

# АДМІНІСТРАТИВНЕ ПРАВО І ПРОЦЕС, ФІНАНСОВЕ ПРАВО, ІНФОРМАЦІЙНЕ ПРАВО

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## LEGAL PRINCIPLES OF THE BUDGET MANAGEMENT IN UKRAINE

Theoretical and practical aspects of the budget management were examined, the role of the Ministry of Internal Affairs was defined in the implementation of budgetary funds effective management and ways to improve budgetary funds were proposed within the framework of decentralization and democratization.

**Keywords:** *budget management, budget process, budget, Ministry of Internal Affairs, budgetary institution, cost estimate.*

*Original article*

### Formulation of the problem

The experience of public finances functioning affirms the importance of budget management as the budgetary resources management in the process of their movement throughout the all stages of the budget process.

Theoreticians and practitioners show a strong interest to the issues of essence and role of the budget, budget process, budget system construction, budgetary policy and its improvement, problems of formation and development of the institutional components of the budget system etc. Nevertheless, the place of the budget management in the system of budgetary resources state administration is not sufficiently clear in the modern scientific literature.

### Actual scientific research and publications' analysis

It is worth to assent to an opinion of E. Rumiantseva that separate issues of the budget management are still not very developed and open from a scientific perspective [1]. Therefore, a need for theoretical and methodological researches of the budget management arises, which includes budget management definition and budgetary resources management, formation of the clear definition of Ministry of Internal Affairs (MIA) place and its authority in the budgeting and participation on the budget process.

### Objective of the article

The objective of the article is to analyze disputed questions concerning budget management

and to provide the own view of the particular theoretical and methodological aspects of the budget process as a part of the budget management.

### Main part

State budget occupies one of the leading positions in the financial system of any state. In contrast to the other spheres and sectors, it includes the entire society, On the one hand, it acts as a financial base to exercise its functions by the state, and on the other, it is an instrument of influence on different parts of social and economic life. This part is so important that it is impossible to imagine the state without the budget.

Levels of budget influence, its situation, nature and the effects depend on two factors: from the budget model and sustainability of the budget process. Furthermore, the major factor is the budget model implementation. Improper budget model or the model that does not meet the specific conditions, leads both to the breakdown of the state financial system and to the substantial decrease of the budgetary impact. No matter how good the budget process organization is, the proper role of the budget cannot be provided under such conditions. However, it does not mean that the budget process organization is the secondary phenomenon. It is a derivative in relation to the budget model, but it is not a passive one. The well-established budget process can maintain the unsteady model for some time. It requires considerable efforts, and it is possible in theory. At the same time, even the best budget model will be ineffective if there is a bad budget process organization.

Combination of those two negative factors, such as incapable budget model and disorganized budget process almost irrevocably results in the State's financial crisis. Thus, in order to overcome the crisis, first it is necessary to improve the organization and management of the budget process. Of course, change or reorganization of the budget model is also compulsory. However, it requires a certain amount of time and the budget also has to fully implement its functions. Thus the budget process organization, which includes preparation, consideration, approval and administration of the budget, all this is very important. Budget management can be effective only if it relies on a well-established system of the budget process.

When considering a budget management as a fund management system then the main centralized State financial resources fund that is the State budget, is an object.

It should be noted that the concept "budget management" is barely specified in the encyclopedia. A. Zahorodnii and H. Vozniuk give the definition of such concepts as "management", "financial management", "tax management", "investment management", "value management" etc. in the Financial and Economic dictionary [2], but unfortunately the concept "budget management" was neglected by the researches.

Definition of the concept of the budget management could be achieved only by identifying its subject and object that in turn will help us to identify the subject and object of the budgetary resources management. We agree with the authors of the textbook "Budget management" under the general editorship of V. Fedosov that the subject of the budget management is the budget process and its administration, and the object of the budget management as an administrative system is the Main Centralized State Financial Recourses Fund that is the State budget [3].

Thus, we have come to the conclusion that the budget management is identical to the definition of the budgetary resources management. In accordance with the c. 49, p. 1 of the Art. 2 of the Budget Code of Ukraine, budgetary resources management is the set of actions taken by the participant of the budget process in accordance with its authorities, connected with preparation and usage of budget funds, monitoring over the implementation of the budget legislation, aimed at achieving the goals, tasks and concrete outcomes of their activity and ensuring efficient and effective use of the budget funds<sup>1</sup>.

<sup>1</sup> Budget Code of Ukraine: the Law of Ukraine dated from July 8, 2010 No. 2456-VI; Revision on January 1, 2018. Available at <http://zakon.rada.gov.ua/laws/show/2456-17> (in Ukrainian).

If focusing on the subject of the budget management then it comprises budget planning and budget implementation. Whereas budget planning includes budget drafting, its review and approval.

Budget planning is the fundamental basis of the budget process, because the budget is approved by legislative elections and local representative authorities. Namely what budget was approved such budget is executed.

When considering estimated planning, then non-productive sector agencies, the main source of financing of which is budget funds, are called budgetary. Such agencies include educational institutions, healthcare facilities, and research institutions, agencies of State power and administration, defence and law enforcement authorities. All expenses of such agencies are defined on the basis of the estimate and for this reason the procedure of such expenses planning and financing is called estimated.

In accordance with the Art. 22 of the Budget Code of Ukraine in order to implement programs and activities, which are carried out from the budget, the budget allocation are provided to the budget funds controllers. In the scope of rights conferred the budget funds controllers are divided into the chief controllers of the budget funds and controllers of the budget funds of the lower level<sup>2</sup>. It means that the budget funds controllers act as the direct subjects of the budgetary legal relations. The Article 19 of the Budget Code considers them to be the participants of the budget process. In accordance with the c. 47 of the p. 1 of the Art. 2 of the Budget Code, the budget funds controllers are budgetary institutions, represented by their directors, authorized to receive the budget allocation, obtaining budget commitments and cost incurrence for the budget.

*Budget allocation is the authority, provided to the controllers of the budget funds in accordance with the budget appointment for the incurrence of the budget commitment and effecting payments with the specific purpose in the process of budget implementation (p. 6 of the Art. 2 of the Budget Code).*

*Budgetary appointment is the authority, given to the chief controllers of the budget funds by the Budget Code of Ukraine, by the Law of the State budget of Ukraine or by the decision of the Local Budget, having quantitative, time and targeted restrictions and it allows providing budget allocation (it. 8 Art. 2 of the Budget Code). In its turn budget commitment is any implemented placement*

<sup>2</sup> Budget Code of Ukraine.

*of order, conclusion of the agreement, procurement of goods and services and implementation of other similar operations, which were made in accordance with the budget allocation during the budget period and in accordance to which it is necessary to make payments during the same period or in the future (c. 7 of the Art. 2 of the Budget Code).*

*Budgetary institutions shall be entitled to accept budgetary commitments, spending budget funds on goals and within the limits, set by approved estimates, plans of allocation of the general budget fund, plans of credit arrangement from the general budget fund by the special fund plans, and the higher educational establishments and scientific institutions also by established approved plans of the use of the budgetary resources and monthly plans of the use of the budgetary resources.*

Estimate of the main planning document that indicates the level of financial resources, sources of their formation, target allocation and quarterly distribution, necessary for maintaining of the budgetary establishment, development of its material and technical and social sphere, material incentives for the employees in the next budget period.

In accordance with the Decree of the Cabinet of Ministers of Ukraine dated October 28, 2015 “On approving of the regulations on the Ministry of Internal Affairs of Ukraine” the full-time estimate of the Ministry of Internal Affairs shall be approved by the Secretary of State of the Ministry of Internal Affairs as agreed by the Ministry of Finance<sup>3</sup>.

Also in accordance with the Decree of the Cabinet of Ministers of Ukraine dated October 28, 2015 “On approving of the regulations on the Ministry of Internal Affairs of Ukraine”, the Ministry of Internal Affairs performs the functions of the budget funds chief controller, provides its effective and intended use. In its turn the Minister of Internal Affairs takes a decision concerning budget allocation, the chief controller of which is the Ministry of Internal Affairs<sup>4</sup>.

If we refer to the law of Ukraine “On the National Police”, the following statement can be found: the main authorities of the Minister of In-

ternal Affairs of Ukraine in relationship with the police is the decision for budget allocation, the chief controller of which is the Ministry of Internal Affairs of Ukraine<sup>5</sup>.

Thus, we take an in-depth analysis of the legislative acts defining the main activities of the Ministry of Internal Affairs and its authorities in the field of the budget management (the budgetary resources management). We mean the way the MIA takes part in the budget process and budget management. The following definition of the budgetary resources management by the Ministry of Internal Affairs can be given: it is a cumulative action by virtue of the authority vested in it, connected with the establishment, utilization and the budgetary resources allocation, monitoring over the implementation of the budget legislation, aimed at achieving the goals, tasks and concrete outcomes of their activity and ensuring efficient and effective use of the budget funds.

Comparing this definition with c. 49 of the Art. 2 of the Budget Code of Ukraine that was mentioned above, some differences can be found. In this case, the Ministry of Internal Affairs is still entitled to allocate the budget that is explicitly defined by the legislative acts. For this reason, we suggest making amendments to the current legislation in order to avoid conflicts.

### Conclusions

The object of the budget management is the main centralized state financial resources fund that is the State budget. The subject of the budget management is the budget process and its management. In such a manner, the budget management is identical to the definition of the budgetary resources management. The budgetary resources management is the series of steps of the budget process participant in accordance with its authorities, associated with budgetary resources establishment and usage.

It was suggested to make amendments to the definition “budgetary resources management”, because there is a contradiction between the current Budget Code and the Law of Ukraine “On the National Police” and the Decree of the Cabinet of Ministers of Ukraine “On approving of the regulations on the Ministry of Internal Affairs of Ukraine”.

<sup>3</sup> On Approving the Regulations on the Ministry of Internal Affairs of Ukraine [Pro zatverdzhennia Polozhennia pro Ministerstvo vnutrishnikh sprav Ukrainy]: Decree of the Cabinet of Ministers of Ukraine dated from October 28, 2015 No. 878; Revision on September 2, 2017. Available at <http://zakon.rada.gov.ua/laws/show/878-2015-п> (in Ukrainian).

<sup>4</sup> On Approving the Regulations on the Ministry of Internal Affairs of Ukraine.

<sup>5</sup> On the National Police [Pro Natsionalnu politsiiu]: the Law of Ukraine dated from July 2, 2015 No. 580-VIII; Revision on August 31, 2018. Available at <http://zakon.rada.gov.ua/laws/show/580-19> (in Ukrainian).

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### **ШЕВНИН С. М. ПРАВОВЫЕ ПРИНЦИПЫ БЮДЖЕТНОГО МЕНЕДЖМЕНТА В УКРАИНЕ**

Рассмотрены теоретические и практические аспекты бюджетного менеджмента, определена роль МВД Украины в осуществлении эффективного управления бюджетными средствами, а также предложены пути совершенствования управления бюджетными средствами в условиях децентрализации и демократизации государства.

**Ключевые слова:** *бюджетный менеджмент, бюджетный процесс, бюджет, Министерство внутренних дел, бюджетное учреждение, смета.*

### **ШЕВНІН С. М. ПРАВОВІ ПРИНЦИПИ БЮДЖЕТНОГО МЕНЕДЖМЕНТУ В УКРАЇНІ**

*Метою* статті було дослідити дискусійні питання щодо бюджетного менеджменту в Україні, а також навести власне бачення правових основ бюджетного менеджменту та його складової в бюджетному процесі.

*Методи.* При розгляді статті було використано теоретичні та емпіричні методи, такі як: аналіз, аналогія, моделювання, системний аналіз.

*Результати.* Розглянуто теоретичні та практичні аспекти бюджетного менеджменту. Наголошено, що бюджетний менеджмент містить сукупність взаємопов'язаних дій, прийомів в методів, спрямованих на управління бюджетними ресурсами та відносинами, що виникають у процесі руху бюджетних потоків. Основним питанням, яке намагається вирішити бюджетний менеджмент, є таке: яким чином забезпечити найбільш ефективне управління цим рухом і відносинами, що виникають з цього приводу. Це реалізується у предметі бюджетного менеджменту – бюджетному процесі та управлінні ним. Система управління бюджетом тісно пов'язана з більш загальною категорією управління фінансами та фінансових відносин. Сам процес такого впливу здійснюється через функціонування фінансової політики. Відповідно однією зі складових системи управління фінансами є система управління бюджетом. Співставлено поняття бюджетного менеджменту та управління бюджетними коштами. Детально проаналізовано предмет бюджетного менеджменту й основні його ознаки. Значну увагу приділено бюджетному плануванню, оскільки від правильного визначення планових показників бюджету залежить якість його виконання. Розглянуто кошторисне планування, яке охоплює комплекс заходів з визначення обсягів і напрямів використання коштів бюджетних установ на плановий рік. Під таким плануванням автор розуміє процес складання, розгляду та затвердження кошторисів бюджетних установ; зазначено, що він є складовою бюджетного планування. Визначено роль Міністерства внутрішніх справ України у здійсненні ефективного управління бюджетними коштами, а також запропоновано шляхи вдосконалення управління бюджетними коштами в умовах децентралізації та демократизації держави.

*Висновки.* Наголошено, що об'єктом бюджетного менеджменту є основний централізований державний фонд фінансових ресурсів, яким є бюджет держави. Предметом є бюджетний процес та управління ним. На підстав цього зроблено висновок, що бюджетний менеджмент є ідентичним поняттю управління бюджетними коштами. У свою чергу, управлінням бюджетними коштами визнається сукупність дій учасника бюджетного процесу відповідно до його повноважень, пов'язаних із формуванням і використанням бюджетних коштів. Запропоновано внести певні корективи до визначення «управління бюджетними коштами».

**Ключові слова:** *бюджетний процес, бюджет, Міністерство внутрішніх справ, бюджетна установа, кошторис.*