

SOME DIRECTIONS OF IMPROVEMENT IN BUDGETARY RELATIONS FROM THE POINT OF VIEW OF POST-COMMUNIST TRANSFORMATION

To optimize the financial system is particularly important to achieve an effective balance between revenues and expenditures of the central, regional and local budgets, socio-economic development of regions. The territorial units can not be perfected without financial relations, which must be ensured economic development of individual territories and regions. "Financial and budgetary federalism" multilateralism and, respectively, complex mechanism, which essentially consists in the device cost of rights and obligations between the "center" and "region", the rules of their relationship at all stages of the budget process, regulatory and legislative device methods of redistribution of budgetary resources and in the socio-economic relations existing between the State and legal entities and individuals that are formed in the process of formation, distribution, and use of public Orders cash resources and at the same time there is a realization of belonging to this system of subjective interests.

Keywords: financial and budgetary federalism, foreign models of interbudgetary relations, budgetary alignment.

Introduction

After achievement of independence of one of the most difficult and considerable problems was and there is a state budget, questions of optimization of its incomes and expenses and its transformation into the most powerful lever of restoration and country development. For optimization of a financial system of the country especially the great value has achievement of an effective parity between incomes and expenses of the central, regional and local budgets. Social and economic development of territorial units of regions of the country is impossible without perfection of financial relations by which economic development of separate territories and regions should be provided.

The financial history of the developed countries does obvious that between all three levels of the budget should be distributed so that in the expense and the income of means of structure have been as much as possible provided by financial resources. The civilized mankind throughout a centuries-old history of the development has created capable system of mobilization and the expense of financial resources which for today name financial-budgetary federalism.

Literature Review

«The financial-budgetary federalism multilateral and accordingly, the most complicated mechanism, which essence consists as in the device of the budgetary rights and duties between "center" and "region", rules of their mutual relation at all stages of budgetary process, the is standard-legislative device of methods of redistribution of budgetary resources, and in those social and economic relations existing between the state and legal, realization of all subjective interests entering into this system occurs physical persons who are formed in the course of formation, distributions, orders and uses of the state monetary resources and at the same time" [1].

Under the influence of political, historical and national

factors in the world there was a set of budgetary systems, is appreciable differing among themselves. The organization of budgetary regulation directly is connected with state system model. In the unitary countries to budgetary systems typical high level of centralization of budgetary resources and insignificant volume of the budgetary rights and duties of local budgets at high relative density of the financial help from the central budget. In the states with the federal device budgetary regulation is a part of relations of the budgetary federalism assuming more balanced distribution of powers and responsibility between levels of budgetary system, relative independence of budgets, their equality in budgetary system of the state, the organization of interbudgetary redistribution, that is the financial help to subordinate budgets in different forms.

Interesting and useful to the analysis of models of budgetary federalism the grouping of the countries of the Organization of economic cooperation made by English experts G. Hughes and S. Smith and developments (OECD) according to such signs, as similarity of approaches to regulation of interbudgetary relations is represented, to feature of used philosophy of budgetary federalism, a parity of roles of the central and sub national authorities. As a result of 19 countries OECD have been broken into 4 groups:

1 group – 3 federal – Australia, Canada and the USA and 2 unitary – Great Britain and Japan the states;

2 group – countries of Northern Europe – Denmark, Norway, Sweden and Finland;

3 group – federal countries of Western Europe – Austria, Germany, Switzerland;

4 group – the southern and western European countries – Belgium, France, Greece, Italy, The Netherlands, Portugal and Spain.

Despite convention of such division, from the grouped countries certain common features are peculiar to

budgetary systems. The first group is characterized concerning the big independence regional and the local authorities leaning against wide tax powers. The second group – especially high share of participation of the no central authorities in financing of social expenses. The third – essential degree of autonomy of budgets of different level in a combination to the developed system of their cooperation. The fourth – considerable financial dependence of regions on the central budget.

It is supposed that in the long term different models of fiscal federalism will find the names, there will be new classifications. While in the general view it is possible to allocate two types of models – decentralized and cooperative.

Survey

By the further consideration of foreign models of interbudgetary relations the basic attention is given to a question of budgetary alignment by means of system of transfers on an example of such foreign states, as the USA, Canada, Germany, Switzerland and Italy. Shares of transfers from the center in regions in a total national product in these countries differ slightly. So, in the USA, at the model based on a competition, this indicator makes 3,7 % that is insignificant below an indicator of Germany – 4,3 %, using cooperation model. Switzerland passing to model of the federal organization, based on a competition, has a little higher indicator of inter-regional transfers – 4,4 % whereas in Canada this indicator makes approximately 3,5 %. Quality indicators of each national system in the field of regional alignment can't be described in the sizes of transfers between local and regional levels of the power. Hence, it is necessary to consider as transfers are distributed.

In all considered federal systems budgetary relations answer principles subsidiary (the maximum affinity of authorities to consumers of corresponding budgetary services) and budgetary independence of federal level and subjects of federation. The basic distinctions consist, on the one hand, in target budgetary alignment, and on the other hand, in a tax policy.

In the USA alignment of tax potential of states isn't the purpose of transfers between states. Thus, there is no horizontal budgetary alignment between strong and weak financially states. Vertical channels of financing also are poorly connected with financial potential of staff – the addressee. Financial distinctions amplify under the influence of transfers from the federal center more likely: generally transfers are allocated provided that states and municipalities give the part of means. Actually states with the greatest tax potential also receive also the greatest transfers from the federal center. Level of expenses of states, thus, is closely connected with their own tax base that maintenance is shown in higher expenses of succeeding states on formation and social.

Prominent feature of the American model is absence of the federal program of budgetary alignment. It is included as one of components in some target programs, such, as, for example grants to school councils. Support of states and local authorities at the expense of the federal budget is carried out also at the expense of tax expenses which are meant as the losses of the federal budget resulting an exception of taxable base under federal taxes of its separate elements. First of all, the sums paid by tax bearers in budgets of states and local budgets in the form of surtax and the tax to property, and also the means received by them in the form of percentage payments under bonds of states and local authorities concern such

excluded elements. Thus, if any staff decides to increase the rate of the surtax arriving in the budget of staff, the tax base of federal surtax will decrease also the federal budget will receive less means. Similar losses of the federal budget actually are the financial help to states. The estimation of the sizes of the financial help which will be transferred on such channels in from the federal budget in 2009, makes 98,7 bln. dollars [20].

Contrary to the USA, in Germany horizontal and vertical transfers conduct to almost full alignment of distinctions of financial security of subjects of federation. Here too there are the general problems financed in common both the federal center, and subjects of federation. But regional budgetary alignment plays the leading part in definition of ability of the subject to offer comparable level of federal services. In Germany at budgetary alignment of the land not necessarily precisely calculated account requirements of each land undertake a basis. The land having at the order average incomes per capita recognize that, in a condition to finance average expenses per capita. Additional account requirements should be considered in a case with the land with very high or very low population density by means of higher prospective relative density of the population.

The general budgetary alignment of the land is spent to 3 phases. In the first phase of 25 % the income of the VAT from which almost half is fixed to the land, is distributed between the land needing the financial help, and the others of 75 % of a share of the land – on population. In the second phase transfers of the "rich" land follow "poor". Transfers to the weak land are carried out in the step image: the sum necessary for achievement by them of 92 % average German of level of budgetary incomes per capita, arrives at the expense of redistribution of the tax from a turn, for achievement of a mark of 95 % at the expense of granting of obligatory transfers without any conditions, and from 95 to 100 % – at the expense of granting of the transfers differentiated depending on special financial requirements.

In the third phase incomes per capita the land needing the financial help, by means of transfers are levelled to the average level of incomes per capita on the country. For the land with very low population and for the so-called "new" land of East Germany special account requirements which are financed by Federation in the form of special transfers admit. Alignment of budgetary security of the land is carried out in a greater degree indirectly, that is through distribution of incomes of the VAT directly through federal transfers and to a lesser degree through transfers between the land. From approximately 50 % of aggregate profits from the VAT enlisted in budgets of the land, 75 % are distributed per capita. Other part is distributed between the land having on shower level of tax revenues below 92 % from an average on shower level of tax revenues on all land.

The federal Ministry of Finance acts in a financial settlement center role on realization of direct horizontal alignment of budgetary security by means of transfers between the land. At first on the basis of preliminary estimates of tax revenues redesigns of transfer payments are made, then this data from the sum of quarter transfer payments is constantly updated. Later the predicted data on tax revenues is replaced with the data on actual receipts for a year of alignment of budgetary security and the sums of transfers are accordingly corrected. Thus, changes of tax potential of the land in connection with unforeseen structural events or sharp fluctuations in

economy sphere are considered. Any land experiencing financial difficulties, immediately receives the corresponding financial help from the federal budget [21].

The system of budgetary alignment of a federative state Canada has the features caused by that budget of territories – provinces, besides tax and non-tax incomes, receive transfers from the federal budget. The total amount of incomes and budget expenses are defined taking into account the transferred financial help.

Two kinds of transfers are thus used: tax and monetary. The monetary transfer represents transfer of money resources from the federal budget in budgets of provinces. The tax transfer arises in a case when the government reduces federal rates under taxes, simultaneously giving to provinces the right to raise the rates under corresponding taxes to similar size.

The volume of transfers and technique of their distribution are usually established for 5 years, and means of transfers are reconsidered annually. The government of Canada transfers to provinces under three basic programs:

1) On public health services and the social help. This transfer is target and is used for support of public health services, higher education, granting of the social help and services to territories and provinces. The financial help under this program is transferred in the form of tax and monetary transfers;

2) On alignment of less provided provinces on level of granting of budgetary services to the population. This transfer is no-purpose. The transfer is defined by a technique established by the federal legislation. Originally on the basis of estimations of own incomes it is estimated on shower budgetary potential of each province. Then it is defined standard on shower budgetary potential taking into account potential of five provinces «with average incomes». Provinces with on shower potential below the standard receive a transfer for pulling up to the average level. Procedure of calculation of a levelling transfer is established for 5 years, the standard potential pays off annually;

3) On financing of the territorial program. Within the limits of this program the special transfer is transferred to northern territories (not to provinces) which differ from provinces that at them is considerable above an expense for granting of budgetary services, high rates of increase of population and poorly developed tax base. The given transfer - no-purpose also is allocated for increase of budgetary security of territories [22].

One of the countries, undertaken in 80 – 90th years considerable efforts in the field of reforming central models of financing of the sub central budgets and achieved thus certain successes, are Italy. In this country there are 4 levels of the government: central, regional, provincial and municipal. The sub central authorities are generated in 20 areas, 99 provinces and 8100 municipalities. Management of the sub central bodies carries out the exchequer ministry (for areas) and the Ministry of Internal Affairs (for provinces and communes).

Feature of a state system of Italy is granting by the Constitution of the country to areas of the status of "autonomy" and investment with their legislative powers in a number of spheres of social and economic development. It in certain degree approaches the Italian areas to subjects of federation in federative states though legal status of the Italian areas isn't identical to legal status of states in the USA, the earths in Germany, provinces in Canada and cantons in Switzerland [19].

Despite rather high degree of decentralization of

functions of the government, in Italy there is highly centralized financial-budgetary mechanism of formation of incomes of the sub central authorities and transfer redistribution of public revenues through the central budget. As a whole through channels of the consolidated state budget in Italy about 48 % of gross national product is redistributed.

Management of national taxes in Italy entirely is in conducting the central administration. Local surtax also not an exception. Means from the last go to the budget of the central administration and only are then listed to the sub central authorities through the mechanism of transfer budgetary redistribution of financial assets.

The sub central authorities of Italy are in strong financial dependence on the budget of the central government. According to the statistics data, in Italy sub regional budgets depend on the budget of the central administration under current incomes on the average on 25 %.

For financing of the sub central authorities in Italy in the central budget the specialized centralized funds, such as «National fund of development of public health services», «National fund of development of transport», «the General fund», «compensation Fund», «alignment Fund» are generated.

Besides funds of the centralized financing, there are some various types of transfers which are listed to the sub central authorities from corresponding funds. Them concern: "not caused", or «usual transfers»; «the caused transfers», or "subventions"; «regulating transfers»; «additional transfers»; «special transfers» and «extreme transfers».

In Australia where the finance, for alignment is used system of the centralized deductions defined under the uniform distributive-levelling formula, which purpose – to satisfy budgetary requirements of all states for maintenance of uniform standards on all country of public services. Within 80th years the system of so-called automatic allocation of grants at which means to local collectives went automatically, according to the developed criteria identical to all collectives has been entered into France. Thus, in the field of the state transfers the principle of the universal approach began to be used. Other important feature of the French experience of definition of interbudgetary streams is connected with their division in two directions: on functioning and on the investment.

Process of distribution of transfers between funds and areas in Italy is subordinated to certain rules. According to the current legislation, the dominant role in distribution of the centralized transfers belongs to the central administration. The mechanism of distribution of transfers is combined enough. To receive necessary volume of the financing, each area within the limits of participation in budgetary process of the country should to develop and present to certain term in the ministry of the budget a package of branch programs of regional character. These programs should be made taking into account the purposes and priorities of national economic policy, to consider possibilities of their realization at regional level. During working out of programs consultations of experts of the central government are carried out. In case of the consent of the government with programs of areas financing on them is carried out «under the list», that is by turns, occupied in the government list.

Realization of the concept of fiscal federalism is based on a combination of two complementary tendencies – a competition between regional bodies in the market of

social services and alignments of conditions of this competition and maintenance in all territory of the country of national minimum standards.

Methods and Results

As shows world experiment, financial-budgetary methods provide formation with the uniform purpose and uniform idea of separate regions and areas, cities and areas, the whole population of the country. Proceeding from it today when in Georgia integrity of the country is broken, the most effective and effective means for association of regions carrying out economic is, in particular, such financial, budgetary, tax, customs, credit, settlement etc. politicians who will push all areas, regions, cities, areas, the villages, all population of Georgia to association, will include in a canter round dance, will create uniform political, social, economic, cultural, spiritual and finally national space.

For Georgia at a today's stage when integrity of the country "classical" financial-budgetary federalism is broken it is premature also optimum such model which provides unity and the maximum satisfaction of the population of material and cultural well-being is. We think that taking into account the specified principle in Georgia the financial-budgetary federalism should take roots. For what "center" at the given stage besides should keep dominance and shouldn't occur not only transfers financial methods, but also touches to them as all a shooting gallery of a member of the pivotal core of economic stability of the country – known «a financial Trinity» (national currency, the national bank, the state budget) represent in the unity and separately one of the pivotal and the most powerful methods unity and creation. Thus shouldn't be admitted any amateur performance in realization of a monetary turn, the bank policy and budgetary process, from "regions" and not from "center".

Thus Georgia necessarily should have the uniform strong Ministry of Finance in which structure there will be tax, customs and state services that the system of financial-budgetary federalism which will be constructed by a principle has been apprehended in a uniform cut: «the Financial-budgetary federalism is necessary for the future of uniform Georgia and transfer of the financial-budgetary rights to the parties is necessary for their normal functioning and organic communication with the center».

All know that Georgia thanks to variety of natural-environmental conditions of the regions, is the most unique country in the world to that can envy and the countries owning huge territories, but all it puts the print on national economy of various areas, development of regional economy. Under such circumstances by means of the local finance the state can equate levels of economic and social development of territorial units which in comparison with other regions because of certain historical and an environment have appeared among backward.

In our opinion that the regional (local) budget worked with the corresponding rights, its device by a principle of budgetary federalism as it the central and regional budgets the distribution, problems subject to realization and taking into account own incomes direct the budgets is necessary and incur responsibility for drawing up, the statement and budget execution.

Proceeding from all aforesaid, social and economic development of territorial units of the country is impossible without perfection of financial units that should provide economic balance of the separate parties.

Conclusion and Recommendations

In social and economic development of territorial units by the major delimitation competence between the center and regions is. In our opinion of the competence should dare in three directions: special the center competence; the questions, concerning special competences of region (territorial unit); the questions, concerning uniform management. Here it is necessary to notice that in the Constitution of Georgia the questions, concerning special central management are accurately formulated, but is told nothing about the competence of national and territorial units [1].

In our opinion, such model of delimitation competence which will provide definition special competence central and local authorities, and those competences which aren't included into the competence of any them them is comprehensible, to carry to questions of uniform management.

In our opinion, it is possible to put two main principles in a basis of delimitation of financial competences of the center and regions: according to the first principle it is necessary to demarcate the financial relation of the center and region that first of all, means for each of them existence of the independent budget and stable sources of its replenishment and possibility of the independent order them of own finance. But the problem of preservation of economic balance which is the guarantor of the state independence and a primary factor of social and economic development of the country, shouldn't drop out of a daily routine. The relying ideology underlies the second principle of delimitation of the central and regional finance according to which the state within the territory necessarily should provide financial equalizing of the territorial units having low starting development, with country average indexes.

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