cooperative capital in the amount of 8% of the amount of net income¹⁹.

But the most interesting, in our opinion, the achievement of the NEP was the temporary weakening of the tax press on most peasant farms (except for the kulak ones). During the NEP embryos preferential taxation appeared, for example, granted tax relief cooperative organizations²⁰, the sole Agriculture (low income, low marginal farms, and those that grow industrial crops) were first established exemption limit (Article 212)²¹. Some cooperatives (consumer, agricultural, handicraft, handicraft and credit) were exempted from industrial

¹⁹ Davis R. From Tsarism to the New Economic Policy. London. 1990. С. 62.

²⁰ О льготах по обложению промысловым налогом для некоторых категорий предприятий : Постановление Наркомфина СССР от 25.09.1923 URL: <http://www.bestpravo.ru/sssrf/eh-gosudarstvo/j7b.htm>

²¹ О едином сельскохозяйственном налоге на 1928-29 год : Положение : Постановление ЦИК и СНК СССР от 21 апреля 1928 г. Собр. законодательства СССР. 1928. № 24. С. 212.

tax²². With regard to individual income, during this period, the income tax²³ was in force, which in 1926 was replaced by the state income tax, it provided for the application of the tax-free minimum and the taxation of income of citizens in the calculation of all members of their families who do not have independent income²⁴. To confirm the fact of introducing softer tax policy, present observations, R. Davis and, according to which the share of land tax and payments for land in income of farms declined from 9.5% in 1913 to 4.9% in the year 1926/1927²⁵. But in the future tax burden has been strengthened, but even a temporary easing tax burden is a good example of successful historical problems the state budget using promotional tools.

Also there is no doubt that the main task of the state remained the transition to full progressive income taxation of individuals and businesses and strengthen of the tax burden on kulak farms. Lenin proclaimed to the delegates of the 10th All-Russian Party Conference that tax collection would not go voluntarily, he would not do without coercion²⁶. That is, as in previous years, the state used violent methods of tax collection, and indirect taxes were introduced in the form of various excise taxes, as the implementation of the further expansion of the list of taxable objects by the government.

For the peasants, Yu. Polyakov notes, that NEP "... meant taxes known in advance"²⁷, which helped to strengthen the economy of the economy, but caused concern for the leadership of the party and the government, which in this phenomenon was seen by the factors of growth of the „kulak” layer²⁸. Subsequently, fears about the

²² О льготах по обложению промысловым налогом для некоторых категорий предприятий : Постановление Наркомфина СССР от 25.09.1923 URL: <http://www.bestpravo.ru/sssр/eh-gosudarstvo/j7b.htm>

²³ Об изменении ст. ст. 7 и 9 Положения о государственном подоходно-поимущественном налоге : Постановление ЦИК СССР, СНК СССР от 27.07.1923 р. URL: <http://www.bestpravo.ru/sssр/eh-gosudarstvo/y2o.htm>.

²⁴ О введении в действие Положения о государственном подоходном налоге : Постановление ЦИК СССР, СНК СССР от 24.09.1926 URL: <http://www.bestpravo.ru/sssр/eh-dokumenty/n0r.htm>.

²⁵ Davis R. From Tsarism to the New Economic Policy. London. 1990. С. 62.

²⁶ Ленин В. И. Сочинения [изд. 4.]. Москва: Гос. издат. пол. литературы, тип. «Печатный двор». 1950. Т. 29. Р. 118.

²⁷ Поляков Ю.А. Переход к НЭПу и советское крестьянство. Москва. 1967. С. 35. URL: yandex.ua/yandsearch?tex.

²⁸ Ibid, p. 35.

strengthening of the pulpit were increasingly reflected in the formation of a forfeiture tax policy.

As a result of the changes made in the late 20-ies of the twentieth century in the USSR formed a complex and cumbersome tax system: at that time there were 86 types of payments to the budget. Due to this, V. Lytvyn notes that since 1923/24 of the economic year in Ukraine "... eating of fixed capital" in industry has stopped²⁹. In the following, the extended reproduction process began in 1924/25, and in 1925/26. some of the capital investment was directed to new buildings"³⁰, but, as before, the funds for implementing the ambitious plans of the ruling party were not enough.

The Soviet government issued loans to finance the state industrialization program (which had fiscal signs because it was compulsory and compulsory). The first loan reached 200 million rubles, was issued in 1927, the budget received 198 million rubles, including the USSR – 34 million rubles. The second loan, in 1928, gave the budget 517 million rubles, incl. Ukraine – 96 million rubles³¹. Government loan receipts exceeded expectations, but the volume of sources did not cover the needs of industry, which absorbed far more than planned"³². In the five years, the industry was to give 12 billion rubles., V. Lytvyn, emphasizes the profit and gave only 6.949 billion. Thus, the sums needed for "... the forced development of the industry could only be received from the peasants", that is, the need remained "... to strengthen the press on the collectivized village ...", writes N. Hryk³³. After all, writes V. Golovko, agriculture has become the only source of income for capital investment in the modernization of industry and the army of the

²⁹ Литвин В. М. Криза непу. Історія України: підручник. 2011. URL: http://www.lytvyn-v.jrg.ua/history_of_ukraine/mdex.php?article=ch.

³⁰ Ibid.

³¹ Ibid.

³² Грик Н. А. Сельское хозяйство и промышленность: взаимодействие и взаимосвязь в годы первой пятилетки. 2006. Р. 3. URL: lib.tusur.ru/fuletext/periodika/oglavl/2006_grik_220906pdf.

³³ Грик Н. А. Сельское хозяйство и промышленность: взаимодействие и взаимосвязь в годы первой пятилетки. 2006. Р. 1. URL: lib.tusur.ru/fuletext/periodika/oglavl/2006_grik_220906pdf

USSR³⁴. However, scholars of that time were rather optimistic about the taxation of peasants. Thus, M. Mitilino believed that "... agriculture has reached such a level that it is possible to increase the burden of taxation"³⁵, and this "... will help the restructuring of the village..."³⁶.

The experience of those years proved the fallacy of this assumption. Due to the definition of industrialization as a priority objective of the budgetary and economic policies of the Communist Party leadership, the nature of taxation has changed significantly. The country has finally established a rigorous tax burden of expropriation on the traditional agrarian sector, which provoked a fall in the income level of peasants, caused migration of the rural population to the cities. Tax policy and other confiscation factors were pushing peasants into the city, which prepared the basis for an initial industrial leap in the USSR.

Since 1929, radical changes have taken place in the development of agriculture. Government was proclaimed on policy of collectivization, he was accompanied by further increasing the tax burden and the transition to the forced collection of taxes. Therefore, in the period 1929-1933, we distinguish in a separate stage of development of the tax system, as the tax policy of the country has acquired new aspects: it has become aimed at solving the problems of collectivization of the village, support and strengthening of the collective farm system, the final elimination of kulaks.

Why was the fiscal pressure exerted on the kulaks and why did communist propaganda call them class enemies? Turmeric was called a fairly large proportion of landowners in Ukraine (not that small or large), who mostly used hired labor to cultivate the land. The Soviet government, the leadership of the Bolshevik Party (later the Communist Party) saw the threat of political resistance from these masters, as opposed to the proletarians, who lost nothing and were already dependent on the state machine, landowners remained independent not only economically but also free of their own. Decisions, actions, were able to resist the repressive state

³⁴ Головка В. "Модернізація" як метанарратив української історії. Проблеми, історії України: факти, судження, пошуки : історичн. журнал. – 2003. № 9. С. 424.

³⁵ Мітіліно М. І. Основи фінансової науки. Київ. Державне видавництво України, 1929. Р. 164

³⁶ Ibid. Р. 166.

machine of the time, which, in fact, they did. Therefore, tax policy and the period of the NEP, and later, as a lever for pressing and, ultimately, the elimination of the capitalist elements – ‘kurkuls’. But in fact, a large layer of citizens, capable of managing the economy, thinking critically, making economic and managerial decisions, was liquidated. Such a repressive and confiscatory nature of tax policy has resulted in the great tragedy of the Ukrainian people, which is still evident today.

The main government documents in the field of tax changes were the Resolution of the Central Executive Committee and the RNA of February 8, 1929 “On the Single Agricultural Tax and the Facilitation of Taxation of the Medium-Sized Economy” and in the Regulation “On the Single Agricultural Tax for 1929–30”³⁷. The object of taxation under this provision was the total income of the economy. Further encouraging collectivization in the „About the only agricultural tax in 1930-31 years”. Approved by the CEC and SNK on February 23, 1930, for the collective instead of progressive and at taxation was set proportional. Under the new regulation, three taxation systems were approved: collective farms, single-occupied labor and kulak farms. At the same time, the criteria of attribution of farms to the kulak ones were expanded, and the taxation was carried out individually, which had a frank subjective, or more precisely, forced-confiscation character.

Changes and reforms in tax policy have affected not only the agricultural sector. In 1930-1932, a radical tax reform was carried out in the USSR, which resulted in the abolition of the excise tax system, instead of all tax payments (about 60) of enterprises that were at that time were exclusively state-owned, unified into two major ones: turnover tax and income tax deduction.

By the end of the 30-ies of the twentieth century, in the USSR there was decline in consumption in urban and rural areas, has acquired distribution extracting resources in the rural population, which was of hard to force, confiscation nature of tax policy and determines the orientation of fiscal policy to address the problems, ignoring the well-being and, even life. Thus, one of the most significant repressive measures against the peasants

³⁷ Єдиний сільськогосподарський податок 1929–30 рр. : Декрет НКФ УСРР. – Харків. Укр. філія Держфінвидаву СРСР, 1929. – 48 с.

of Ukraine in their numerous streams was the one-time tax introduced for single peasant households of Ukraine, approved on November 19, 1932 by the Resolution of the CEC and RNA. According to this document, the RNA of the USSR and regional executive committees were instructed to “set tax rates for districts, based on the economic characteristics and conditions of each district...” and “... to ensure constant systematic control over class tax administration...”³⁸. The tax was introduced to eliminate income of individual households that were not taxed agricultural tax, the result of his (among others) became Holodomor 1933. The complexity and depth of state priorities in fiscal policy are partly covered by data on the dynamics of socio-economic indicators in the USSR in the late 1920s and early 1930s (Table 1.4) (calculated according to according to³⁹).

Data shows, on the one hand, rapid, more than in 200%, economic growth, which reflects the realization of the intentions of the Communist Party leadership and the USSR government to industrialize the country, and on the other, the inordinate price of this growth, which is measured by the millions of lives lost in Ukraine: in 1933 In 2006, 166 people were paid for each tractor that came to the Ukrainian village.

Since the early 1930s, as before, and for quite a long time to come in the USSR, taxes have been exercised by their functions that are not peculiar to them: political and class struggle. In the course of collectivization and industrialization, practically complete destruction of the kulaks in Ukraine, destruction of market approaches to production and sale of products, general extension of state ownership to almost complete monopoly took place, which allowed to build a system of taxation on administrative methods by withdrawing the profits of enterprises and redistribution of financial resources through the country’s budget.

³⁸ Про одноразовий податок на одноосібні господарства : Постанова Раднаркому УСРР від 21 листопада 1932р. URL: <http://textbooks.net.ua/content/view/1073/17/>.

³⁹ Смирнов В. С. Экономические причины кризиса социализма в СССР. Отечественная история: РАН. Ин-т рос. истории. 2002. № 6. С. 97.

Table 1.4

**Social and economic indicators of the USSR
in the late 1920s –early 1930's**

Indicator	years								Increase (+, -)%	
	1927	1928	1929	1930	1931	1932	1933	1934	1933 compared to 1927	1934 compared to 1927
Energy capacity of industry, million kWt	2.72	2.97	3.30	3.72	4.34	5.50	6.89	8.29	153.3	204.8
Proceeding tractors for agriculture, thousands	*	3.4	9.5	39.2	59.1	46.1	68.7	87.3	-	-
Park of harvesters	-	-	-	1.7	6.4	14.5	25.4	32.3	-	-
Railway freight turnover, billion ton	81.7	93.4	112.9	133.9	152.1	169.3	169.5	205.7	107.5	151.8
Increase in the population of the USSR: the first version, mln people	3.0	3.3	*	*	2.1	1.6	-1.6	0.8	-153.3	-73.3
second version, million people	3.1	3.1	2.8	2.6	1.8	-0.8	-2.8	1.0	-190.3	-67.7
third version: (basic), thousands people	2965	3066	2745	2410	2009	1051	-590.5	1369	-299.2	-53.8
Mortality of the population for the third version, thousands people	3984	3878	4132	4284	4501	4786	11450	3410	187.3	-14.4

The formation of new priorities of the tax policy of the state has emerged since 1936, which allowed us to highlight the beginning of the next period of tax development in the USSR. It is characterized by complete management of resources by the state, determination of planned tasks and “control figures”, establishment of “state orders”, directions, volumes and prices of sold products, etc.⁴⁰. With the help of “... central planning, the state monopolized the market”, managed the objects, “... appropriation of the product created at state enterprises and monopoly profit...”⁴¹. The renewed income of the state was formed not by taxes, but by direct deductions of the gross national product, on the basis of “... absolute state monopoly”⁴². This feature, in our view, remains a difficult historical legacy in the field of public administration of the tax system.

The result of this approach was the almost complete loss of fiscal function taxes, given that population taxes were not significant, the existence of the tax system lost sense, and the state fiscal policy was transformed into a purely budgetary one: centralized withdrawal, centralized distribution. In the structure of public administration, which was regulated by the Constitution of the USSR⁴³, approved by the Extraordinary VIII Congress of Soviets of the USSR on December 5, 1936, tax service as an institution of public administration was designed to collect taxes, until 1990⁴⁴.

2. Prerequisites for forming a tax system in an independent Ukraine.

Restoration of tax system institutions

During the period from 1936 to 1987, tax events took place, but they were not of a profound reformer character. In those years, in Ukraine, as well as in the Soviet Union as a whole, in science, awareness of the

⁴⁰ Бодров В. Г., Крушельницька Т. П., Манойленко О. В., Мартиненко В. Ф. Державне регулювання спеціальних монополій в Україні : наукова монографія. Х. : Вид-во “Константа”, 2005. р. 25-26.

⁴¹ Ibid. P. 25-26.

⁴² Ibid. P. 25.

⁴³ Конституция (основной закон) СССР от 5 декабря 1936 года (с последующими изменениями и дополнениями) URL: <http://www.hist.msu.ru/ER/Etext/cnst1936.htm>.

⁴⁴ О государственной налоговой службе : Постановление Совмина СССР от 24.01.1990 N 76. URL: <http://www.bestpravo.ru/sssr/gn-akty/q0p.htm>.

essence of taxes was reduced to its ideological and class content, and tax in 'bourgeois' states was defined as a tool of exploitation. From 30 years up to the collapse of the former Soviet Union and in the entire country, no problems Ukraine's development tax system no one cared, because I for said Victor Panskov, in that „... there was no need: society legislated to build the world's first tax-free state”. This has led national science in this field for a long time to clear the theoretical understanding of the nature and nature of taxes, to determine their role in public administration, which explains the irrational trajectory of tax reform, which echoes even today.

During this period, the tax pressure intensified (to financially support the urgent needs of the state), then weakened (to illustrate the „extraordinary acts of the ruling party”). Example, the collective farm taxation has changed since 1936 after the adoption of the CEC and RNA Decree of June 20, 1936 “On the replacement of agricultural monetary tax by collective farms with a profitable monetary tax”⁴⁵. It was a softening of fiscal policy, which explained uneven taxation of certain types of agricultural enterprises. Profit tax has significantly simplified and reduced the cost of collection and facilitated the organization and strengthening of collective farms.

With the World War II, there has been an increase in taxation due to the need to meet military needs. A military tax (abolished in 1946) was introduced in 1941 and a 100% agricultural tax surcharge was subsequently abolished. In order to raise additional funds for mothers of many mothers, the Order of the Presidium of the Supreme Soviet of the USSR introduced, on November 21, 1941, a tax on bachelor, single, and small family citizens⁴⁶, which was expected to promote population growth and provide additional collection for large families.

In the post-war period, a tax was introduced on the turnover of trade enterprises, an analogue of excise duty on consumer goods (crystal, furniture, coffee, cars, vodka). Income from this tax in the revenue part

⁴⁵ КПСС в резолюциях и решениях съездов, конференций и пленумов ЦК. *Москва. Госполитиздат*. 1983. Т. 2. С. 370-371.

⁴⁶ Про податок на холостяків, одиноких і бездітних громадян СРСР : Указ Президії Верховної Ради СРСР від 21 листопада 1941 року. *Відомості Верховної Ради СРСР*. 1941. № 42.

of the budget in 1954 was 41 %⁴⁷, the collection of livestock owners⁴⁸, etc. The gradual replacement of taxation by non-tax sources of budget replenishment has also returned. Chief among them was the redistribution of part of the revenues of state-owned enterprises and organizations with the simultaneous payment of turnover tax, which in 1954 accounted for approximately 40% of the revenue part of the budget of the USSR⁴⁹.

It should be noted that a certain impetus in the change in tax policy occurred with the advent of the top management of the country Khrushchev. The reasons for the revival of tax activity in the late 1950s were due to a shortage of payments on domestic government liabilities, a manifestation of the government's refusal to extinguish government bonds in 1957 due to severe economic problems⁵⁰. As a result, the unemployment rate in the country increased, though not officially registered, the deficit of goods increased, and other signs of crisis were observed, which required urgent measures on the part of the state.

It was against the background of the worsening economic crisis that Khrushchev put forward the idea of sacrificing small, as he thought, budget revenues from taxes on the income of the population, in order to maintain the party's priority position. Leaders from proposed restructure management of the economy, yet „press red directors”, and production will rise and float in budget revenues⁵¹. Indeed, according to the data given by E. Zhirnov, taxes on the population in the mid-60's of the twentieth century. In the USSR, they accounted for less than 8 % of state revenues, and, as the first secretary of the CPSU Central Committee,

⁴⁷ Цыпкин С. Правовое регулирование налоговых отношений в СССР. Москва. Госюриздат, 1955. Р. 17.

⁴⁸ Соколовська А. М. Методологічні аспекти оподаткування. *Наукові праці НДФІ*. 2001. Вип. 2 (14). р. 33.

⁴⁹ Брызгалин А. В. Налоги и налоговое право. Учебное пособие под ред. А. Брызгалина. Москва. 1997. 600 с. URL: <http://www.cnfp.ru/tax/theory/history/>.

⁵⁰ Подписка о невыплате. *Власть*. 2007. № 10. URL: <http://www.kommersant.ru/vlast/?IssueID=55315>.

⁵¹ Жирнов Е. Отказаться от взимания налогов. *Коммерсант. Власть*. 2010. № 17-18. URL: www.kommersant.ru/doc.aspx?DocsID=1361006.

M. Khrushchev, believed, the loss of such an amount could not have made the budget a „non-renewable gap”⁵².

Proclaiming the program “... active construction of communism”, for the 21st Congress of the CPSU in 1959, the USSR government made proposals for the abolition of taxes on the population, which envisaged the gradual abolition of the payroll tax for workers and employees, starting in May 1960⁵³ [308]. In this regard, the third Program of the CPSU, adopted at the XXII Congress of the CPSU on October 31, 1961, provided for the complete abolition of tax payments from the population⁵⁴. The reforms proposed in the 1960s, inspired by the "coming of communism," included the complete abolition of taxes and the introduction of a system of income payments, payment for the fund and normalized working capital instead. Government documents stated : as a result of the reform, “... a high level of material and technical base will be created, a high level of consciousness of the people will be achieved, the principles of socialism will be fully developed and fully demonstrated”⁵⁵.

The main contradiction of the reform of 1965 is the desire of the authorities to maintain a policy model of the departmental economic mechanism and, at the same time, to combine two opposite processes: to strengthen centralization in the economy and to engage market economic regulators (profitability, profit, etc.). Market ideas do not fit into the economic mechanism USSR, the essence of which was saved of all power in the hands of the state. Accordingly, the tax system was set up by the state to function in an unaltered, directive way.

The reform of the economy, including the tax system, in terms of complete abolition of taxation of citizens, in this form was not adopted. Subsequently, significant changes were made to the tax legislation acts regarding burdening of income tax, property taxation of individuals, agricultural tax, single state duty, collection for housing and cultural and household needs, income tax from film screenings, etc.

⁵² Ibid.

⁵³ Об отмене налогов с заработной платы рабочих и служащих : Закон СССР от 7 мая 1960 года. *Ведомости Верховного Совета СССР*. 1960 . № 18. Ст.135.

⁵⁴ Программа КПСС. Принята XXII съездом КПСС. Москва, 1974. С.28

⁵⁵ Ibid. P. 28.

Although the implementation of this resolution has not occurred due to shift Khrushchev from office, in the States and in the tax system and has already begun significant changes. Due to them in 1970 there was originated elementary tax system administrative-command direction of individual tax items, such as personal income tax. At the beginning of the reforms of the mid-1980s, more than 90% of the State budget of the Soviet Union and its individual republics was formed at the expense of the national economy. Direct taxes on the population accounted for a small proportion, approximately 7-8% of all budget revenues⁵⁶.

In the 1971-1985 the command-administrative system could not adapt to the demands and changes dictated by the scientific and technological revolution, which, along with other factors, have become a major cause of extinction disproportional economic development. The necessary resources were gradually exhausted or significantly more expensive, and the economic growth of the USSR declined rapidly. Thus, the average annual growth rate of industrial production was: in 1966-1970 about 8.5 %; in 1971-1975 – 7,4%; in 1976-1980 – reached only 4.4%; and in 1981–1985 – fell to 3.6%, and the growth rate of national income in the same periods amounted to 7.2, 5.1, 3.8 and 2.8%, respectively⁵⁷. There was a gradual impoverishment of the country; the Soviet economy entered the stagnation zone. The signs were an increase in the budget deficit, a constant monetary issue, and an increase in the national debt.

Against this background, there was an increasing need for a restructuring and gradual transition to new economic conditions, which envisaged the resumption of individual employment at non-state enterprises, and therefore the need for a state institute to manage a new process, such as the tax one, was at the moment a question about the revival of the tax service and the development of the tax system as a whole.

The impetus for the creation of the tax service of the USSR was the measures that were gradually to bring the economy from command to

⁵⁶ Леоненко П. М., Юхименко П. І. Економічна історія. Навчальний посібник. Київ. Знання-Прес. 2004. С. 70.

⁵⁷ О государственном предприятии (объединении). Закон СССР от 30.06.1987. URL: <http://pravo.levonevsky.org/baza/soviet/sss1996.htm>.

administrative to market. For example, in 1986 the USSR allowed individual labor activity of citizens, in accordance with the provisions of the Law of the USSR of June 30, 1987 „On State Enterprise (Association)”, set a patent for the right to engage in individual employment [300]. Adoption of this law can be considered the beginning of a radical reform of the system of mandatory payments to the budget in the USSR, it was the beginning of the formation of a legal framework for the introduction of a system of taxes for individual entrepreneurs, cooperatives and enterprises with the participation of foreign organizations, the impetus to the emergence of state and fiscal policy on a qualitatively new level of development. Important steps towards the formation of a new tax outlook were the Laws on Individual Labor Activity (1986), and On Cooperation (1988), which legalized small-scale private entrepreneurship and prepared the ground for taxation.

As a result of the state decisions taken, in 1988, 734 thousand people were employed in individual labor activities, mostly handicrafts. The rapid dynamics of the number of cooperatives in these years testifies to the timeliness and foresight of the decisions made. Thus, in the spring of 1989, the number of cooperatives exceeded 99.3 thousand people, employing about 2 million people, and two years later, in 1991, this figure exceeded 7 million people, representing about 15% of the country's active population⁵⁸.

Thus there were launched reforms whose aim was to claim transition from administrative to economic methods of governance. Due to the increasing flow of information of various kinds, caused by the lifted “Iron Curtain”, it became increasingly impossible to ignore the global trends in the development of the tax system, thus preparing the ground for the creation and formation of the tax system of Ukraine as an institution of state power for the implementation of fiscal policy. With the adoption in 1987 of the USSR Law on State Enterprise (Association)⁵⁹, which became effective for all enterprises, a separate

⁵⁸ Леоненко П. М., Юхименко П. І. Економічна історія. Навчальний посібник. К. : Знання-Прес. 2004. 499 с.

⁵⁹ О государственном предприятии (объединении). Закон СССР от 30.06.1987. URL: <http://pravo.levonevsky.org/baza/soviet/sssr1996.htm>.

period was opened, the Soviet development of the tax system, which was characterized by a radical reorientation of tax policy towards legalization and promotion of development of individual entrepreneurship and the beginning of the formation of market relations.

As Ukraine obtained independence, a national tax system began to be created and intensively developed in our country. The State Tax Service of Ukraine was created by the decision of the Council of Ministers of the USSR of 12.04.90, No. 70. In December of that year, the Supreme Soviet of the USSR adopted the Law "On State Tax Service in the Ukrainian SSR"⁶⁰. The status of the State Tax Service in Ukraine, its functions and legal bases of activity were regulated by the Law of Ukraine "On the State Tax Service in Ukraine" and the Decree of the Cabinet of Ministers of Ukraine "On Provision of Activities of the State Tax Administration of Ukraine".

In 1991, the Law of Ukraine "On the Taxation System" was adopted, which defines the principles of building a taxation system in Ukraine, a list of taxes and fees (mandatory payments) to budgets and state trust funds, as well as the rights, duties and responsibilities of payers. The system of bodies of the state tax service of Ukraine according to the above law included: State tax administration of Ukraine and state tax inspections. The period of formation of the tax system of independent Ukraine begins. The main focus was on regulating economic issues affecting the quantitative focus of taxes, the size of tax rates and the distribution of tax payments across budgets at different levels⁶¹. Adoption of this law was the beginning of formation of tax system institutions in independent Ukraine. The creation of tax system institutions was caused by the reform of economic and political relations.

From 1991 to 1996, the tax system of Ukraine takes on a certain legal form, with limited compliance with the global trends of formation and functioning. From such positions, at this stage, we define the state's goal of the role of the tax system as to bring the normative provisions of the

⁶⁰ Про державну податкову службу в Україні. Закон України від 04.12.1990 № 509-ХІІ. *Офіційний веб-сайт Верховної Ради України*. URL: <http://zakon3.rada.gov.ua/laws/show/509-12>.

⁶¹ Про систему оподаткування. Закон України від 25.06.1991 № 1251-ХІІ. *Офіційний веб-сайт Верховної Ради України*. URL: <https://zakon.rada.gov.ua/laws/show/1251-12>

tax system of Ukraine to the requirements of world standards and, taking into account the growing share of the private sector of the economy, fulfill the fiscal function. An example of an attempt to rise to world standards was, for the first time in the tax practice of Ukraine, the mandatory declaration of personal income⁶². But the most obvious in the sense of forming a tax system on world models was the introduction of value added tax (previously – added value), since, according to A. Sokolovska, in most developed countries, the formation of financial needs of the state is mainly due to indirect taxes⁶³.

With the adoption of new laws on income tax and value added tax in 1996 and 1997 respectively^{64,65}, for the first time in the current legislation introduced the concept of tax accounting, identifies the objects of taxation, without reliance on accounting, introduced the concept gross expenditures and gross revenues, the algorithm of budgetary compensation of VAT is formed, etc.

An important step taken during the new stage of tax system reform was made on May 22, 2003, with the adoption of the Law of Ukraine „On Personal Income Tax”, which came into force on January 1, 2004. The main innovation of this law is the detailing of terms, a significant reduction in the tax rate, simplifying its definition, and so on. Thus, since January 1, 2004, it has been set at 13%, regardless of the size and place of income, and since January 1, 2007 the rate is 15%, unlike the earlier CMU Decree⁶⁶. It should be noted that until 2004 there was a progressive, abrupt taxation rate for individuals, which was difficult to justify. The changes, innovations and additions made at this

⁶² Про прибутковий податок з громадян : Декрет КМУ від 26.12.1992 № 13-92. *Офіційний веб-сайт Верховної Ради України*. URL: <http://zakon.rada.gov.ua/cgi-bin/laws/main.cgi?nreg=13-92>.

⁶³ Соколовська А. М. Податкова система України: теорія та практика становлення. Монографія. К. : НДФІ, 2001. Р. 34.

⁶⁴ Про оподаткування прибутку підприємств. Закон України від 22.05.1997р. № 283/97-ВР. *Офіційний веб-сайт Верховної Ради України*. URL: <http://zakon.rada.gov.ua/cgi-bin/laws/main.cgi?nreg=283%2F97-%E2%F0>.

⁶⁵ Про податок з доходів фізичних осіб. Закон України від 22.05.2003. № 889-15. *Офіційний веб-сайт Верховної Ради України*. URL <http://zakon2.rada.gov.ua/laws/show/889-15>.

⁶⁶ Про податок з доходів фізичних осіб. Закон України від 22.05.2003. № 889-15. *Офіційний веб-сайт Верховної Ради України*. URL <http://zakon2.rada.gov.ua/laws/show/889-15>.

stage to the tax regulations aimed at further bringing the domestic tax system to the world standards, on the one hand, and on the other, expanding the tax base to increase budget revenues.

Despite the fact, that quite a large number of regulations in Ukraine is still a problem perfect legal regulation of taxation. The relationship between the taxpayer and the state is not regulated as fully as we would like, legislative rules and are not uniquely is subjected to constant interpretation and, quite controversial changes.

In 2010 the Tax Code was adopted. The Code refers not just about reducing the list of taxes and reducing their rates, even though these measures will have a positive result in the stimulation of the economy, and the establishment of new mechanisms for tax collection, broadening the tax base, involvement of an increasing number of taxpayers, as well as changing the very ideology of taxation. It was expected that its adoption may provide a gradual transition to stabilization the fiscal law, automatic unopposed (in terms of variability of decision-making in the field) fiscal policy.

However, analyzing its provisions and implementation practices during 2011-2015, we see that the Code pays insufficient attention to the problems of eliminating legal loopholes, resolving tax collisions, improving the legal regulation of the entire tax relations system. This does not allow us to define the development of democracy and a market economy as priorities of fiscal policy in Ukraine. But tax system since Ukraine's independence, even given some positive provisions of the Tax Code, virtually unchanged base visualizes through two main functions of taxes, and fiscal control. That is why the tax system again needs a radical reform, which, in fact, has been started since 2015, taking into account the needs of governmental and budgetary decentralization.

The main results on the analysis of scientific sources and normative documents adopted during the twentieth century XXI in the USSR and independent Ukraine, the author highlights the main stages of the origin

and formation of the national tax system, which are caused by the evolution of policy on the role of tax (Table. 2)^{67,68}

Table 2

Stages of formation of the tax system of Ukraine

Period	Defining regulations	Signs of the period	Problems of fiscal policy
1	2	3	4
1917-1921 – forced-revolutionary	RNA Decree of October 24, 1917 “On the Collection of Direct Taxes”; RNA Decree of January 11, 1919 “On the Food Layout”	Confiscation and class character of taxation; the presence of a disincentive natural tax.	Ensuring the financial and food needs of the state, most of all the army.
1921-1929 – forcible confiscation	Resolution of the Central Executive Committee of March 21, 1921 “On the replacement of food and raw materials layout”, RNA Decree of April 21, 1921 “On the natural tax on bread, potatoes and oil seeds”	Natural and form collecting taxes along ; refusal to pay taxes on different types of products , establishing a single product type, softening the taxation policy for peasants; introduction of separate tax benefits; the transition to a progressive– tax method.	Restoration and development of industry and agriculture, filling the budget. The limitations of pressing and, ultimately, the elimination of capitalists including elements.
1929–1936 – monopolization of the economy	Resolution of the CEC and RNA of the USSR of March 29, 1931 Regulation “On a single agricultural tax for 1931”, Consensus of the USSR of December 5, 1936	Political and liquidation functions of taxation, application of non-systematic confiscation methods of tax collection; absence of tax authorities.	Liquidation kulaks, spread state monopoly; provision of collectivization and industrialization;

⁶⁷ Крушельницька Т. А. Управління податковою системою України в умовах міжнародної економічної інтеграції : монографія. Донецьк : Юго-Восток, 2012. 412 с.

⁶⁸ Крушельницька Т.А. Формування фінансової основи територіальних громад України: теоретичне визначення і аналіз актуального стану: монографія. Riga, Latvia: LAMBERT Academic Publishing RU. 2019. 71 с.

Continuation of the table 2

1	2	3	4
1936–1987 – administrative and command	Resolution of the CEC and RNA of June 20, 1936 "On the replacement of agricultural cash tax from the collective farms income tax" Law of the USSR of May 7, 1960 "On the abolition of the tax on wages of workers and employees"	Tax abatement ; introduction of a system of privileges and preferences for collective farms; temporary increase in tax pressure during the Great Patriotic War; strengthening the absolute state monopoly; full disposal of state resources, replacement of taxes with non-tax sources of filling the budget;	Organization and strengthening of collective farms, increase of marketability of production; provision of military needs; the use of targets and benchmarks; preservation of a directive model of the economic mechanism, the union of two opposite processes: centralization in the economy and markets and economic and regulator and.
1987–1990 – pre-market transformation	Law of the USSR of June 30, 1987 "On State Enterprise (Association)"	Beginning of the reform of the system of compulsory payments of state-owned enterprises in the budget, formation of a legal framework for introducing a system of taxes for individual entrepreneurs, cooperatives and enterprises with the participation of foreign organizations.	Preparation of transition from administrative to economic methods of management; stimulating the development of individual entrepreneurship and establishing market relations.
1990–1996 – initial institutional	Law of Ukraine "On Tax Service of Ukraine" dated 04.12.1990. Law of Ukraine "On Value Added Tax" of 20.12.91	The collapse of the USSR, Ukraine's declaration of independence, and the adoption of a combination of market and administrative levers of regulation and governance.	Creation of the tax system of Ukraine; partial alignment of regulations to the requirements of world standards.
1997– to 2013 – Reform–adaptive	Laws of Ukraine "On value added tax" of 03.04.1997, "On taxation of profits of enterprises" of 22.05.1997, Tax Code of Ukraine of 03.12.2010	Introduction of tax account; applying new approaches to determining the object of taxation; introduction of the concept of gross expenditures and gross revenues, formation of the mechanism of budgetary compensation of VAT.	Gradual adaptation of the tax system of Ukraine to world standards, revision of the principles of state management of tax system development

Continuation of the table 2

1	2	3	4
2014 – to date - Reform in the conditions of decentralization of power	Law of Ukraine "On Voluntary Association of Territorial Communities" of 05/02/2015, No. 157-VIII, Budget Code of Ukraine: Law of Ukraine dated July 08 2010 – No. 2456-VI, VRU ed. from March 13, 2015	Changing the number of taxes, simplifying the tax legislation, introducing IT- technologies of tax administration, introducing the principles of budgetary decentralization	Realization of the process of decentralization, formation of financial basis of self-sufficiency of territorial communities

Currently, the reform of the tax system of Ukraine is taking into account the needs of decentralization. Unfortunately, not all problems solved yet. The principles of work of fiscal institutes need to be radically changed; there is a need for transition of the process of tax administration on IT-technologies, tax law is confusing and not stable and so on. Overall, the tax system works and allows the public administration to realize the main priorities.

CONCLUSIONS

Thus, analysis and historical sources of tax system formation in Ukraine in XX – beginning of XXI century and the peculiarities of the formation of the national fiscal policy made it possible to highlight the difficult, contradictory, devoid of consistency of the path of the domestic tax system from birth to the ruins of tsarist Russia, the almost complete atrophy during the state monopoly in the USSR, and the revival with Ukraine's independence.

A retrospective analysis of the formation of the tax system of Ukraine in the XX – early XXI century revealed the dynamics of its institutions and major flaws and contradictions and its theories and (gravitational tax system to perform functions it was not typical, sharp second imbalance between the state and taxpayers, the state of permanent reform, the lack of a stable regulatory support, etc.), which will slow and today the development of the national tax system. On the example of the tax policy of the USSR in the period of the NEP and during the 30-ies of the twentieth century somewhat hypertrophied, but ideally illustrates the

ideological positioning of the tax system in public administration to achieve the goal.

Most important result of the analysis of historical retrospective, we believe visual detection of conflict between the historical heritage in the public management of the tax system, built on the principles of administrative – command first administration and tax requirements for her systems and in the integration of Ukraine into the world economic environment and decentralization of power.

SUMMARY

The article deals with the peculiarities of implementation historical background of tax system formation in Ukraine in the twentieth – early twentieth centuries and features of national fiscal policy. These are the following periods: 1917-1921 – period forced-revolutionary, 1921-1929 – period forcible confiscation, 1929-1936 – period monopolization of the economy, 1936-1987 – period administrative and command, 1987-1990 – period pre-market transformation, 1990-1996 – period initial institutional, 1997– to 2013 – period reform– adaptive, 2014 – to date – period reform in the conditions of decentralization of power. The author has distinguished stages of development of the tax system on the basis of generalization of features of each stage. This helped to characterize the priorities of fiscal policy at each stage. The article identifies conflict between the historical heritage in the public management of the tax system, built on the principles of administrative – command first administration and tax requirements for her systems and in the integration of Ukraine into the world economic environment and decentralization of power.

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**THE ROLE OF STATE BUDGET OF UKRAINE
IN THE IMPLEMENTATION OF ECONOMIC
AND SOCIAL POLICY**

Mishchenko D. A.

INTRODUCTION

One of the most important tool of stabilization and development of the national economy, appliance of current economic and social systems to the changing conditions, particularly the implementation of economic and social policy of the country is the state budget. Considering the inability of the current mechanisms of budgeting policy formulation and implementation to solve the problems of the socioeconomic development of the state at the proper level, it is necessary to develop a new budgetary policy, meant to promote to unlocking the country's potential for development on the basis of financial decentralization and realization of the inner potential of economic advance (self-development); improvement of intergovernmental budgetary relations. The question of theoretical and practical aspects of the role of the state budget in the implementation of the economic and social policy of the state, finding out its place in the system of state regulation of the economy in the conditions of transformation of the national fiscal policy, decentralization and expansion of local authorities is also relevant.

A major contribution to the development of theoretical and methodological foundations of state regulation of socioeconomic processes has been made by such national and foreign scientists as: M. Alexandrova, V. Bazilevich, V. Bodrov, A. Bulatov, O. Vasylyk, V. Vorotin, V. Geyets, V. Grinova, O. Levchenko, Y. Luzan, A. Melnik, O. Mordvinov, A. Muzychenko, V. Oreshin, V. Rossokha, G. Tretyak, N. Ushenko, N. Shiyan and others. In justice to the scientific achievements of scientists, it should be noted that it is still ill-defined and requires an in-depth study of the question of improving the use of the

budgetary mechanism in the implementation of the economic and social policy of the state.

1. Analysis of establishment and application of state budget funds

In the modern period of development of the budget system, the formation of a sufficient amount of state budget revenues and ensuring their efficient application assume special importance. The state budget is an integral part of the budget system of each country and an important tool for implementing the economic and social policy of the state.

The Budgetary code defines the structure of the budget system of Ukraine, which includes the state budget and local budgets. Local budgets are budgets of the Autonomous Republic of Crimea, regional, provincial, and local government budgets, which include budgets of territorial communities of villages, their unions, settlements, cities (including districts in cities), and budgets of united territorial communities.

Budget revenues play an important role in the socioeconomic development of society. Budget revenues, on the one hand, are the result of the distribution of GDP between various participants in the reproduction process, and on the other, are the object of further distribution of value, concentrated in the state hands, because the latter is used for budget establishments of different levels.

In formalizing the financial category „budgetary resources”, we deem it advisable to pay attention to its objective features, peculiar to any economic system. Thus, budgetary resources are: 1) a product of the seizure of part of the value of a newly created product of society and its distribution and redistribution according to economic, social and political purposes; 2) the basis for the creation of centralized and decentralized budgetary funds; 3) an important instrument for regulating the economic relations of society; 4) a specific financial category with stable natural properties, characteristic forms of expression and laws of development, in what connections these relationships are permanently changing.

In the meantime, some scientists narrow down the economic content of the „budgetary resources” category to the level of the state budget. Thus, A. Zagorodniy and G. Vozniuk define these resources as the

means from which the state budget is formed and which compose a significant part of the centralized financial resources of the state¹.

Therefore, budgetary resources as a financial category are given considerable attention, while at the same time there is no holistic comprehension of this complex economic concept. Each scientist characterizes the budgetary resources from the standpoint of the tasks of his own research, omitting other important aspects. In addition, the definitions do not specify the purpose of such resources provision.

The Budget Code of Ukraine, the main legislative act in the field of budgetary relations, also lacks formalization of the term "budgetary resources"; in this category it is identified with the concept of "budgetary funds". In the Code, budgetary funds (public funds) are interpreted as appropriated in accordance with the law of budget revenue receipt. In turn, "budget revenues are budget incomes, repayment of loans to the budget, funds from state (local) borrowings, funds from selling state-owned assets (regarding the state budget), repayment of budget funds from deposits, proceeds from the sale / presentation of securities"².

Formation and distribution of budgetary resources, intended for the fulfillment of its functions by the state, is the economic basis for the existence of the latter. At the same time, the status of each resource implies the presence of its properties such as rarity and value. Moreover, the principle of parsimony of economic resources has a comprehensive character, that is why in foreign economic literature it is called fundamental, and the problem of the resource insufficiency is considered as determinative.

In fact, all kinds of economic resources, which are at the disposal of society, are limited and insufficient to meet the full spectrum of human needs, which are generally not limited, unsatisfied, and, moreover, with the development of society, are constantly growing and changing in quantitative and qualitative terms.

¹ Загородній А.Г., Вознюк Г.Л. Фінансово-економічний словник Львів: Вид-во Львівської політехніки, 2011. 844с.

² Бюджетний кодекс України від 08 липня 2010 р. № 2456-VI. URL: <http://zakon4.rada.gov.ua>

It is important to realize exactly what kind of the components of the general fund revenues of the state budget of Ukraine are the most important and how they change over time.

Table 1

**Movements of revenues of the General Fund
of the State Budget of Ukraine, billion UAH³**

	2016		2017		2018	
	plan	fact	plan	fact	plan	fact
Tax revenue	502,55	503,87	610,86	605,65	724,71	716,57
Non-tax revenues	66,14	65,19	47,47	87,39	111,41	110,40
Income from capital operations	0,99	0,07	0,27	0,10	0,04	0,084
Revenues from the European Union, foreign governments, international organizations	3,71	2,5	0,86	1,36	1,28	1,16
Official transfers	3,11	3,05	3,92	3,89	5,40	5,40
Total	575,63	574,66	702,02	698,41	842,85	833,62

Table 1 shows income movements of the general fund revenues of the state budget of Ukraine according to the plan and in point of fact. Tax revenues amounting to UAH 502.55 billion in 2016 according to the plan and UAH 503.87 billion in point of fact; they increase by UAH 222.16 billion in 2018 and by UAH 212.7 billion respectively. Non-tax revenues have the same tendency – they grew by UAH 45.27 billion according to the plan and by UAH 45.21 billion in point of fact. Revenues from the European Union, governments of foreign countries, international organizations and at the expense of official transfers were of minor importance.

In order to study the structure of revenues of the general fund of the State Budget of Ukraine, we construct the following table

³ Офіційний сайт Державної казначейської служби України. URL: <http://www.treasury.gov.ua/main/uk/index>

Table 2

**Structure of revenues of the General Fund
of the State Budget of Ukraine, %**

	2016		2017		2018	
	plan	fact	plan	fact	plan	fact
Tax revenues	87,3	87,7	87,0	86,7	86,0	86,0
Non-tax revenues	11,5	11,3	12,3	12,5	13,2	13,2
Income from capital operations	0,0	0,0	0,0	0,0	0,0	0,0
Revenues from the European Union, foreign governments, international organizations	0,6	0,4	0,1	0,2	0,2	0,1
Official transfers	0,5	0,5	0,6	0,6	0,6	0,7
Total	100,0	100,0	100,0	100,0	100,0	100,0

The share of tax revenues in the structure of the general fund revenues of the state budget of Ukraine remained the largest during the whole period, although it tended to decrease both according to the plan and in point of fact. On the contrary, the share of non-tax revenues slightly increased. The share of revenues from the European Union, foreign governments, international organizations and official transfers, as noted, is insignificant in the structure of general budget revenue of Ukraine.

For the first time a special purpose fund in composition of the state budget appeared in 2000. The reason was the introduction of fiscal records and increased control over the use of funds of budgetary institutions that previously turned out of budget. With the creation of a special purpose budget fund, the former extrabudgetary trust funds have been referred to it⁴.

The amount of the special purpose budget fund of the state budget and the relationship between the sources of income and the directions of use of funds are set annually in the Law on State Budget. The special purpose fund is the resources that are received for a specific purpose and are used for appropriate expenditures at the expense of these revenues.

⁴ Боронос В. Г. Особливості реалізації бюджетно-податкової політики України та визначення напрямів її розвитку. Бізнесінформ. 2012. № 6. С. 145 – 148.

Special fund resources play the role of additional financial support for the implementation of national, social and other functions entrusted to budgetary institutions.

Table 3 shows the indicators that characterize the movements of revenues of the special fund of the state budget of Ukraine.

Table 3

**Movements of revenues of the special fund
of the state budget of Ukraine, billion UAH**

	2016		2017		2018	
	plan	fact	plan	fact	plan	fact
Tax revenues	-	0,003	21,34	21,51	35,30	37,25
Non-tax revenues	43,91	38,45	47,47	41,18	60,27	54,28
Income from capital operations	1,17	0,12	0,27	0,18	0,44	0,57
Revenues from the European Union, foreign governments, international organizations	1,79	1,64	0,91	0,24	1,08	0,30
Trust funds	7,88	0,28	22,70	29,85	4,87	0,19
Official transfers	1,15	1,12	2,12	2,07	2,03	1,90
Total	55,91	41,62	94,82	95,03	103,99	94,49

Tax revenues of the special fund of the state budget of Ukraine, which were absent in 2016, but in fact amounted to only UAH 0.003 billion in 2018 they amounted to UAH 35.3 billion according to the plan and UAH 37.25 billion in point of fact. Non-tax revenues also increased, though not so markedly: they increased by UAH 16.36 billion according to the plan and by UAH 15.83 billion in point of fact.

Revenues from the European Union, governments of foreign countries, international organizations and trust funds were insignificant (the exception is 2017, when trust funds received UAH 29.85 billion) in addition, there should be noticeable discrepancies between the planned and actual values by these sources (especially by trust funds). Official transfers increased by UAH 0.88 billion in point of fact and by UAH 0.78 billion according to plan.

In order to study the structure of revenues of the special fund of the state budget of Ukraine, we have made the following table.

Table 4

**Revenue structure of the special fund
of the state budget of Ukraine, %**

	2016		2017		2018	
	plan	fact	plan	fact	plan	fact
Tax revenues	0,0	0,0	22,5	22,6	34,0	39,4
Non-tax revenues	78,5	92,4	50,1	43,3	58,0	57,4
Income from capital operations	2,1	0,3	0,3	0,2	0,4	0,6
Revenues from the European Union, foreign governments, international organizations	3,2	3,9	1,0	0,3	1,0	0,3
Trust funds	14,1	0,7	23,9	31,4	4,7	0,2
Official transfers	2,1	2,7	2,2	2,2	2,0	2,0
Total	100,0	100,0	100,0	100,0	100,0	100,0

The share of non-tax revenues in the revenue structure of the special fund of the state budget of Ukraine remained the largest during the whole period, though it tended to decrease both according to the plan and in point of fact. On the contrary, the share of tax revenues has increased substantially. The share of revenues from the European Union, foreign governments, international organizations, as well as trust funds and official transfers, as noted, is insignificant in the general budget revenue structure of Ukraine, although according to the plan the share of trust funds should be much higher than it was in point of fact (the exception is 2017, when the share of trust fund revenues reached 31.4%).

In the conditions of fragile economy of Ukraine and constant deficit of budget funds, mobilization of all state resources and their efficient use becomes necessary.

The performance of its functions by the state depends on the level of their financing and the efficiency of the appliance of the allocated funds. The analysis of the composition, structure of budget expenditures, namely the share of expenditures for the fulfillment of each function of the state in their total amount and in GDP, allows determining which functions are top-priority at each stage of the socioeconomic

development of the country and whether they are in line with the priorities announced in the budget resolutions' policy⁵.

Successful reform of the public expenditure system is a crucial prerequisite for implementing economic reforms. It must maintain a stable and relatively fast economic growth.

But these reforms should not act as a separate element of state influence on the development of the Ukrainian economy, but should be closely interrelated with reforms in such areas as taxation, establishment of prices, activities of state enterprises, development of social infrastructure of a market economy.

Equally important conditions for success are as follows: restraining government spending within eligible, macroeconomic acceptable limits, strengthening the role of public authorities in stimulating private sector activity, and promoting those capital investments that enhance the distribution and productive efficiency of the Ukrainian economy⁶.

Table 5 shows the indicators that characterize the dynamics of expenditures of the state budget of Ukraine.

In 2018, UAH 45 billion more than in 2016 was spent on general state functions from the State Budget of Ukraine. The considerable amount of expenditures under this article is explained, in particular, by the fact that it includes expenditures for public debt management. In 2018, it was allocated for defense UAH 37.7 billion more than in 2016, for public order, security and the judicial authority – by UAH 45.2 billion more than in 2016. Financing of economic activity expenditures increased by UAH 32.2 billion. Environmental protection was financed in 2018 by UAH 0.5 billion more than in 2016. Expenditures on housing and communal services also increased. Health care expenditures increased by UAH 10.2 billion and expenditures on spiritual and physical development by UAH 5.2 billion. Actual expenditures on education increased by UAH 9.5 billion.

⁵ Горбунов О.В. Бюджетний менеджмент в системі державного регулювання економіки: дис. ... к-та екон. наук: 08.00.03. Кропивницький, Центральноукраїнський національний технічний університет, 2018. 246 с.

⁶ Рева Є.Р. Сучасний стан державного бюджету України. Ефективна економіка. 2014. № 6. URL: <http://www.economy.nayka.com.ua/?op=1&z=3112>

Table 5

**Movements of expenditures of the State Budget
of Ukraine, billion UAH**

	2016		2017		2018	
	plan	fact	plan	fact	plan	fact
General state functions	121,95	117,9	147,02	142,4	179,28	162,9
Defense	66,69	59,3	77,83	74,3	97,79	97,0
Public order, security and the judicial authority	72,53	71,6	0,09	87,8	123,48	116,8
Economic activity	35,93	31,4	51,66	47,0	74,43	63,6
Environmental protection	5,35	4,7	5,25	4,7	6,14	5,2
Housing and public utilities	0,038	0,012	0,04	0,016	0,41	0,3
Public health	12,82	12,4	17,33	16,7	23,34	22,6
Spiritual and physical development	5,06	4,9	8,22	7,8	10,48	10,1
Education	38,95	34,8	46,69	41,1	50,22	44,3
Social protection and social security	152,51	151,9	145,15	144,5	164,17	163,9
Inter-budgetary transfer	196,74	195,3	279,22	272,6	304,67	298,9
Total expenditures	708,57	684,7	870,49	839,2	1034,43	985,8

Expenditures on social protection and social security show an increase of UAH 12 billion. The amount of intergovernmental transfers increased significantly: from UAH 195.3 billion in 2016 to UAH 298.9 billion in 2018. It should be noted that by all items of expenditures it is observed exceeding the planned indicators over the actually achieved, which indicates that the planned indicators are not fulfilled and the planned work is imperfect, which needs further improvement.

In order to study the structure of expenditures of the state budget of Ukraine, we have made the following table.

Table 6

Structure of expenditures of the State Budget of Ukraine, %

	2016		2017		2018	
	plan	fact	plan	fact	plan	Fact
General state functions	17,21	17,22	16,88	16,97	17,33	16,5
Defense	9,41	8,67	8,94	8,86	9,45	9,8
Public order, security and the judicial authority	10,23	10,47	10,57	10,47	11,93	11,8
Economic activity	5,07	4,59	5,93	5,6	7,19	6,4
Environmental protection	0,75	0,7	0,6	0,56	0,59	0,5
Housing and public utilities	0,004	0,00	0,003	0,00	0,03	0,00
Public health	1,81	1,82	1,98	1,99	2,25	2,3
Spiritual and physical development	0,71	0,72	0,94	0,94	1,01	1,02
Education	5,49	5,09	5,36	4,9	4,85	4,5
Social protection and social security	21,52	22,19	16,67	17,22	15,87	16,6
Inter-budgetary transfer	27,76	28,54	32,07	32,48	29,45	30,3
Total expenditures	100	100	100	100	100	100

Inter-budgetary transfers had the largest share in the structure of expenditures of the State Budget of Ukraine during the studied period; their share fluctuated within 27.76% -32.07% according to the plan and 28.54% -32.48% in point of fact. Expenditure on social protection and social security and on national functions also had a significant share in the overall structure of expenditures – 16.6% and 16.5% respectively in 2018. The share of expenditures on public order, security and the judicial authority in 2018 increased to 11.8%, and the share of expenditures of the State Budget of Ukraine for defense increased to 9.8%.

2. Improvement of formation and appliance of state budget funds

According to the Budget Code of Ukraine, budget revenues are tax, non-tax and other non-refundable revenues, which are provided by the legislation of Ukraine (including transfers, payment for administrative services, and revenues from budgetary institutions). All revenues are

classified as follows: tax revenues; non-tax revenues; income from operations with capital; transfers.

The State Budget revenues of Ukraine are a source of financing the state's expenditures on economic and social orientation, so research into the issues of forming the state budget revenues and their optimization are relevant for each country.

It should be noted that in the current conditions for securing the growth of the state budget revenues, a special significance has the observing tax discipline by taxpayers, in other words timely payment by individuals and legal entities of statutory payments and fees to the state budget. The consolidation of role of tax revenues in the state budget is also possible by improving tax legislation, which will help to avoid insufficient payment of taxes in the state budget; carrying out constant control over the collection of taxes and fees; informing taxpayers of changes in tax legislation, as well as providing explanations on the procedure for applying them and organizing training of taxpayers; strengthening the control by the State Tax Service of Ukraine on the collection of taxes and fees to the budget and enhancement of its role in the legalization of income of entrepreneurs, etc.⁷.

The creation of economic motivation on development of taxable capacity of the country will improve tax revenues, that means, for example, a provision of such social living standards, at which the benefits to the people will outweigh the benefits of tax evasion, and the importance of simplifying the system of taxation and administration of taxes and fees, creating simple and transparent tax rules that will create favourable conditions for economic activity, and as a consequence, it will have a positive effect on economic advance, attracting investment and, consequently, increasing the state budget revenues⁸.

For the purpose of increasing the revenues to the budget it is necessary to expand the presence of domestic products in the markets of

⁷ Ковальов Ю.В. Виявлення основних причин зменшення надходжень до державного бюджету України. Сталий розвиток економіки. 2012. № 6. С. 322-325.

⁸ Крисоватий А. І., Мельник В. М., Кошук Т. В. Сутність та концептуальні основи формування податкової політики в умовах євроінтеграційних процесів. Економіка України. 2016. № 1. С. 35-51.

developed countries by moving from commodity import-dependent to high-tech export-oriented model of economy. The positive effect on the increase of the state budget revenues is a volume reduction of cash payments and an increase in non-cash payments, which will entail the attraction of additional funds to the banking system, and thus will provide a resource for lending to the economy, will contribute to reducing the volume of the shadow economy through legitimization of incomes, fighting corruption and transparentizing of financial flows.

The tendency of recent years allows asserting that the level of budgetary policy effectiveness depends not only on the volume of revenues of the budgetary system, but is mainly determined by the principles and directions of budgetary financing. Despite the steady increase in the revenue side of the budget, there is also a tendency for an increase in the structural (non-cyclical) budget deficit, which is characterized by an increase in government expenditures at a faster rate than an increase in budget revenues.

Expenditures of the state budget of Ukraine are an effective tool for influencing the macroeconomic indicators of the state and the structure of the economy. Public expenditures are a system of financial relations concerning the distribution, redistribution and use of funds of the state's resources for the purpose of carrying out the socioeconomic functions entrusted to it. According to the current Budget Code of Ukraine, budget expenditures are understood to mean funds allocated to the implementation of programs and measures provided by the relevant budget.

The system of budgetary expenditures is an interconnected set of separate elements that characterize the economic relations that arise as a result of the distribution of state funds and ensure the fulfillment of its tasks and functions⁹.

The system of public expenditures has a well-defined subject matter – relations related to the mobilization and use of financial resources. The regulatory support of the process of formation and management of public

⁹ Бюджетна система: Навчальний посібник. За заг. ред. В.П. Хомутенко. Одеса: Видавництво Бартенєва, 2014. 392 с.

expenditures is carried out on the basis of the Constitution of Ukraine, the Budget Code of Ukraine and other laws of Ukraine, government regulations, etc.

Public expenditures are a resource base for public authorities and government in budgetary policy and socioeconomic reforms aimed at ensuring economic growth. Therefore, the formation of the optimal composition and structure of public expenditures in the system of budgetary policy of the state is one of the priority tasks at the present stage of socioeconomic development. Budget policy has four main components as follows: public revenue policy; public expenditures; public debt; budgetary regulation and intergovernmental fiscal relations¹⁰.

However, in our opinion, the central place to the system of budgetary policy organization takes the public expenditure, since the directions and amounts of their implementation determine the need for the formation of public revenues, the emergence and management of public debt and it is a factor that is taken into account in the redistribution of financial resources between budgets of different levels.

The research of the interrelationships issues of economic growth and the movement of public expenditures and the formation of their optimal ratio is related to determining the effectiveness of budgetary policy implementation.

The economic justification for the mutual influence of the country's economic development and public spending policy is based on the fact that, on the one hand, the country's economic growth rates influence the formation of public expenditure volumes and structures, and on the other, the efficiency of using public financial resources determines the level of socioeconomic development of the country.

Budget financing is a form of centralized allocation of financial resources to legal entities and individuals to carry out budgetary activities. The budgetary financing is carried out according to the following principles: the purposive character of budgetary funds

¹⁰ Данилюк М. М. Вплив виконання державного бюджету на макроекономічну стабільність в Україні. Економічний аналіз. 2013. Том 14. № 1. С. 241-247.

appliance; obtaining maximum effect from the use of budgetary resources on the basis of normalization of costs and a minimum amount of state expenditures for obtaining a result; combination of own, credit and budgetary sources of financing; inconsistency and gratuitous provision of budgetary funds on the free-of-charge basis¹¹.

The instruments for the formation and regulation of public expenditures are a set of tools used to fulfill the tasks envisaged by the budgetary policy in the field of public expenditures. They indicate the economic content of a separate set of budgetary relations, such as budgetary norms and regulations, budgetary incentives and intergovernmental transfers, forms and methods of budgetary control, etc.

Thus, budget expenditures play a leading role in the financial support of the needs of socioeconomic development of society. The volume, composition and structure of expenditures are influenced by the volume and nature of the functions of the state, because, in the conditions of commodity-money relations, any state will be able to fulfill its functions to the full, having the necessary amount of budgetary resources.

The study of problems of improving the use of funds of the state budget of Ukraine sparks interest, first of all, because it is the budget that characterizes the level of economic development of the country, and thanks to the proper implementation of the budget process, economic and social stability and a decent standard of living of the population are ensured. Today, in a very difficult and unpredictable time, there are many disputes over the use of the state budget of Ukraine.

Budgetary policy of Ukraine in terms of expenditures is manifested both in the absolute expression of the items of budget expenditures, and in the structure of receipts and spending directions of centralized state funds.

The current state of budget financing is characterized by two key directions: on the one hand, it is a question of occupancy level of the budget revenues, and on the other, the formation of an effective policy of allocation of available funds both in absolute determinations and in the

¹¹ Дорошенко О.О. Особливості формування дохідної частини бюджету України. Ефективна економіка. 2015. № 10. URL: www.economy.nayka.com.ua/pdf/10_2015/66.pdf.

context of assessing the optimality of its structure. Characterizing the state budget, a necessary task is to analyze its expenditures both in terms of the dynamics of changes in the studied periods and the specific gravity of the individual components.

Moreover, the efficient and rational structure of budget expenditures enables financial support to be provided to the relevant domains of the national economy, which affects the economic growth in the future. The assessment of financing of the expenditures of the state budget of Ukraine allows characterizing the main directions of the budgetary policy, identifying "bottlenecks" in its implementation and formulating a set of measures for its improvement. In order not to complicate the budgetary situation of the government, it is necessary to review and reduce non-essential expenditures. It would be advisable to strengthen the control and accountability for budget legislation compliance. Participants of budgeting process must consciously approach to the budget proposal formulation, be interested in the development of the state, have the facts and realities of the economic and financial situation, and accordingly every figure in the budget must be justified, consistent with the level of economic development of the country.

With the objective of ensuring the enforcement of budgetary targets, they should be planned based on pessimistic economic growth predictions, or set up additional reserves to increase expenditures and / or reduce them in the case of lower than expected economic growth rates. In order to avoid the possible use of incorrect macroeconomic forecasts for the purposes of increasing expenditures over the medium term, in a number of EU countries (for example in Belgium, the Netherlands and Austria) the macroeconomic forecasts are composed by the independent of the government organizations¹².

Considering the fact that economic activity is one of the most important areas, the effectiveness of which depends directly on the financing of all other functional sections, the amount of its provision is still considered as low. To date, expenditures on social protection and

¹² Родіонов В.С. Аналіз дохідної частини бюджету України. Науковий вісник Херсонського державного університету. 2015. № 12 / 3. С. 47 – 49.

social security far exceed expenditures on economic activity, which, in our opinion, is the reason for slowing down the economic development of the country.

Expenditures on economic activity under the current difficult economic and political conditions require a significant increase in the share of budget expenditures in order to ensure the transition from a budget model of “using up” to an investment-development model.

Considerable volumes of expenditures on the social sector, unfortunately, do not provide a decent standard of living for the population, exceeding expenditures on economic activities, which put the brakes on the economy of the country.

In order to effectively undertake social expenditures, it is necessary to: strictly control the validity of social assistance benefits, introduce social benefit audits and rendering of assistance to those sections of the population that really need it, to an adequate level; develop non-state social (including retirement) insurance; abolish expenditures that are not relevant to social insurance, significantly cut down expenditures of administering the activities of social security funds¹³.

With regard to improving the structure of expenditures for the maintenance of state authorities, it would be advisable to: shrink ranks of the state apparatus and increase its efficiency by motivating civil servants; deregulate and reduce the number of permitting and control procedures, transfer some control and reporting procedures into an automatic form; consistently implement e-governance at national and regional levels; expand the powers of local self-government bodies and „unload” central government bodies from a number of administrative functions.

It is important to improve the institutional environment and the system of analytical tools for forecasting the expenditures of the budget

¹³ Урядовий портал. Єдиний веб-портал органів виконавчої влади України. URL:<https://www.kmu.gov.ua/ua/diyalnist/reformi/efektivne-vryaduvannya/reforma-derzhavnih-finansiv>

aimed at strengthening the budgetary policy of the country in the conditions of increasing transformational transitions in the economy¹⁴.

Particular attention should be paid to the problems associated with improving the budget planning and administration policy implemented in Ukraine at a basis of special-purpose programme. It should help to identify and solve important problems of the country and the regions. But for this, it is necessary to improve the interaction of all participants in the budget process and to respect mutual commitments, starting with setting the strategic goals of the state development and ending with the means of implementation of the smallest budget program in the smallest community.

The special-purpose programme is an approach to budgeting, where the emphasis is made not on the amount of funds needed by the state to perform its functions, but on what results it is planned to achieve using budgetary resources.

The further improvement of the special-purpose programme is an integral component of budgetary reform, which aims at strengthening the responsibility of the chief controllers for their activities, providing the public with the information on the volume and quality of public services, and envisages the enhancing the efficiency of the use of funds by the chief controllers.

According to the results of 2018, the Ministry of Finance of Ukraine has created a legal basis for introducing medium-term budgetary planning, further development of the special-purpose programme. There were improved the individual standards of the Budget Code, governing relations that arise in the process of budget execution, reporting on their implementation and monitoring of compliance with budget legislation, issues of responsibility for its breach have been improved¹⁵.

One of the fundamental premises for increasing the level of transparency in public finance management is the introduction of

¹⁴ Міронова Л.О., Моїсеєнко О.В. Фінансовий потенціал регіону: теоретичний аспект. Вісник ДДФА. 2013. № 2. С. 141-149.

¹⁵ Міщенко Л.О. Оцінка сучасного стану та прогнозування показників місцевих бюджетів в Україні. Ефективна економіка. 2018. № 12. – URL: <http://www.economy.nayka.com.ua/?op=1&z=6768>

managerial accountability, when managers at different levels are fully aware and responsible for ensuring effective management of public finances.

With the object of further development of the system of public internal financial control, it is necessary to: implement strategic planning, sign internal audit declarations, establish audit committees, etc.; further implementation of the training program for internal auditors, conducting appropriate training activities, working out the possibility of introducing national certification of internal auditors; introduction of a report by state bodies of the Ministry of Finance on the state of internal control organization; improvement of methodological support of internal control and internal audit; conducting external assessments of the quality of internal audit in ministries, other central executive bodies and regional state administrations in order to provide recommendations for improving such activities; automation of internal control and internal audit processes, creation and implementation of an interactive portal on public internal financial control.

CONCLUSIONS

Although the state finance system in Ukraine has a number of positive features, it still has major deficiencies that worsen the socioeconomic situation and create tangible obstacles to the strengthening of the Ukrainian economy.

Thus, the low efficiency of the system of distribution and use of budgetary funds leads to insufficient financing of the priority tasks facing the state. Another problem is related to fiscal policy, which for a long stretch of time has been unpredictable over the medium term. The consequences of such unpredictability are as follows: taxpayers do not know what taxes will be introduced in the near future; government agencies do not know what amount of finance will be accessible to them in the medium term, and citizens do not know for what purposes budget funds will be allocated and what services from the state they can expect.

The lack of a coherent strategic planning system did not allow the budget planning process to be managed properly and led to a weakening of the links between budget projects and state development priorities.

These and other factors hamper inflow of investments, lead to ineffective expenditure of scarce resources and public dissatisfaction with government services.

The advancement of mechanism of expenditure planning plays an important role in the state budgetary process as a tool for improving the level of efficiency, effectiveness and transparency of the use of budgetary funds.

The issue of optimizing the budget deficit and budget expenditures in line with the priorities of the country's economic policy, improving the efficiency of the budget institute's use in stimulating domestic demand and growing the economy is of high importance. There is a need to improve the methodological foundations of budget planning in terms of determining the socioeconomic impact of spending over the medium term.

SUMMARY

The purpose of the study is to determine the role of the state budget in ensuring the socioeconomic development of the country and opportunities for its improvement. It is determined that at the present stage of the development of the budget system, the constitution of a sufficient amount of state budget revenues and ensuring their effective use are of particular importance. The analysis of formation and distribution of budgetary resources intended for the fulfillment by the state of its functions is carried out. It is noted that in order to increase budget revenues, it is necessary to expand the presence of domestic products at advanced markets. It is stressed the need of improving institutional environment and the system of analytical tools of forecasting expenditure budget. The further advancement of Management by Objectives is also an integral component of a budgetary reform. The system enhancement of national internal financial control is also necessary.

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