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COMPARATIVE ANALYSIS OF THE BUDGETARY POLICY IN THE FIELD OF STATE EXPENDITURES OF THE CZECH REPUBLIC AND UKRAINE

ПОРІВНЯЛЬНИЙ АНАЛІЗ БЮДЖЕТНИХ ПОЛІТИК В ГАЛУЗІ ДЕРЖАВНИХ ВИТРАТ ЧЕСЬКОЇ РЕСПУБЛІКИ ТА УКРАЇНИ

ANNOTATION

The paper studies the essence and major classification characteristics of state expenditures in the Czech Republic and Ukraine. The authors conduct a comparative analysis of the implementation of a budgetary policy in the use of state expenditures of these countries. The authors examine the relationship between the main macroeconomic indicators of the state (GDP) and the dynamics of state expenditures. The main areas of improving the system of management of state expenditures are substantiated.

Keywords: state expenditures, regulation of state expenditures, budgetary policy, economic growth, GDP.

АНОТАЦІЯ

У статті проведено дослідження сутності та основних класифікаційних характеристик державних витрат Чеської Республіки та України. Проведено порівняльний аналіз реалізації бюджетної політики в сфері використання державних витратів зазначених країн. Авторами розглянуто взаємозв'язок між основним макроекономічним показником розвитку держави (ВВП) та динамікою обсягів державних витратів. Обґрунтовано основні напрямки удосконалення системи управління державними витратками.

Ключові слова: державні витрати, регулювання державних витратів, бюджетна політика, економічне зростання, ВВП.

АННОТАЦИЯ

В статье проведено исследование сущности и основных классификационных характеристик государственных расходов Чешской Республики и Украины. Проведен сравнительный анализ реализации бюджетной политики в сфере использования государственных расходов этих стран. Авторами рассмотрена взаимосвязь между основным макроэкономическим показателем развития государства (ВВП) и динамикой объемов государственных расходов. Обоснованы основные направления совершенствования системы управления государственными расходами.

Ключевые слова: государственные расходы, регулирование государственных расходов, бюджетная политика, экономический рост, ВВП.

Problem statement. In the conditions of the need to overcome the consequences of the protracted global financial crisis in the European Union and Ukraine there is the growth of importance to redistribute and use state financial resources to meet the states' economic and social needs. State financial policy should be directed towards ensuring the growth of the national economy, financial and social stabilization, satisfying the needs of society on the basis of a stable social and econom-

ic development. Therefore, the budgetary policy in the area of state expenditures should be aimed at forming the financial preconditions for the realization of the state's functions and tasks.

Literature review and recent trends. The study of the specific features of realization of budgetary policy as regards the use of state expenditures and their impact on macroeconomic indicators of the society's development can be found in the works of J. Keynes, A. Shteffle, K. Rau, A. Marshall, A. Wagner, R. Musgrave, O. Bila, O. Vasylyk, S. Juriy, which cover the essence, structure and trends in the development of mechanism of using state expenditures.

Purpose of this paper. The goal of this paper is to study the theoretical foundations and peculiarities in the formation of the budgetary policy in the field of state expenditures of the Czech Republic and Ukraine as an integral part for stimulating economic growth.

The main part. The peculiarities of realization of the budgetary policy of the state in the area of formation of a system of state expenditures is determined by the country's general financial and economic potential, the needs in state financing of strategic and tactical goals of socio-economic development and the model of state management in the regulation of economic processes.

Depending on the socio-economic and political situation and the strategy of the country's socio-economic development the fiscal policy should provide for a different degree of redistribution of GDP through the budget, an adequate level of centralization of financial resources within the budget system, strengthening or weakening of regulation in the use of budgetary funds, priorities of the budgetary financing of certain undertakings, the choice of ways to achieve balanced budget revenues and expenditures, etc.

The foreign experience shows that the role of a state in the market economy should grow, which can be achieved through the use of such market instrument in the regulation of econom-

ic processes as redistribution of state expenditures. In addition, it is necessary to note that the state's role in the formation and distribution of the GDP is based on two factors: execution by the state of its inherent social functions and state involvement in the formation of GDP with the rights of a business entity. The main indicator characterizing the use by the state of the factors shaping the gross national product is the level of centralization of the GDP in the country's budget. It is determined primarily by the economic model of society in a certain period of the state's development [8].

According to the level of centralization of budgetary resources three models of financial relations in the gross domestic product are defined:

- American – based on the maximum level of self-financing by legal persons and individuals characterized by insignificant levels of fiscal centralization within 25-30% of GDP;

- Western Europe – parallel functioning of state and private institutions in the social sphere. State social sphere is more extensive than in countries with the American model. The level of centralization is 35-40% of GDP, which indicates a moderate value;

- Scandinavian – extensive state social sphere, which creates prerequisites for the biggest social stability and security. It is characterized by a high level of centralization of GDP – 50-60%.

It should be noted that given the average level of centralization of GDP, most of the EU countries, including the Czech Republic, use the Western European model of financial relations. In Ukraine the level of centralization of GDP is lower than the average figure in the EU amounting to only 18,11%, which indicates the formation of financial relations in accordance with the American model [1].

In general, during the formation of budgetary policy in the field of public expenditures for achieving socially important goals it is advisable to consider the following general requirements: compliance with the strategic goals of society; formation of goals and objectives in quantitative terms; scientific validity of indicators, their equilibrium; the reality of policies, which is manifested in the possibility of providing the determined areas with the relevant financial resources; efficiency and effectiveness of implementation of the developed fiscal policy, namely: achieving results with minimal state expenditures; consistency and unity within the policies and programs developed for the relevant period.

State expenditures play a significant role in shaping the social and economic policy, as they participate in the distribution relations that arise between the state, legal entities and individuals during the redistribution of funds between sectors, regions and social groups, ensure the implementation by the state of management, defense, economic and social functions, as well as implementation of anti-crisis programs.

Exploring the nature of the category «state expenditures» it should be noted that the Budgetary Code of Ukraine gives two terms: «budgetary expenditures» – funds to implement the programs and activities provided by the appropriate budget. They do not include: debt repayment; loans from the budget; allocation of budget funds on deposits; acquisition of securities; return of taxes and duties (mandatory payments) overpaid to the budget, their compensation by the budget; «budgetary expenses» – expenditures of the budget, debt repayment; loans from the budget; allocation of budget funds on deposits; acquisition of securities [6]. However, the economic meaning of the term «state expenditures» is much broader than expenditures and expenses of the budget, representing all costs associated with the activities of the state.

In the context of state expenditures in the Czech Republic one can distinguish state expenditures, which include expenditures of the state budget, local budgets, expenditures and transfers of state enterprises. In the Czech Republic under state expenditures one understands the movement of the state budget funds which are allocated for the introduction of the state's fiscal functions according to the principle of irreversibility. State expenditures are used to finance the government, defense, security, judicial system and others. With the growth in the scope of the state's activities there is a growth in expenditures for social, educational, environmental and other purposes.

In Ukraine as in the Czech Republic state expenditures are classified by their functional and economic characteristics.

According to their functional components budget expenditures are grouped at all levels of the budget taking into account the areas of the budget funds' use to realize the basic functions of the state. According to this classification the following types of expenditures are distinguished: general state functions; defense; law and order, security and judicial authorities; economic activity; environmental protection; housing and communal services; health care; spiritual and physical development; education; social protection and social security.

Economic classification of budget expenditures is used in order to distinguish the expenditures of budgetary institutions and recipients of budgetary funds according to the types of economic operations (salaries and wages, all types of business activities, transfers to the population and other categories)

Socio-economic development of the EU countries and Ukraine in recent years has dramatically changed both the system of budgetary relations and the structure of state expenditures. According to the theoretical principles of international accounting standards for the public sector (IP-SAS), public expenditures, in terms of the functions, are divided into: national services; defense; law and order; education; health care; social pro-

tection; housing and communal services; leisure and entertainment; culture and religion; economic relations; environmental protection.

In order to ensure the national and international comparability of the statistics data of public finances in the EU countries and Ukraine, we believe it necessary to select four groups of expenditures:

- business activity of the state, which includes expenditures for financing economic activities, housing and communal services;
- education – the costs of public education;
- general state functions and the maintenance of security – the costs of general public services, defense, law and order, environment protection;
- social functions – expenditures on health care, social protection and recreation, culture and religion.

It should be noted that the ratio between different groups of expenditures is determined by strategic directions of the fiscal policy on the basis of the following factors in its formation: the level of socio-economic development of the country, its socio-cultural, industrial and technological relations with other countries, historical traditions, the existing model of the economy's regulation. During the period of formation of market relations countries used a significant portion of their budgets on economic activities of the state of which 70% of budget allocations were concentrated in the field of material production. With the growth of the state's social functions, focused on serving the immediate needs of citizens, reorientation of cash flows of the state for social protection and social services for the population was carried out.

Today, social spending constitutes more than 50 % in the structure of public expenditures. The increase in the state interest to financing social and cultural activities as well as social welfare of the population is caused by the need to improve the social protection of people with low income, which is especially important during the current financial and economic crisis.

We will carry out a comparative analysis of fiscal policy in using public expenditures in the Czech Republic and Ukraine. One of the indica-

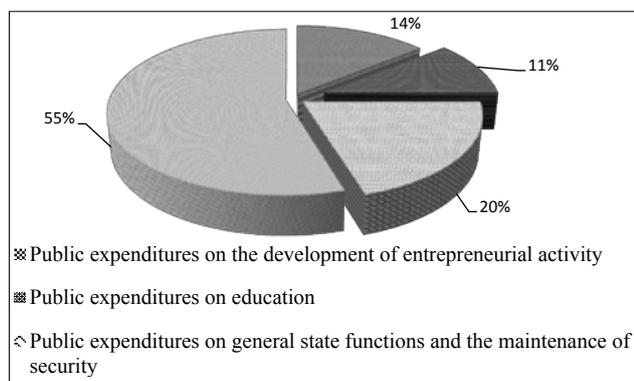


Fig. 1. The structure of public expenditures of the Czech Republic in 2012 [2]

tors that reflect the specifics of state financing is the structure of public expenditures according to their functional classification. Figures 1, 2 show the structure of public expenditures in 2012 in the Czech Republic and Ukraine.

The structure of public expenditures of the Czech Republic reflects the general trend in the European Union regarding the social orientation of a state's expenditures as shown in fig. 2. The share of social expenditures in the total structure of public expenditures of the Czech Republic in 2012 was more than 50%. In the analyzed period 20,4% of public expenditures was allocated to perform the functions of management and defense in the Czech Republic, while the development of the economy and education received only 14,1% and 10,9% respectively of the total public funding.

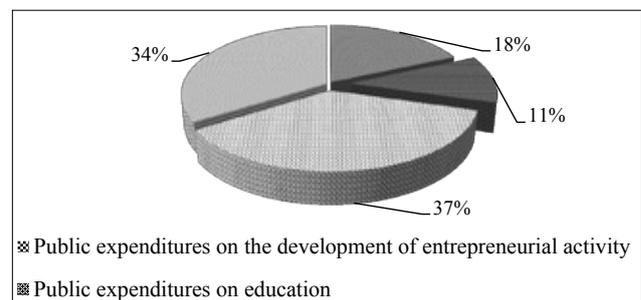


Fig. 2. The structure of public expenditures of Ukraine in 2012 [4]

The distribution of expenditures in Ukraine in 2012 is somewhat different: the priority area of funding is public administration and defense (36,5%), social security uses 34% of public funds, financing of economic sectors – 18,4% and education – only 11,2%.

It should be noted that in the current economic conditions the formation of public expenditures is influenced by a large number of external and internal factors, which include:

- financial and economic crisis, which causes the growth of expenditures on the social protection of the population, state financial support of the economy's public sector that does not have a positive impact on the development of macroeconomic parameters of a country's development;
- growth of public debt leading to increased expenditures on its coverage;
- budget deficits of different levels, which envisage the use of mechanisms to oversee an effective use of public funds and reduce expenditures on general state functions such as administration.

In the study of indicators of the use of public expenditures an important aspect is the determination of their relationship with the basic macroeconomic indicators of the country's performance – the gross domestic product. The main criteria for establishing the relationship between the change in the volume of public expenditures and macroeconomic indicators are the indicators of changes in the rate of these parameters. The

comparison of the rates of growth of state expenditures with the rates of GDP growth in the Czech Republic and Ukraine for the period 2008-2012 is shown in table 1.

The comparison of dynamics of public expenditures and the level of economic growth in the studied countries indicates the absence of a clear relationship between the rates of economic growth and the rates of growth in the volumes of public funding. In the crisis and post-crisis periods the Czech economy is characterized by slow growth rates of the GDP as well as public expenditures. However, it should be noted that a significant reduction in the growth of public expenditures is observed in financing of the economy.

The comparison of dynamics of expenditures by the State Budget of Ukraine and its GDP con-

firms the lack of a clear relationship between the rates of economic growth in the country and the rates of growth in the volumes of public funding. This can be explained by imperfect mechanisms of public funding in Ukraine, in particular, regarding the provision of these expenditures. Even if expenditures themselves are able to generate growth, the method of their provision may have a negative impact depending on the prevailing conditions in the state's financial policy (budget, tax and debt). In particular, higher taxes create disincentives for labor supply and savings while an increased level of state borrowings is not conducive for private investment.

One of the main indicators that reflect the importance of public expenditures as a factor of economic growth is the share of the corre-

Table 1

Rates of growth of GDP and public expenditures of the Czech Republic and Ukraine in the period 2008-2012, % [2; 4]

Growth rates	Year					Deviations +/-, from 2008 to 2012
	2008	2009	2010	2011	2012	
Czech Republic						
GDP	16,95	-7,83	5,44	3,70	-1,65	- 18,6
Total public expenditures, including:	17,26	0,09	3,22	2,34	1,41	-15,85
On the development of entrepreneurial activity	20,95	-1,32	-5,92	-5,66	-9,95	-30,90
On education	16,47	-0,79	5,65	5,71	-3,26	-19,72
On general state functions and the maintenance of security	14,78	-3,43	5,60	4,12	3,04	-11,75
On social expenditures	17,07	2,23	5,19	3,59	5,22	-11,85
Ukraine						
GDP	31,54	-3,66	18,53	20,28	8,20	- 23,34
Total public expenditures, including:	40,83	-1,24	25,33	5,52	13,76	-27,07
On the development of entrepreneurial activity	28,24	-14,23	9,74	22,48	10,32	-17,92
On education	42,11	10,65	20,50	-5,56	11,19	-30,92
On general state functions and the maintenance of security	30,60	0,01	27,06	15,06	11,85	-18,75
On social expenditures	63,20	1,63	33,92	-6,96	18,84	-44,36

Table 2

Comparative analysis of the share of public expenditures in the GDP of the Czech Republic and Ukraine in the period 2008-2012 (functional characteristics),% [2; 4]

Groups of expenditures	Year									
	2008		2009		2010		2011		2012	
	Czech Republic	Ukraine								
The share of public expenditures in the GDP, including:										
on the development of entrepreneurial activity	41,2	19,5	44,6	19,7	43,7	20,9	43,2	18,4	44,5	19,2
on education	7,9	4,1	8,4	3,7	7,5	3,4	6,9	3,5	6,3	3,5
on general state functions and the maintenance of security	4,5	2,3	4,8	2,6	4,8	2,7	4,9	2,1	4,8	2,2
on social expenditures	8,2	6,4	8,6	6,6	8,6	7,1	8,7	6,8	9,1	7,0
	20,6	6,7	22,8	6,8	22,8	7,7	22,7	6,0	24,3	6,5

Table 3

Multiplier of public expenditures in the EU countries and Ukraine in the period 2008-2012 [2; 4]

Country	Year					Deviations +/-, from 2008 to 2012
	2008	2009	2010	2011	2012	
Czech Republic	1,124	1,024	0,966	0,880	1,024	0,1
Ukraine	0,88	0,28	0,77	0,82	2,70	1,82

sponding expenditures in GDP. For the analysis we select four groups of public expenditures: social expenditures, expenditures on the development of entrepreneurial activity, expenditures on general state functions and the maintenance of security, expenditures on education in table 2.

According to the data given in table 2 the share of public expenditures in the GDP of the Czech Republic, on average, in the period 2008-2012 was 43,4% and was characterized by a positive growth trend. In Ukraine, on the contrary, the tendency was towards reduction of the share of public expenditures in the GDP while the average yearly value of this indicator for the given period was 19,5%.

Analyzing the share of public expenditures in the GDP in terms of the respective groups, it should be noted that, the social sector during the analyzed period in the Czech Republic received 22,6% compared to 6,7% in Ukraine. Considerable attention in both countries is also paid to the financial provision of the general state functions and the maintenance of security. For example, in the Czech Republic the level of this indicator, on average, is 8,6%, and in Ukraine – 6,8%. The smallest share of public expenditures is used to finance education: in the Czech Republic – 4,8%, in Ukraine – 2,4%. However, it should be noted that both in the Czech Republic and Ukraine the priority areas of public expenditures are social protection, implementation of general state functions, economic activity and education.

Given that the share of public expenditures in the GDP in Ukraine as a whole and in the context of the functional goals of expenditures is much lower compared with the Czech Republic, the level of socio-economic development of Ukraine does not meet the European standards.

During the study of the impact of changes in the share of public expenditures in GDP on the rates of socio-economic development one should take into account the entire system of macroeconomic parameters that shape the quality of the fiscal policy implementation.

It should be noted that the policy of public expenditures is one of the main instruments of the state regulation of economic growth, which in the economic theory is associated with the emergence of the so-called «multiplier effect». It is measured with the help of a multiplier of public expenditures, which shows an absolute change in the volume of GDP with the growth in these expenditures. The main factors that de-

termine the appropriate changes are marginal propensity to consumption, tax burden, marginal propensity of business entities and people to import. Formalized value of the multiplier can be presented as the following algorithm (equation 1) [3]:

$$M_{pe} = \frac{1}{1 - MPC * (1-t) + MPI}, \quad (1)$$

where M_{pe} is the multiplier of public expenditures;

MPC – marginal propensity to consumption, in units to GDP;

t – the level of tax burden, in units to GDP;

MPI – marginal propensity to import, in units to GDP.

The results of estimation of the multiplier of public expenditures in the Czech Republic and Ukraine for the period 2008-2012 are shown in table 3.

The value of multiplier of public expenditures in the Czech Republic in 2008-2009 and 2012 shows that increased public expenditures have a positive effect on macroeconomic indicators of the country. In 2010-2011 negative factors of economic development in the Czech Republic were caused by the reduction in the stimulating role of public expenditures.

In Ukraine in 2008-2011 public expenditures, as one of the financial and fiscal instruments of the state regulation of economic growth, did not have a positive influence on economic development. Therefore, in the current economic conditions in Ukraine a proactive increase in public expenditures relative to the GDP growth does not stimulate the use of potential opportunities for economic growth.

Conclusions. The fiscal policy in the field of public expenditures should play a key role in overcoming the negative consequences of the financial crisis. Public expenditures should be an instrument for addressing the main social and economic problems. For this purpose it is necessary to improve the system of public finance management, to bring the state's obligations into compliance with its financial capacities, to observe the transparency in the use of public resources.

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