

THE FORMATION OF BUDGETARY INVESTMENTS ON THE DEVELOPMENT OF LOCAL TERRITORIAL COMMUNITIES

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Theoretical aspects of budgetary investments, its classification, sources of formation have been considered in the article. The author gives his own definition of this category. Budgetary investments of local budgets and sources of financing have been analyzed with focusing the attention on the budget of development. Problems and ways of improving budgetary investment in the regions of Ukraine are defined. Reserves of increasing the budget investments in the development of local communities are identified.

Key words: budgetary investments, Budget of development, capital expenditures, local budgets, capital transfers.

ФОРМУВАННЯ БЮДЖЕТНИХ ІНВЕСТИЦІЙ НА РОЗВИТОК МІСЦЕВИХ ТЕРИТОРІАЛЬНИХ ГРОМАД

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В статті розглянуто теоретичні аспекти бюджетних інвестицій, їх класифікацію, джерела формування. Автором запропоновано власне визначення даної категорії. Проаналізовано бюджетні інвестиції місцевих бюджетів та джерела їх фінансування з акцентом на бюджет розвитку; окреслено проблеми і шляхи вдосконалення бюджетного інвестування в регіонах України; визначено резерви збільшення формування бюджетних інвестицій на розвиток місцевих територіальних громад.

Ключові слова: бюджетні інвестиції, бюджет розвитку, капітальні видатки, місцеві бюджети, капітальні трансферти.

PROBLEM STATEMENT. One of the most important factors of rapid economic development in a market economy is an investment, including the budgetary one. Qualitative development of modern social and cultural institutions is also impossible without attracting adequate investment resources. Successful implementation of the objectives of the investment strategy of our country on both the macro and micro levels, crucially depends on an effective system of mobilization and use of investment resources.

Budget investments in development local communities in Ukraine are very low, due to the limitations of centralized financial resources and own revenues of local communities. The volume of capital expenditures of local budgets per one member of Ukrainian territorial community different from the European in 18 times [1]. In terms of implementing the strategy state concerning strengthening the foundations of local government and the development in European integration processes the issue in formation of budget of investment resources for the development of local communities is extremely important.

Various aspects of the formation of budgetary investments in the development of local communities are considered in the works of local scientists, Y. Banit [2], I. Vlasova [3], N. Goncharenko [4], I. Zapatrina [5], T. Zatonatska [6], V. Crook [7], O. Kirilenko, B. Malynyak [8], L. Popel [9], Tkachenko [10], V. Fedosov [11] and others.

In scientific works of these authors the theoretical and practical aspects of the formation of budgetary investments and foreign experience in forming of investment resources from public funds are examined. The article object is an analysis of the current system

of formation of budgetary investments in the development of local communities and finding the methods to improve it.

EXPERIMENTAL PART AND RESULTS OBTAINED. The term "budgetary investments" is a fairly common and accepted in the scientific literature and budgetary practice. Ukraine does not have a legal definition of the term yet, so today there are several approaches to understanding the nature of budgetary investments.

O. Kirilenko considers budgetary investments as an effective instrument of state regulation, aimed at the social-economic development, contributing to economic stabilization and provides redistribution of investment needs of the economy respectively [8].

T. Zatonatska notes budgetary investment expenditures of state and local budgets, which are funded by targeted programs of economic development, scientific - technical, social development programs of individual regions, industries etc. [6].

L.A. Popiel considered budgetary investments as an important component in investment of real economy, which plays an important role in the economic development and the achievement of social effect [9].

Having considered the different approaches of domestic and foreign scientists about the nature of budget investments, in our opinion, the main criterion for classifying investments to budget ones is the budget expenditures on capital. Therefore, given the economic content of the categories, based on the guidelines to economic classification of expenditures, which is determined by the nature of capital expenditure [12] and the availability of the information base for analytical research, we believe that budgetary investment is a capital expenditure allocated to

purchase capital for the construction (purchase), repair, reconstruction and restoration of objects of industrial and non industrial, to create state reserves and reserves; for the purchase of capital assets; irredeemable payments, indemnification of the losses, related to the damage of the fixed assets, financing of structural alteration of national economy; subventions and other expenditures related to expanded reproduction using budget funds.

The primary purpose of budgetary investments consists in the investment providing of development real to the sector of economy and social sphere. The effective budgetary investing assists forming of such system of grant of public services, that provides the high level of socio-economic development, promotes material welfare of population, provides development of material and technical base of social sphere, and also activates investment processes and economy growing in a country.

Classification of budget investments can be made on different grounds. Proposed classification of budget investments by O. Kirilenko and B. Malynyak [8] allows being better specific planning, more accurately determine and take into account factors that affect the allocation of budget resources for investment purposes. Under this classification budgetary investments are divided into: investment in the public sector; investment in infrastructure; investment for social protection; investment in the real economy; investment for social purposes.

In our opinion, budget investments can be also classified as:

- By type of budgets;
- By type of funds (general and special);
- By functional, economic and program classification of expenditures;
- By source of funding.

Policy reform in public administration budget resources and expenditures in many countries aimed at introducing "concept of two budgets," which states that the planning, financing and spending controls on current activities and programs are different. The founder of this concept is the Peter F. Drucker. In foreign practice under the budget development refers to the share of public fund, which is formed by capital expenditures and used to guarantee security and investment projects [13].

In Ukraine, the concept of «budget development» enacted through Budgetary Code in 2001 [14], which stipulates that the development budget is a part of a special fund local budgets. Budget funds for investment purposes at the local government budgets of accumulated and used to finance investment regions. Under current legislation, budgetary investment (capital expenditures of general and special funds budget) regionally funded by: the development budget, capital transfers from the state and local budgets higher level, as well as general fund appropriations under budget allocations.

Determination of components assessment of sources of budget investment expenditures funding mechanism should be implemented in accordance with the strategy and tactics of budget policy to volumes

formed by budget investments were sufficient, had economic and social efficiency, and were contributed to the development of local communities.

The concept "the limits of budget investments by V. Fuente" exists in the economic literature. According to this concept, the optimal amount of investment budget is 2% of GDP fluctuations are negative [15]. Our analysis based on statistical data for 2007-2013 [16] shows that the share of capital investment as the State Budget of Ukraine (ranging from 2.09% in 2007 to 0.43% in 2013) and local budgets (ranging from 1.32% in 2008 to 0.49% in 2013) is below a certain level. In addition, the downward trend of the studied parameters indicates a lack of state involvement in investment processes. The structure of the sources of funding for capital investment is dominated by own funds of enterprises and organizations with a tendency to increase, whereas budget assets make up a very small portion and continue to decrease from 11% (2007) to 5.4% (2013). [16,17]. Capital investment budget is only a part of budgetary investments by the state and local budgets. Based on the presumption on concerning the identification of budget investments of capital spending and taking into account available information base (under existing economic classification of expenditures) capital expenditures, we analyze their composition, structure, dynamics for 2007-2013 (Fig. 1) [16, 17].

Analysis of the budgetary investments shows that a greater share of emerging from the state budget of Ukraine. Thus, the share of capital expenditures of the state budget in the total budget investments made in 2007 - 53.5%, in 2009 - 2010 due to the financial crisis proportion fell to 47.7% in 2009 and 53.1% in 2010, in 2012 increased to 64.5%.

The trend of changes of budgetary investments in absolute terms as well as the share of capital expenditures in the respective expenditures of state and local budget reflects periods of economic growth and recession in the country, and there is the advantage of the state budget in the budget investment. Analysis of budgetary investments conducted by 2007-2013 by economic classification [17] found that in local budgets, capital expenditures decreased more rapidly than the state in general (growth rates were respectively 0.63, 0.69 and 0.66 in the whole country).

In the structure of capital expenditures of local budgets for employment over the period the costs of acquisition of fixed assets prevail. However, the lack of state investment in the country affects the timely updating of fixed assets depreciation which increased from 50.32% in 2007 to 69.78% in 2013 [16,17]. The current economic situation in Ukraine requires additional attention to the formation of an investment capacity of local budgets for social-economic development of regions especially in terms of local government reform, fiscal decentralization declaration. One important source of investment financing local budget is the budget development. Budget Development is a provision for innovation and investment activities related to investments in social and economic development of the administrative-

territorial entity, social programs, and other expenses

related to expanded reproduction.

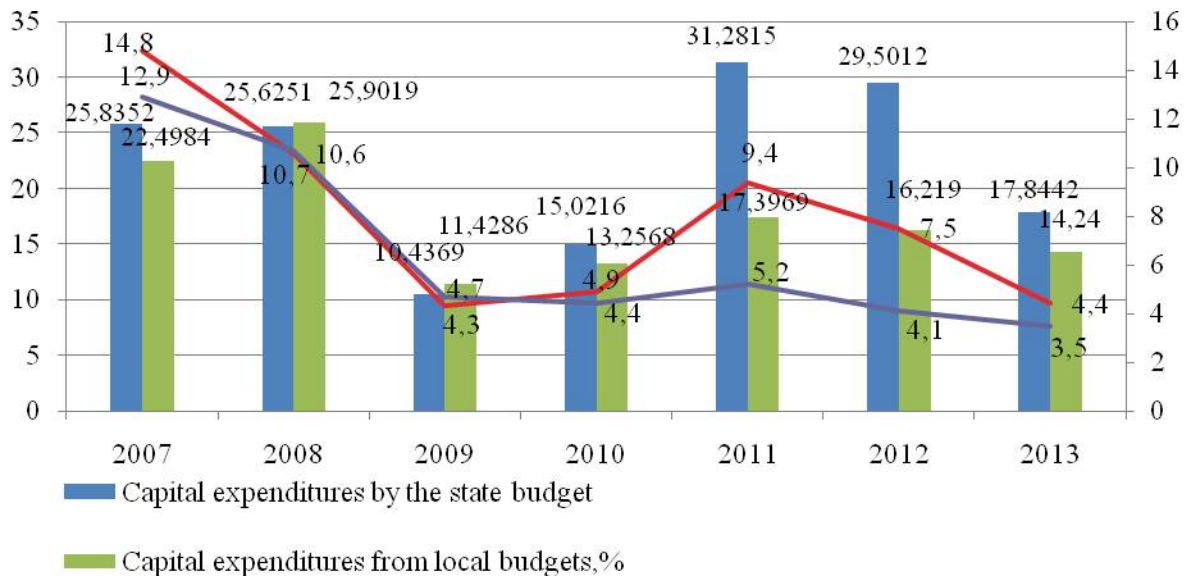


Figure 1 – Dynamics of capital expenditures from state and local budgets in Ukraine for 2007–2013

According to article #71 of Budgetary Code [14], in Ukraine in 2002 development budget as part of a special fund local budget has been launched. The main components of the revenue budget to 01.01.2015, were: real estate tax different from land, payable to local budgets, the only tax payable to local budgets revenues of dividends (income) accrued on shares (stakes stocks) business partnerships, payment for the provision of local guarantees, proceeds from the sale of property which is communal property, funds from the sale of non-agricultural land, capital transfers (subsidies) from other budgets, funds from the repayment of loans to the appropriate budget and interest paid for their use; local borrowing, as well as funds transferred by the decision of the local council from the general to the special fund. According to amendments to the Budget Code of 2015 in connection with the expansion of revenue sources local budgets general fund single tax and tax on real commercial property have been removed from the revenue budget development [14].

Currently a detailed analysis of the composition, dynamics and structure of financial support for budget investments of local budgets complicates absence of necessary information base, and therefore will analyze published data reporting on budget development and capital transfers from the state budget [17].

Dynamics and structure of sources of budgetary investments of local budgets in Ukraine for 2007-2013 are presented in Table. 1.

The table shows the faster growth rate of budget revenues (1.6) of the total amount of the budget rate of investment (1.1) and the rate of capital transfers from the state budget. The increase was due to changes in the Budget Act, in 2011, of the development budget included a flat tax. As part of the current fiscal investment share of the development budget has increased 1.4 times and reached in 2013 83%; the most important indicator was in crisis in 2009, during the

decline of investments from the state budget. The share of the budget of all local revenues Ukraine is low and has declined from 14.4% in 2007 to 12.5% in 2013 [16, 17].

Filling the development budget is due to the special fund, but because of lack of funds, funding is due to borrowing from the general to the special fund.

The cost of the development budget used to repay the local debt, capital expenditures, including capital transfers to other budgets and local government contributions to the statutory funds of business entities, of expert assessment of land, preparation of non-agricultural land; payments related to the performance warranty territorial community, urban planning at the local or regional level [14].

So, in order to provide funding for the necessary amount of budgetary investments for the development of local communities it is important to clearly define the list of sources, their content and mechanism of budgetary investment.

Currently in Ukraine, as the analysis states, theoretical and normative-legal principles of forming budget investments at the regional level in its infancy, frequently changes. Current legislation (Budgetary Code [14], the Law of Ukraine "On investment activity" [18] have clear definitions of budgetary investments and their classification, methods of forming through various sources, mechanism of implementation and evaluation of investment budget.

Opaque planning, financing investment budget, the lack of a clear, consistent and informative reporting and sources of investment areas of the budget makes it difficult to analyze, evaluate the effectiveness of their implementation at the level of local budgets, leading to corruption in this area, wasting money and not conducive to proper development of local territorial communities.

Table 1 – Dynamics and structure of sources of budgetary investments of local budgets in Ukraine, mio. UAH

Indicators	2007	2008	2009	2010	2011	2012	2013	The growth rate 2013/2007	
								+/-	%
Development budget	8402,2	9234	4048,6	3784,2	13227,9	14214,7	13146,4	4744	1,6
Capital transfers from the state budget to local budgets	6135,8	5557,4	368,4	2403,3	6563,8	4849,2	2620,6	-3515	0,4
The total amount of budgetary investment	14538	14791,4	4417	6187,5	19791,7	19063,9	15767	1229	1,1
Development budget revenue as % of total budgetary investment	57,8	62,4	91,7	61,2	66,8	74,6	83,4	25,6	1,4

Flaws and instability of the budget, tax legislation today, unfortunately, despite the declared policy of financial autonomy of local budgets, entails the lobbying of some persons populist solutions that provide adequate funding sources. Therefore, as well as the provisions of the Concept Local governments in defining new and improve existing sources of budgetary investment at the local level, especially, it is important to increase its revenue base of local budgets, reduce dependence on the state budget, the amount of transfers which are excessive, reaching half of all local budget revenues.

Amendments to the Budgetary Code of 2015 on the development budget, namely the exclusion of part of his income and transfer income to the general fund of the single tax and property tax suggest filling local budgets general fund, but a special reduction that will reduce the level of investment, and hence local development. In order to interest local communities in enhancing the economic potential of the territories and the real implementation of the course on financial decentralization policy concerning revenue base budgets, we believe that such national taxes as excise tax, value added tax (VAT), which now comes almost entirely to State budget is attributed to the regulatory and make deductions from them to the appropriate local government - namely, the development budget. To avoid subjective approach offer for all local governments exercise deduction for the same standard - 2% to all of these contingent tax in a given administrative-territorial unit and include these contributions to the revenue budget of the relevant local government.

With corporate income tax under local jurisdiction we offer to implement the budget development allocations of 50%. Deductions share of income tax, VAT and excise tax on local budgets will contribute to the development of territorial communities of interest in enhancing the economic potential of and obtaining additional sources of investment resources.

In world practice capital transfers from the state and higher local budgets play an important role in shaping the investment budget resources in the regions. In Ukraine, the decline in own-source capital expenditures such transfers could significantly strengthen financial investment potential in the field, but the formation and

distribution of investment subsidies is in the absence of the necessary legal framework, which causes uneven distribution does not stimulate the social-economic development local municipalities, in taxable and depressed regions.

Effective investment budget requires matching funds investment plans within the framework of well-defined, stable financing of these plans. Measures to improve budget planning include:

- Identify priority areas of investment, its economic efficiency and relevance to society;
- Qualitative assessment of the financial management of projects during their implementation.

The economic efficiency of regional investment activity may be estimated by its ability to influence the GDP growth. We propose to determine the effectiveness of budget-based methods of S. Batischeva [19], and to decide on the basis of the results on the future financing of investment projects and increase liability for possible implementation of budgetary violations in this area.

CONCLUSIONS. So the consideration of the mentioned above principles to improve investment of budgetary resources in the regional budget policy will have a positive impact on the social-economic development of local communities.

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ФОРМИРОВАНИЕ БЮДЖЕТНЫХ ИНВЕСТИЦИЙ НА РАЗВИТИЕ МЕСТНЫХ ТЕРРИТОРИАЛЬНЫХ ОБЩИН

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В статье рассмотрены теоретические аспекты бюджетных инвестиций, их классификация, источники формирования. Автором предложено собственное определение данной категории. Проанализированы бюджетные инвестиции местного уровня и источники их финансирования с акцентом на бюджет развития; выявлены проблемы и пути совершенствования бюджетного инвестирования в регионах Украины; определены резервы увеличения при формировании бюджетных инвестиций на развитие местных территориальных общин.

Ключевые слова: бюджетные инвестиции, бюджет развития, капитальные расходы, местные бюджеты, капитальные трансферты.

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