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**PART 1
MODERN PRIORITIES OF ECONOMICS
SOCIETAL CHALLENGES**

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The collection includes abstracts of the Third international scientific and practice conference «Ukraine – EU. Modern Technology, Business and Law». (Part 1. Modern Priorities of Economics. Societal Challenges).

The actual issues and aspects of collaboration between Ukraine and European Union in economic and social spheres are highlighted. The priority directions, innovative approaches and modern views on the prospects of the development of economics, social work, philosophy, psychology and sociology are considered.

The publication is oriented on scientists, academicians, postgraduates, students and people who are interested in the prospective collaboration between Ukraine and European Union.

Збірник містить тези доповідей Третьої міжнародної науко-практичної конференції «Ukraine – EU. Modern Technology, Business and Law» (Частина перша. Сучасні пріоритети економіки. Соціальні виклики).

Висвітлено актуальні питання та аспекти співпраці між Україною та Європейським Союзом у економічній та соціальній сферах. Розглянуто пріоритетні напрями, інноваційні підходи та сучасні погляди щодо перспектив розвитку економіки, соціальної роботи, філософії, психології та соціології.

Видання орієнтоване на науковців, освітян, аспірантів, студентів та людей зацікавлених перспективами співпраці між Україною та Європейським Союзом.

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Rekova Nataliia Iuriivna, Doctor of Economics, Professor

Moiseienko Kostiantyn Ievheniiiovych, PhD in Economics, Senior Researcher

Donbas State Engineering Academy, Kramatorsk, Ukraine

TENDENCIES OF LOCAL BUDGET FORMATION AND EXECUTION IN UKRAINE IN THE CONTEXT OF REFORM OF THE BUDGETARY SYSTEM

Development of Ukrainian economy during the last years is connected with a set of macroeconomic, political and social problems. The budgetary reform proclaimed in Ukraine which assumes decentralization of powers and sources of formation and execution of local budgets may be concerned as one of the ways of their solvation. It is likely to provide at the same time an improvement of balance of interests between the center and regions, an increase in financial responsibility of regions, and improvement of quality of the budgetary policy.

The main objective of the research was to reveal tendencies of change of financial provision of the state functions at the local level in relation to the proclaimed course towards the budgetary decentralization. The analysis of allocation of costs between articles of budgets of various levels by functional classification has been carried out for achieving this objective as well as features of budget formation and execution in Donetsk region are investigated.

The analysis of distribution of expenses between budgets of various levels in Ukraine proves that the role of local budgets in implementation of expenses of a social orientation increases, though is characterized by heterogeneity in financing of the certain directions of social development.

In particular, it is established that local budgets play the greatest role in financing of municipal services by specific weight, mainly at the expense of regional budgets (a third of allocations) and budgets of the cities of regional subjection (a half of allocations). The role of settlement and rural budgets grows in financing of municipal services though the share of these budgets remains rather small (4,6% and 8,2% respectively in 2015). The tendency to growth is shown also by a share of expenses of local budgets in the consolidated budget on health care. Their main part (about 40%) is carried out at the expense of regional budgets. The share of the cities of regional subjection and district budgets are approximately identical (20%).

Social expenses for education, cultural and physical development are less decentralized, but local level also is prepotent in their financing. Under these articles the allocations from rural budgets are considerably bigger in comparison with other social expenses: on education – about 2%, on cultural and physical development – about 8%.

Expenses on social security are the most centralized. Their primary part is financed from the state budget. At the same time the share of local budgets during 2013-2015 has increased from 39,0 to 41,2%. There were essential changes in structure of costs of local budgets of Ukraine on social security during this period. The basic article was expenses on social protection of a family, children and youth though the share of these expenses has decreased from 63,1% to 50,2%. At the same time, expenses on the solution of housing questions have grown (from 3,9% to 19,4%), costs of social protection on the occasion of disability, pensioners, veterans of war and work have decreased.

Assessment of execution of social expenses of local budgets in comparison with planned demonstrates that practically all articles are underfunded. Existence of imbalances of formation of revenues of local budgets (fig. 1) is the main reason of this situation. The analysis of the given proportions proves that the share of the revenues of local budgets in the actual revenues of the consolidated budget does not tend to growth, and in 2015 it was on the contrary reduced. Besides, the fact that the revenues of local budgets are generally formed of non-tax revenues in the form of the interbudgetary transfers and own non-tax receipts has to be noticed.

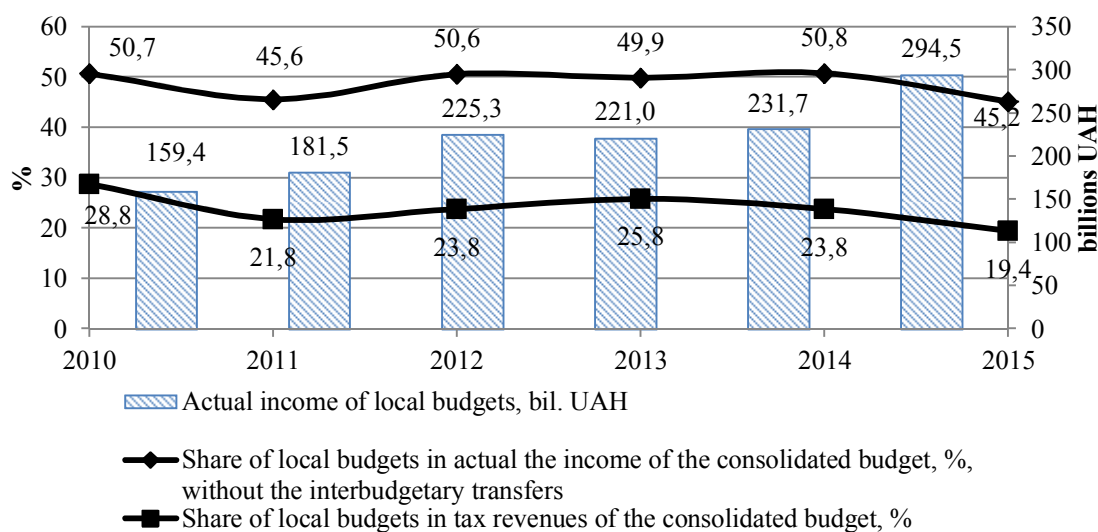


Fig. 1. Proportions of formation of revenues of local budgets in Ukraine in 2010-2015

As a result of the analysis of formation and execution of local budgets in Donetsk region it is noted that more than a half of all expenses of the region (before armed conflict began and after release of a part of the region's area from the Russian and terrorist troops) is directed in social sphere. The share of these expenses has reached the maximum value in 2014 (90% of all expenses), having decreased in 2015 by 0,3 percentage points.

The analysis of dynamics of expenses of the region's budgets e has shown that in recent years their volume was constantly reducing. Same concerns also expenses on the social sphere (fig.2).

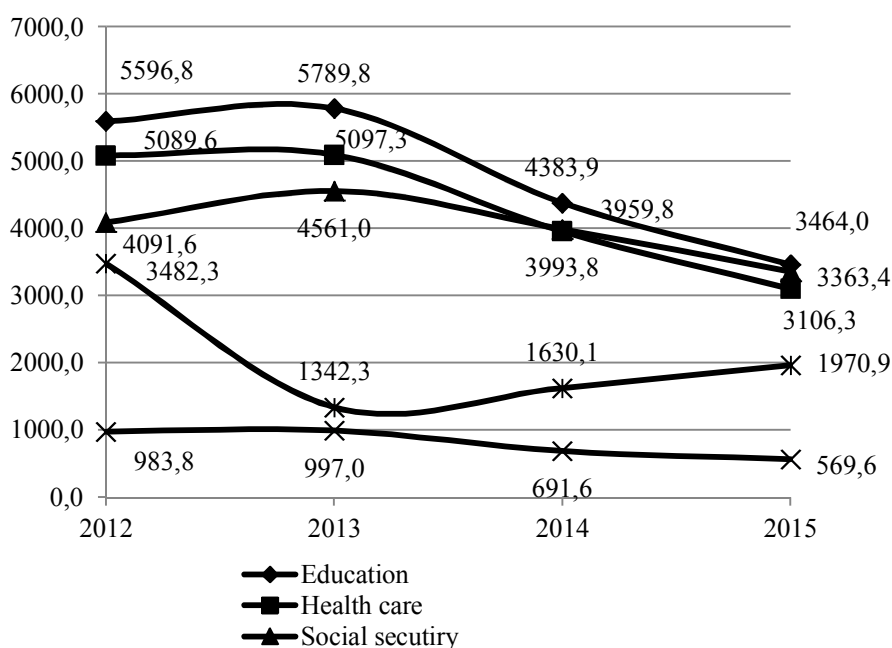


Fig. 2. Dynamics of social expenses of Donetsk region's budgets, millions UAH

Besides, in comparison with years which preceded the military conflict following the results of 2015 rather big deficiency of means of local budgets is observed. It should be noted that cut in expenditure under the article "social provision and social security" is extremely negative tendency as owing to movement of a considerable part of socially unprotected population from the territory of fighting and increase in tariffs for housing and communal services the need for social protection only increases.

Dynamics of expenses of local budgets of Donetsk region on other purposes, except social, are presented at fig. 3.

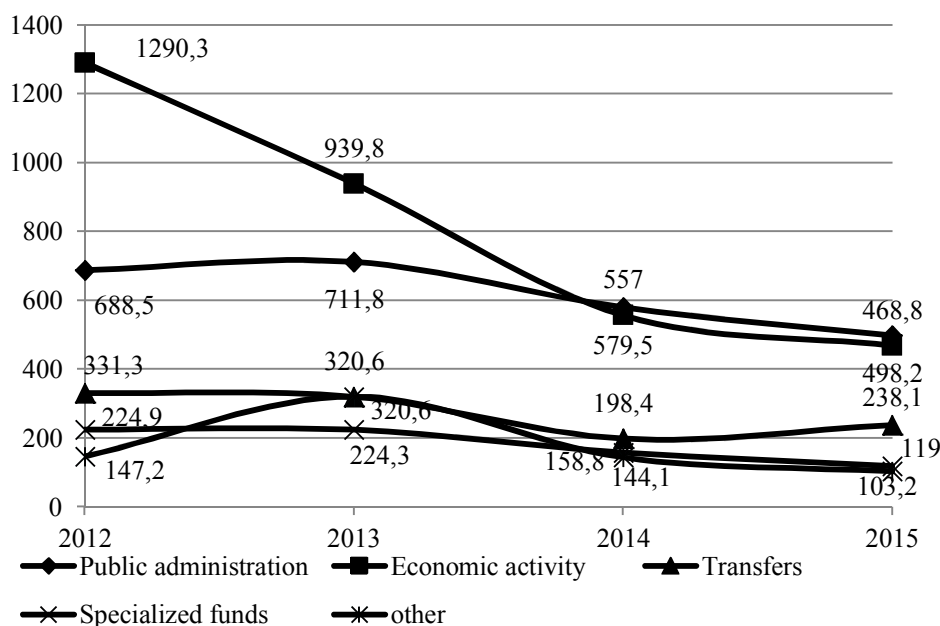


Fig. 3. Dynamics of expenses of local budgets of Donetsk region on other purposes, except social, in 2012-2015, millions UAH

Sharp reduction of costs of economic activity is noted, especially on construction (-72%), on transport (-50%). On this background growth of costs on agriculture development by 7,4 times is imperceptible.

It is important that budget expenses per 1 person are also reduced: in 2012 they made 4979,6 UAH (623.2 USD), and in 2015 - 3235,0 UAH (148.1 USD). In a section of separate articles this indicator has decreased by a half and more (economic activity, cultural and physical development), for 42% - housing and public utilities, for 37% - education and health care

Thus, the share of local budgets in financing of socially important expenses increases, and the share of local budgets in structure of all expenses of the consolidated budget decreases. From here it is possible to tell with full confidence that the proclaimed decentralization of the budgetary system in Ukraine actually is substituted for transposition of social costs onto local budgets without formation of sufficient revenue base of their implementation. Besides, that part of resources of local budgets which can be directed to stimulation of economic growth decreases. The situation should be corrected as regarding fixing to local budgets of tax revenues, regarding control of their execution and regarding control of special-purpose character and efficiency of the budgetary expenses.

Alona Revko, PhD in Economics,

Honorary Research Fellow Fil. Dr. Jan-U. Sandal Institute, Finstadjordet, Norway

Chernihiv National University of Technology, Chernihiv, Ukraine

INVESTMENT POTENTIAL OF HOUSEHOLDS IN THE REGIONS OF UKRAINE IN THE CONTEXT OF EUROPEAN INTEGRATION PROCESSES

Financial activities and, consequently, the amount of available investment potential of the population, which can be considered as an important source of human development, depends on what amount of financial resources remains at the disposal of households after satisfaction of their basic needs.

The investment potential of the population is available financial resources of households (first of all savings) that can be transformed into investment resources. It should be taken into account that essential condition is wants and willingness of the population to invest.

Many factors affect the propensity of the population to save. It lies in the ratio between income, expenditure, consumption and savings.

The five main problems impeding the development of the investment potential of the population can be identified in Ukraine today. They are the following:

- 1) lack of domestic investment resources in the households;
- 2) retarded the development of the securities market;
- 3) an insufficient level of coverage of the population financial services;
- 4) low level of population's confidence to financial and banking system;
- 5) significant scale of stratification of the population by the level of current income.

The economic crisis has exacerbated the sharpness of the problems mentioned above. Today, without their solutions we cannot talk about human development and modernization of the economy at all [1, p. 209-210].

In the conditions of new quality of human development in the region, based on the needs of the innovation economy, the money income of households as the basic investment resources should be considered in two-component measurement:

- Firstly, as one that provides simple reproduction (the expenditures of food, clothing, shelter, safety, i.e. for satisfaction of basic needs of life);
- Secondly, the ability to serve as a measure of investment in human development.

Nowadays, discussion about the role of wages in the country economy are becoming more and more important. At the national level the final result of increasing or decreasing wages depends on the direction and relative magnitude its impact on the consumption and investment of the households. In the euro zone wages play a crucial role as a crucial component of the overall strategy to combat poverty and inequality. Therefore, wages are the reflection of the living standards and welfare of the population.

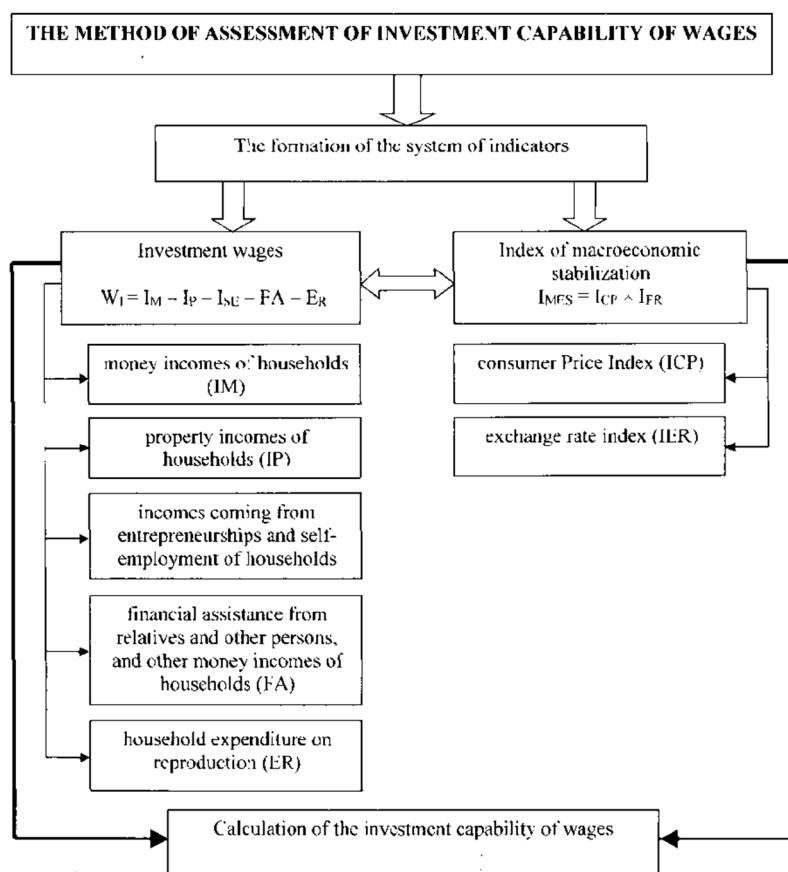
According to it, the main measure of investment potential of the population, in our opinion, is wages of the population in the regions of Ukraine. In particular, its components, such as the expenditures which direct to the construction, purchase of durable goods and home appliances, as well as savings [2, p. 102].

We have developed the author's method to assess the impact of wages on the formation of investment potential of household in the regions of Ukraine and some European countries. It is based on the use of indicators characterizing investment capacity of wages in the European region (pic. 1).

Indicator of investment capacity of wages allows to investigate how the investment component of wages is changed in the structure of household incomes. This component can be directed to the formation of an investment potential of household in the regions of Ukraine.

The calculation results of integral indicator of investment capacity of wages in some European countries in 2010-2012 (average per month per household in terms of USD) are shown that in 2012, the investment capacity of wages in some European countries has ranged from 177.18 USD in Bulgaria to 604.30 USD in the Czech Republic. During 2010-2012. in the Czech Republic and Poland, a decrease of this indicator by 12.9% and 9.5% respectively, but it remains at a much higher level than in Ukraine [2, p. 244].

The research of investment capacity of the population of European region gives the reason to conclude that the level of investment capability of wages in Ukraine lags far behind European and other developed countries that have the same transformational opportunities. This shows the limited financial resources of Ukraine's households and lack of propensity to invest in human development [3, p. 108].



Pic. 1. The algorithm estimates the investment capability of wages* developed by author

Increasing the investment potential of households as sources of forming human development and economic modernization should be done by:

- 1) decreasing of economically unreasonable differentiation in incomes of the population;
- 2) advancing growth of employment incomes as the main source of income and investment resources of households;
- 3) development schemes of attracting funds targeted at different segments of the population [4, c. 214, 216].

The direction of our country for integration into the European community requires new approaches towards the use of economic tools and especially the human development as a determining factor of innovation and investment development of the state and its regions. Only effective reforms in Ukraine can guarantee the formation of the investment potential of households and strengthening financial position of the country in the international arena.

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