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FOREIGN EXPERIENCE IN BUDGET FORMATION

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The budget is a key instrument of macroeconomic regulation that affects the socio-economic development of the state. Its formation and implementation largely depend on the level of development of financial and budgetary institutions aimed at supporting economic growth.

Ukraine's current economic development requires the adaptation of the existing budget policy to the changes taking place in the country's financial and economic system. In the process of budget planning, both in developed countries and in states with transitional economies, certain factors have been observed to influence the stability and balance of the budget system. Therefore, it is relevant to study international experience in budget formation and the possibility of borrowing the most effective practices for implementation into the national system.

Foreign governments widely use the program-target method of budget management in forming budget policy, which contributes to increasing the efficiency and transparency of the use of budget programs and allows prioritization within existing fiscal constraints. For example, this budgeting method is used in the United States. The implementation mechanism is result-oriented. The goals to be achieved are indicated in strategic and annual plans. A distinction is made between the final goal and the intermediate one, which reflects the partial achievement of the final objective. The revenue part of the US federal budget is mainly formed from direct taxes, the revenues of the states – from indirect taxes, and the revenues of local authorities – from property taxes. The US budget consists of two parts: the government budget, whose expenditures are directed to financing socio-economic programs, and subsidiary funds (trust funds), whose resources mainly finance sectoral infrastructure programs on a targeted basis. The process of forming and distributing budget funds, including for financing education, healthcare, defense, infrastructure, etc., is controlled by the US Congress. The US budget system has three levels – the federal budget, state budgets, and local budgets – and ensures autonomy at each of them by granting powers to independently form and execute budgets in terms of revenues and expenditures. The long-term budget strategy in the USA is aimed at ensuring financial stability, national economic growth, preventing financial crises, improving the institutional environment, and implementing reforms in the development of the financial and budgetary system [1; 6].

In Germany, the principles of balance, minimization of borrowing, and proper satisfaction of the population's needs are the basis for budget formation. The budget process in Germany is based on medium-term budget planning and forecasting, which is carried out at both the federal and state levels. This process is implemented in three stages: adoption of the draft budget for the current year, for the next year, and for the following three years – the prospective budget. The prospective budget of Germany is revised annually, thus the planning and forecasting process is shifted forward by a year, allowing an adaptive response to all socio-economic changes in the country.

The formation of budget expenditures is carried out based on multi-year estimates for each direction. Undistributed planned reserves are provided for each year in case of possible price increases and the adoption of new programs, as well as a general reserve for wage increases. The multi-year estimates are also aligned with medium-term goals; however, the amount of appropriations for each budget administrator is less than the expenditures allocated in the budget, taking into account the planned reserve included in the forecast for each subsequent year to cover additional expenses for new programs and possible price increases. Budgets at all levels in Germany are mainly formed from tax and administrative fees and charges. The high level of tax burden led to a budget surplus in 2020. The budget in Germany can only enter into force if approved by the Bundesrat – the body representing the interests of the states. This illustrates the principles of financial federalism [4].

France's budget includes: central government accounts (general budget, annexed budgets, special Treasury accounts), local budgets, and social insurance funds. More than 20% of GDP and 50%

of national income are redistributed through the French budget. The revenues of the French state budget are mainly formed through tax receipts. In particular, the share of personal income tax is 22.7%, and corporate income tax – 14%. Special attention in France's budget system is given to budget planning and forecasting. The macroeconomic forecasting process is implemented by the Ministry of Finance and the Ministry of Economy. Long-term budget policy is developed by the Department of Fiscal Legislation of the Ministry of Finance. As in Ukraine, France operates a treasury system of budget execution, represented by a single treasury account. A high level of centralized power in the country confirms the fact that lower-level budgets (budgets of administrative-territorial communities) are approved by higher-level authorities. The financial dependence of local budgets is determined by the system of state subsidies, loans, and interbudgetary transfers. The excessive level of centralization illustrates the need for state permission to issue local loans, indicating full control over local budgets [8].

More than two-thirds of tax revenues are accumulated in the state budget of the United Kingdom, indicating one of the highest levels of centralization of public finances in the world. As in most developed European countries, the revenue side of the budget is ensured by tax receipts. Financial resources are redistributed among local authorities through targeted allocations, grants, and subsidies, taking into account socio-economic development priorities and ensuring macroeconomic balance. The main method for budget planning is the program method. A special feature is that in the expenditure plan, unspent funds from one budget period are allowed to be carried over to another budget period. The UK state budget consists of the main budget, which finances current expenditures, and the National Loans Fund, whose revenue base is formed from interest on long-term loans, profits from issuance, etc. Local budgets are mainly formed from the municipal tax. The main expenditure directions of local budgets are funding education, governance, the judicial system, housing construction, and environmental protection. The role of local budgets in the UK is reduced to effectively distributing financial resources, as no local budget in the UK can function without borrowing from the central budget [3].

The main source of state budget revenues in Poland is tax receipts, which constitute 16.1% of GDP. The revenue side is structured so that the vast majority of state revenues go to the central budget, meaning local budgets, while relatively autonomous, are subsidized. At the same time, Poland operates an effective system of interbudgetary relations. The budget formation process specifies mechanisms for covering the state budget deficit through loans from the central bank or the free financial market. These funds are not included in the state's budget revenues. A feature of Poland's budget planning and forecasting is that the country’s main financial documents have a long-term nature of 8–10 years [2]. An interesting aspect of Poland's experience in developing local budgets for Ukraine is intermunicipal cooperation. Local self-government bodies often participate in intermunicipal cooperation to optimize resource use and improve service delivery efficiency.

It should be noted that since the early 1990s, participatory budgeting has been used in the United Kingdom, France, Germany, and Italy as a mechanism to ensure public control and transparency of local finances. It involves engaging residents of territorial communities in discussions on the formation and use of local budget financial resources [2]. This promotes accountability and strengthens trust between the authorities and citizens. Adopting such a practice can enhance transparency and accountability in local budget management.

In the formation of local budgets in foreign practice, three models of budgetary provision for the development of territorial communities are applied, in particular:

− the Hanoverian model, where the share of local taxes reaches 1-2% of GDP and constitutes about 4-5% of all taxes. This model is typical for the United Kingdom, Germany, Poland, and the Netherlands;

− the Latin model involves the accumulation of local taxes in local budgets at the level of 4-6% of GDP and accounts for about 20% of all taxes. This model is used by France, Italy, and Spain;

− the Scandinavian model, where local taxes constitute 10-20% of GDP and 20-50% of all taxes, is used in Sweden, Denmark, and Finland [2].

These models indicate that in foreign countries, own revenues have the greatest influence on the formation of local budgets, being the main budget-forming element.

An important factor influencing the formation of local self-government budgets and the level of socio-economic provision of local communities is the share of official transfers in the revenues of local budgets, the level of which in EU countries is quite significant. In particular, in France it amounts to 32.6%, in Italy – 41.2%. The specific weight of non-tax revenues in the local budgets of developed countries averages 10% - 30%. For example, in Belgium this indicator exceeds 30%, in the USA it is about 27%, in Sweden – 15%, Austria and the United Kingdom – 14%, and in France – only 2%. In the USA, sources of municipal non-tax revenues include payments by the population for utility services, contributions to the social insurance fund for employees, interest on capital, fines for violations of local state laws, fees for issuing marriage licenses, and registration fees for real estate transactions [7].

An indicator characterizing the level of efficiency in the formation of local budgets is the share of local budget revenues in GDP. Its optimal value, demonstrating a high level of efficiency in the country's budget formation, is above 15%. In Europe, such countries include Denmark, Sweden, Spain, Finland, the Netherlands, and Italy. Countries with this indicator at the level of 10–15% include Poland, the United Kingdom, Hungary, and France. Insufficient decentralization still exists in Slovakia, Lithuania, Estonia, Portugal, Greece, and Cyprus [5].

Thus, the experience of countries with developed economies shows widespread use of medium-term budget planning and forecasting based on effective analysis and monitoring of macroeconomic indicators. Also, the program-target method of budget management has gained sufficient application, which contributes to greater efficiency and transparency in the use of budgetary resources. Many countries use various sources of income to finance local budgets, including property taxes, local fees and charges, grants from higher levels of government, and revenue-sharing agreements, which help reduce dependence on unstable sources of income and create a more stable financial base for local authorities. The use of digital technologies to optimize budget processes, improve financial reporting, and enhance citizen engagement is characteristic of many countries.

The assessment of foreign experience in budget formation indicates that the priorities of Ukraine's budget policy should be based on taking into account the features of the country's socio-economic development, ensuring financial-budget discipline, improving the budget regulation system, and enhancing the qualitative level of budget policy concerning the formation and execution of the revenue and expenditure parts of the budget. The use of foreign experience in digital budgeting tools, online platforms for budget transparency, and mechanisms for electronic participation can modernize domestic budget practices and make them more accessible and inclusive. It is important to balance the revenue and expenditure sides of the budget, which involves strengthening control over government expenditures, searching for new sources of budget revenues, and methods of managing public debt, the result of which will be economic growth and increased socio-economic development of the country.

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