“Budget strategy in the conditions of economic globalization”

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BUDGET STRATEGY IN THE CONDITIONS OF ECONOMIC GLOBALIZATION

Abstract

Economic changes create a strong need for the reconsideration of the system of financial and budgetary knowledge and paradigms already created in developed countries regarding the possibility of their use in the countries with developing economies. In this article, the authors clarify that the process of formation of the efficient and mutually agreed budget policy with strategic tasks of the social and economical development of countries requires development of the budget strategy. Its essence is the dynamic realization of the system of goals, principles, directions, tasks of state authorities, co-ordination and adequacy of their long-term regulatory measures to internal and external changes in the economic environment and social transformations aimed at ensuring macroeconomic stability, accelerating economic growth and improving the well-being of the population. The principles of budget strategy development have been clearly defined: scientific substantiation; integrity; efficiency; systematic approach; adaptability; variability; interdependence; purposefulness; sociality; legitimacy. The share of government expenditures, budget deficit and public debt in the gross domestic product in the EU and Ukraine has been estimated. The priority directions of budget strategies in the conditions of economic transformations have been defined, in particular, regarding the increase of efficiency of public expenditures and establishment of restrictions on their level of growth; improvement of the mechanism for managing budget deficits, public debt and guarantees and reduction of their limits. The research has demonstrated a huge influence of the budget strategy on the social and economical processes and on the development of the social relations.

Keywords public finances, state revenues, public expenditures, fiscal policy, budget strategy, budget, economic growth

JEL Classification E62, H60, O40

INTRODUCTION

Within the frames of globalization challenges, in order to promote a balanced macroeconomic stabilization process and sustainable economic development, issues of ensuring the coherence of the components of the public finance management system by developing a budget strategy are studied in much more detail and a lot more attention is paid to them both in theoretical developments and in methodological studies of various scientific schools. The development of a budget strategy provides an opportunity for the effective harmonization of strategic, financial, economic and budget planning; integration of short-, medium- and long-term budget planning; orientation of functions of state authorities and local self-governments to achieve strategic goals and objectives of the country's development, and obtain concrete results. The importance of developing a budget strategy is also conditioned by the need to take into account long-term socio-demographic trends in the development of society and real economic opportunities, by the assessment of their impact on the sustainability and balance of the budget system. At the same time, the global financial crisis has had a major impact on macroeconomic stability in countries with developed and transformational economies. The task of justifying the ways

of restoration of the disturbed economic equilibrium, providing financial and budgetary stabilization of the economy appeared to be crucial. The abovementioned facts have impacted and accelerated the processes related to the development and implementation of the developmental strategies of the countries, including the budget strategy.

1. LITERATURE USED FOR RESEARCH

At the moment, in economic science, it is considered that the strategies should reflect the specific directions and ways of ensuring the social and economic development of countries. The rapid, efficient and sustainable accumulation of capital in the context of developing development strategies (UNCTAD, 2004), as well as the coordination of strategic management in the public sector with fiscal policy measures, are the driving forces behind the process of the structural changes (Höglund & Svärdsten, 2018).

The strategy is defined as a plan of deliberate and planned sequence of actions that must be followed in a particular situation; it is a perspective that is considered as a vision of the world and is realized by means of intentions and actions of the relevant actors. It should contain the following components: the main business elements; the most significant elements of policy that direct or restrict the scope of activity; programs of major steps aimed at achieving the goals that are not beyond the borders of the chosen policy (Mintzberg, Quinn, & Ghoshal, 2003).

The essence of fiscal policy is defined as a set of appropriate forms of interdependence and mutual influence of the economic, legal, political and institutional components of the budget space and the institutional environment of society in the process of budget formation and usage of budget funds to achieve the strategic goals and main objectives of the development of society (Lisyak, 2009), the way the state regulates the economic processes by the formation of revenues and the decisions on expenditures of the budgets of all levels (Paikovych, 2015).

The budget strategy is defined as a long-term fiscal policy of the state, designed for the future and aimed at solving complicated tasks within the frames of the national strategy of socio-economic development of the country (Kutsenko, 2002).

The level of the prosperity depends on the soundness of budget strategies, including budget balance (Kuzmics & Steg, 2016). The definition of financial prospects simplifies the procedure of approval of the annual budgets and improves the efficiency of the fiscal adjustment mechanism (Bič, 2012; Jakš, 2006).

The main objective of the justification of financial perspectives is to strengthen financial and budgetary discipline by ensuring control of the usage of budgetary funds. Also, this contributes to the increase in the level of predictability of public expenditures and the interoperability of the actions by the participants of the budget processes (European Commission, 2004).

For that precise reason, at the beginning of the 21st century, the economic processes related with crisis accelerated the development of the medium-term and long-term systems of the budget planning (Sherwood, 2015).

An important task aimed at providing dynamic balance of the budget system is the reconciliation the budget and debt strategies, since the latter is not just a prediction of debt load, but rather an instrument that provides an opportunity to ensure the achievement of specific tasks by public administration in the budgetary sector (Bolder & Deeley, 2011). For instance, Checherita-Westphal and Rother (2012) claim that "the share of public debt in GDP at the level of 90-100% negatively affects long-term economic growth", Eberhard and Presbitero (2015) – the critical level of the relevant indicator for each country is different, Ono and Uchida (2018) – with debt financing, it is possible to achieve a higher level of economic growth than the one that arises from the choice of social planning aimed at ensuring the well-being of all generations, Panizza and Presbitero (2014) – there is no evidence that the growth of the public debt has a negative impact on economic growth in light of the fact that the negative correlation between debt and growth is sometimes used to justify a policy that assumes that debt has a negative causal impact on the economic growth.

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At the moment, in order to ensure competitiveness and strengthen the potential of the sustainable economic growth, the policy of the member states of the European Union is aimed at implementing long-term reforms within the framework of the financial and economic strategy. For example, according to the Europe 2020 program, it was determined that member states should take all the possible measures to ensure the effective use of financial resources, to search for new sources of funding by combining public and private resources; they should improve the effectiveness and efficiency of the EU budget by enhancing the priority and coherence of EU expenditures, considering the objectives defined in the Program (European Commission, 2010).

In accordance with the Pact of Stability and Development (Nicolae, 2013) and the EU Directive (Dogaru & Dumitrescu-Peculea, 2016) on budgetary systems, the EU countries are required to develop promising budget plans that contain key measures and budget policy priorities, as well as the projected distribution of available resources needed to achieve strategic goals. In particular, according to the EU Council Directive (2011/85/EU, 2011), the EU member states set up a credible, effective medium-term budget framework to ensure a long-term perspective in national financial planning.

The medium-term budget framework includes procedures aimed at establishing the following things:

- multi-year budget goals regarding the national deficit, debt level and other general financial indicators;
- promising evaluations based on the assumption of stable policy, for each kind of revenues and expenditures in the state budget with detailed data on certain sectors of the federation and social insurance for the current fiscal year and beyond;
- description of the measures planned for the medium-term perspective that impact the national financial situation, with the explanation of the main sorts of revenues and expenditures;
- assessment of such issues as the planned policy measures, it should be taken into account that their direct long-term effects on national finances will likely affect the long-term sustainability of public finances.

One of the key goals of the member states of the EU is to ensure sustainability of public finances by developing long-term projections of public expenditure related to the senior age of citizens: pensions, health care, long-term care, professional education, prosperity. These projections are an important factor for determining the medium-term objective of fiscal policy and the basis for a comprehensive assessment of the long-term sustainability of public finances in the EU. At the same time, the primary goals are implementation of prudential (preventive) budgetary regulation, prevention of the instability of the budget system by developing new approaches to fiscal constraints on the level of public debt and budget deficit and justification of the strategic objectives of the fiscal policy to minimize the risks of their increase.

2. METHODS

The main ideas of neo-institutionalism were used to define the essence and role of the budget strategy in ensuring macroeconomic stability and accelerating economic growth (North, 1991). The research of the notion of the subject and its parts, the combination of analysis and synthesis, the transition from abstract to the concrete provided an opportunity to reveal and justify the priority tasks of the budget strategies of developed and transformational economies. Economic and statistical methods allowed to carry out analytical calculations, in particular, of the share of government expenditures, budget deficit and public debt in gross domestic product.

The purpose of the article is to reveal the idea and the role of the budget strategy in the process of the creation of macroeconomic stability, in the acceleration of the economic growth and in the improvement of the prosperity of the population. The article attemps to resolve the following issue in order to achieve the mentioned goal: generalize approaches to the role of the budget strategy in the process of the creation of macroeconomic stabili-

ty, in the acceleration of the economic growth and in the improvement of the prosperity of the population, systematize the experience of usage of the budget strategy in countries with developed and transformational economies; reveal approaches to the formation of the budget strategy in conditions of economic transformations and to substantiate its principles.

3. RESULTS

The extension of the budget planning period has a positive impact on the quality of public administration as a whole. The longer the period lasts during which the goal, the objectives, the conditions for their achievement and decisions, the possible scenarios of the development of events, and, finally, the mechanisms, algorithms and instruments of the state policy implementation are determined, the more likely they will achieve the best possible result (Biryukov, 2014).

Thus, the development of a budget strategy contributes to the development of common approaches to address the issues of socio-economic development of countries. At the same time, the budget strategy serves as a basis for execution of the financial and economic reforms aimed at accelerating economic growth as a prerequisite for the improvement of the standards of living and prosperity of citizens.

The effectiveness of the budget strategy is ensured thanks to the application of fiscal rules, which provide an opportunity to determine sound strategic directions of development of countries and increase the level of transparency of fiscal policy, as well as people's trust in public administration.

The development of a budget strategy provides an opportunity for smooth functioning of the public functions. In particular, in the part of defining the program objectives of state administration in the long term and financial and economic, for instance with the justification of the financial needs needed for the implementation of the tasks that the state administrations are responsible for, the coordination of probable budget expenditures that are crucial for their coverage of revenues with the strategic goals of socio-economic development of the country.

The main principles of fiscal strategy development are the following:

- scientific validity – the application of scientific methods and approaches to the formation and implementation of the budget strategy, the constant improvement of the methodology of budget predictions and planning; usage of the leading world experience in the formation of budget architectures;
- integrity, which is ensured by the unity of budget legislation, the development of mutually agreed program documents for the development of the budget system, as well as ones that show prognosis for its development;
- effectiveness – ensuring maximum results with a minimum level of budget expenditures based on the determined objectives of the budget strategy and the ways of their implementation;
- systematic approach – consistency and unity of research of socio-economic processes, assessment of their impact on the development of the budget system;
- adaptive approach – the cyclical nature of economic processes is taken into account, as well as changes in the internal and external environment, their impact on sustainability and the dynamic balance of the budget system in the long run;
- variability – formation of a budget strategy taking into account innovative options of socio-economic development of the country;
- co-ordination – formation of a budget strategy taking into account the necessity of ensuring the implementation of the national social and economic policy, comparing the goals and objectives of the budget policy with the available financial resources, the interests of state authorities and local self-governments, ensurement of the consistency between components of the budget space;
- purposefulness – justification of budget strategy priorities and expected results;

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- social component – the creation of a budget strategy aimed at increasing standards of living and prosperity of citizens;
- legitimacy – obligatory adoption of budget strategy.

Thus, we can conclude that the goal of the budget strategy is the dynamic realization of the system of goals, principles, directions, tasks of public administrations, coordination and adequacy of their long-term regulatory measures and their correspondence with the internal and external changes in the economic environment and social transformations aimed at ensuring macroeconomic stability, accelerating economic growth and improving prosperity of the population.

Based on the experience of developed and transformational economies, the priorities of budget strategies depend on the socio-economic situation in the country concerned, the role of the state in regulating the economy and the degree of its social orientation. At the same time, nowadays a significant priority of budget strategies is the optimization of the share of the redistribution of gross domestic product through the budget system. In particular, in the countries of the European Union, the average share of public expenditures in GDP for 2013–2017 amounted to 47.14 percent, while for 2008–2012, it was 48.74 percent. It is worth noting that in 2008–2017, in Switzerland, Romania, Lithuania, Bulgaria, Latvia, Ireland, Estonia, the share of public expenditure in GDP is less than 40%, while in Italy, Austria, Greece, Belgium, Denmark, Finland, France it is more than 50%.

The growth of the share of public expenditure in GDP for 2013–2017 compared to 2008–2012 among the countries under study is observed in Belgium, Bulgaria, France, Croatia, Italy, Cyprus, Slovenia, Slovakia, Finland, Norway, Switzerland, Ukraine. The faster growth of the share of government expenditures in GDP over the relevant periods is observed only in Bulgaria and Norway (Table 1).

Table 1. Average growth rate and the share of government expenditures in GDP, %

Source: Based on the data from official site of Ministry of Finance of Ukraine, official site of the Statistical Office of the European Commission.

Countries	2008–2012		2013–2017		2008–2017	
	Share	Growth rate	Share	Growth rate	Share	Growth rate
EU	48.74	101.9	47.14	98.7	47.94	100.3
Belgium	53.64	103.1	54.04	98.6	53.84	100.8
Bulgaria	36.20	98.4	38.12	100.8	37.16	99.6
Czech Republic	43.16	102.2	40.98	97.3	42.07	99.8
Denmark	55.60	103.3	54.26	97.8	54.93	100.5
Germany	45.50	100.8	44.08	99.8	44.79	100.3
Estonia	40.60	103.6	39.58	100.5	40.09	102.0
Ireland	48.42	105.9	31.98	91.3	40.20	98.6
Greece	53.44	103.5	52.76	97.7	53.10	100.6
Spain	45.30	104.4	43.48	96.9	44.39	100.6
France	56.16	101.9	56.86	99.8	56.51	100.8
Croatia	53.44	103.5	52.76	97.7	53.10	100.6
Italy	49.82	101.7	50.10	99.2	49.96	100.5
Cyprus	41.34	102.4	41.62	98.7	41.48	100.5
Latvia	41.16	102.8	37.82	100.0	39.49	101.4
Lithuania	40.78	101.1	34.50	98.4	37.64	99.7
Luxembourg	43.08	103.1	42.32	99.5	42.70	101.3
Hungary	49.22	99.4	48.36	99.2	48.79	99.3
Malta	41.90	100.7	39.40	96.9	40.65	98.8
Netherlands	46.82	102.2	44.68	98.0	45.75	100.1
Austria	51.78	100.8	50.92	99.2	51.35	100.0
Poland	44.38	99.9	41.76	99.2	43.07	99.6
Portugal	49.16	101.9	48.14	99.0	48.65	100.4
Romania	38.78	99.5	34.84	97.9	36.81	98.7
Slovenia	47.98	102.9	49.10	98.4	48.54	100.7
Slovakia	40.90	102.6	42.10	100.0	41.50	101.3
Finland	53.70	103.8	56.48	99.1	55.09	101.5
Sweden	51.06	100.7	50.24	99.1	50.65	99.9
United Kingdom	46.42	102.3	42.48	97.8	44.45	100.0
Iceland	48.66	103.2	43.66	98.6	46.16	100.9
Norway	43.58	100.9	47.94	103.3	45.76	102.1
Switzerland	32.72	101.4	34.08	:	33.32	:
Ukraine	32.80	102.32	34.18	100.23	33.66	101.27

At the same time, in the context of the financial and economic crisis, an increase in social obligations against the backdrop of slowdown in economic development has led to an increase in the budget deficit and public debt. On average, in 2008–2017, the share of budget deficit and public debt in GDP in the EU countries is 3.55% and 80.02%, respectively. At the same time, the average indicator of the share of government debt in GDP for the study period less than 60% is observed only in countries such as Estonia, Bulgaria, Luxembourg, Romania, Lithuania, Latvia, Czech Republic, Sweden, Denmark, Slovakia, Poland, Finland and Slovenia. The average share of the budget deficit in GDP for the period in question is less than 3% in countries such as Luxembourg, Sweden, Estonia, Germany, Denmark, Bulgaria, Finland, Malta, the Czech Republic, the Netherlands, Austria (Table 2).

It is worth pointing out that, based on strategic predictions, GDP, judging by the purchasing power parity in the EU countries will increase by 1.5 times on average by 2050. In particular, the corresponding indicator will increase 1.54 times from 2016 to 2050 in Germany; Great Britain – 1.93 times; France – 1.72 times; Italy – 1.40 times; Poland – 1.99 times (PwC, 2017). In addition, an increase in the share of pension expenditures in GDP is expected (Dában et al., 2003). According to the European Commission's predictions, the share of public expenditure in the EU GDP will increase by 1.5 percentage points over the period from 2016 to 2070 and will make 26.9% (Table 3).

Table 2. The share of budget deficit and public debt in GDP for 2008–2017, %

Source: Based on the data from official site of Ministry of Finance of Ukraine, official site of the Statistical Office of the European Commission.

Countries	2008–2012		2013–2017		2008–2017	
	Deficiency	Debt	Deficiency	Debt	Deficiency	Debt
EU	–4.88	75.70	–2.22	84.34	–3.55	80.02
Belgium	–3.76	99.72	–2.44	105.52	–3.10	102.62
Bulgaria	–1.58	14.78	–1.28	24.88	–1.43	19.83
Czech Republic	–3.66	36.72	–0.32	39.70	–1.99	38.21
Denmark	–1.58	41.42	–0.20	40.50	–0.89	40.96
Germany	–1.72	75.42	0.70	71.10	–0.51	73.26
Estonia	–0.76	6.78	0.00	9.86	–0.38	8.32
Ireland	–14.72	83.98	–2.48	88.32	–8.60	86.15
Greece	–11.14	142.80	–4.22	178.50	–7.68	160.65
Spain	–8.98	61.52	–5.18	98.52	–7.08	80.02
France	–5.52	83.10	–3.52	95.50	–4.52	89.30
Croatia	–5.66	55.56	–2.78	81.38	–4.22	68.47
Italy	–3.72	114.04	–2.66	131.22	–3.19	122.63
Cyprus	–4.10	60.12	–2.66	104.34	–3.38	82.23
Latvia	–5.50	36.94	–0.90	39.46	–3.20	38.20
Lithuania	–6.22	31.16	–0.52	40.34	–3.37	35.75
Luxembourg	0.54	18.22	1.36	22.44	0.95	20.33
Hungary	–4.10	77.70	–2.16	76.00	–3.13	76.85
Malta	–3.14	67.12	–0.08	59.58	–1.61	63.35
Netherlands	–3.68	59.74	–1.06	63.78	–2.37	61.76
Austria	–3.20	79.12	–1.60	82.38	–2.40	80.75
Poland	–5.34	51.32	–2.86	52.38	–4.10	51.85
Portugal	–7.58	97.82	–4.28	128.80	–5.93	113.31
Romania	–6.12	27.02	–2.02	37.34	–4.07	32.18
Slovenia	–4.70	39.04	–5.00	77.10	–4.85	58.07
Slovakia	–5.26	40.38	–2.26	52.64	–3.76	46.51
Finland	–0.82	44.78	–2.20	60.92	–1.51	52.85
Sweden	0.00	38.76	–0.06	42.62	–0.03	40.69
United Kingdom	–8.08	71.08	–4.00	87.42	–6.04	79.25
Ukraine	–3.26	33.52	–2.79	68.28	–3.03	50.90

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Thus, in modern conditions, the necessity of using effective budget strategy tools that will enable to respond to changes in negative socio-demographic trends in the development of society and economic transformations while maintaining the parameters of stability and stability of the system of public finances in general is becoming more crucial.

The main objectives of budget strategies include ensuring the balance of the public finance system, the sustainability and stability of socio-economic development of countries by increasing the efficiency of public expenditures and setting limits on their level of growth; another objective is the improvement of the mechanism for managing budget deficits, public debt and guarantees and reducement their limits.

The solution of the task "Improvement of the efficiency of public expenditures and of creation of the restrictions on their level of growth" is to be implemented:

- by means of ensuring the coherence of the growth of public expenditures in the context of functional and economic classifications with the strategic directions of socio-economic development of countries;
- by definition of the priority tasks of the budget policy regarding the expenditure part of the budget and justification of their implementation on the basis of long-term prediction of budget revenues;

Table 3. Projected increase in the share of government expenditures in GDP, %

Source: Compiled based on data from European Commission (2010).

Countries	Health care		Long-term care		Welfare		Pensions		Education	
	2016	2070	2016	2070	2016	2070	2016	2070	2016	2070
EU	6.6	7.5	1.6	2.9	0.9	0.7	11.9	11.4	4.4	4.4
Belgium	5.9	6.8	2.3	4.0	1.4	1.4	12.1	15.0	5.8	5.8
Bulgaria	5.0	5.3	0.4	0.5	0.4	0.3	9.6	10.9	3.1	3.7
Czech Republic	5.4	6.8	1.3	2.7	0.1	0.1	8.2	10.9	3.2	4.0
Denmark	6.9	8.1	2.5	4.7	0.9	0.6	10.0	8.1	7.4	6.6
Germany	7.4	8.3	1.3	2.5	0.6	0.7	10.1	12.5	4.2	4.5
Estonia	5.3	5.7	0.9	1.3	0.2	0.2	8.1	6.4	4.8	5.0
Ireland	4.1	5.2	1.3	3.3	1.1	0.9	5.0	6.6	3.6	3.3
Greece	5.0	6.2	0.1	0.2	0.4	0.1	17.3	10.6	3.1	2.4
Spain	5.9	6.5	0.9	2.3	1.3	0.5	12.2	10.7	3.7	3.9
France	7.9	8.6	1.7	2.5	1.6	1.2	15.0	11.8	4.8	4.4
Croatia	5.2	6.2	0.9	1.3	0.3	0.1	10.6	6.8	3.7	3.2
Italy	6.3	7.2	1.7	3.0	0.9	0.5	15.6	13.9	3.5	3.3
Cyprus	2.8	3.2	0.3	0.6	0.5	0.2	10.2	12.4	5.8	4.2
Latvia	3.7	4.3	0.4	0.6	0.4	0.3	7.4	4.7	4.5	5.0
Lithuania	4.1	4.6	1.0	2.0	0.2	0.2	6.9	5.2	3.9	3.8
Luxembourg	3.9	5.2	1.3	3.6	0.5	0.4	9.0	17.9	3.3	3.4
Hungary	4.9	6.0	0.7	1.1	0.1	0.1	9.7	11.2	3.6	3.8
Malta	5.6	8.4	0.9	2.3	0.2	0.3	8.0	10.9	5.4	5.2
Netherlands	6.2	7.2	3.5	6.3	1.3	0.9	7.3	7.9	5.2	4.7
Austria	7.0	8.6	1.9	3.6	0.9	0.7	13.8	14.3	4.9	4.9
Poland	4.3	5.3	0.5	1.1	0.1	0.1	11.2	10.2	4.3	4.7
Portugal	5.9	8.6	0.5	1.3	0.9	0.6	13.5	11.4	4.5	3.9
Romania	4.3	5.2	0.3	0.5	0.1	0.1	8.0	8.7	2.5	2.8
Slovenia	5.6	6.8	0.9	1.8	0.4	0.3	10.9	14.9	4.0	4.6
Slovakia	5.6	7.1	0.9	1.4	0.2	0.1	8.6	9.8	3.7	3.7
Finland	6.1	7.2	2.2	4.4	2.2	1.8	13.4	13.9	5.9	5.5
Sweden	6.9	7.8	3.2	4.9	0.3	0.2	8.2	7.0	5.8	6.2
United Kingdom	7.9	9.6	1.5	2.7	0.1	0.2	7.7	9.5	5.2	5.0

- by improvement of the system of planning of state purchases, placement of orders and execution of contracts;
- by establishment of a system of criteria for evaluation and performance indicators of public administration bodies in the budget sphere.

An important role is played by the system of indicators of the level of achievement of the goals set.

Ensurement of the connection of the growth of public expenditures in the context of functional and economic classifications with the strategic directions of economic development implies an assessment of expenditures in terms of their financial support and contribution to the achievement of the strategic goals of socio-economic development of the country. Accordingly, an important task is to determine reasonable criteria for assessing the volume of expenditures, the pace of their growth and to increase the responsibility of public administrations for the reliability of their financial and economic reasoning. The financial and economic orientation of taking rational management decisions regarding the direction of financing of public expenditures, in accordance with the strategic priorities of the budget policy, should be ensured not only on the basis of the measures taken on the results of monitoring and evaluation of the dynamics of their use, but also based on their degree of validity on the basis of strategic modeling of the socio-economic processes, state programs and predictions of socio-economic development of countries. Particularly, in accordance with the Constitution of Switzerland, in order to maintain a balanced structural budget, its expenditures should correspond to cyclically adjusted budget revenues calculated on the basis of the predictions of real budget revenues and the indicator of the phase of the economic cycle. This principle of forming budget expenditures provides an opportunity to limit their growth, based on the counter-cyclical nature of fiscal policy. In case of exceeding the share of the budget deficit in expenditures of 6%, it is assumed that it will be reduced within three years due to the reduction of the maximum amount of budget expenditures (Geier, 2011).

Accordingly, when justifying the priorities of the budget strategy regarding the expenditure part of the budgets of different levels, the important task is to take into account economic cyclicality on the basis of prediction of the level of the gross domestic product breakdown. In the case of a negative gap, it is advisable to use incentive measures of fiscal policy, in the case of a positive one – restraining measures, which will help minimize the negative impact of the downward economic trend. In particular, with the negative gross margin of gross domestic product, the revenue side of budgets of different levels is reduced due to lower production volumes and, consequently, a decrease in the level of corporate income tax revenues, a lower volume of consumption by economic agents and, consequently, a decrease in the level of VAT revenues, a smaller volume of intermediate consumption and consumption of imported goods and, consequently, a reduction in the level of income from foreign economic activity.

The solution of the "Improvement of the mechanism of budget deficit management, state debt and guarantees and reduction of their limits" is supposed to be carried out:

- by taking measures to ensure the allowable amount of the budget deficit and sources of financing that determine its impact on economic processes;
- by regulation of financing of the budget deficit, using the ratios between government securities issued for short, medium and long term periods;
- by improvement of the institutional structure of the public debt management system;
- by guaranteeing the minimization of the cost of government borrowing;
- by creation of proper conditions for corporate borrowing and development of the internal market of securities;
- by increase of the efficiency of financial monitoring of external borrowings;
- by replacement of the state external debt with internal borrowings;

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- by software modernization into a single database, which allows to develop scenario forecasts of the volume of public debt, payments and indicators of economic security, taking into account changes in exchange rates, refinancing rates and macroeconomic parameters;
- by provision of diversified offers and timely offers to the participants of the securities market;
- by stimulation of the growth of investors' confidence in the domestic debt market and improvement of its infrastructure.

CONCLUSION

To provide macroeconomic stability, increase the speed of economic growth and improve the prosperity of the people is possible only under the condition of creation of a strong and stable system of state finance. It's effectiveness depends on how reasonable the budget strategy is. At the moment, there is significant experience of the world's countries in creating and executing of the budget strategies. Given the priority tasks of budget strategies in the context of economic transformation, their formation and implementation is based on the following approaches:

- defining the level of budget deficit, public spending and debt within fiscal constraints;
- effective allocation of public financial resources, which provides the greatest socio-economic effect;
- combination of active budget policy and counter-cyclical budget regulation;
- increase the effectiveness of budget planning; the adequacy of fiscal policy with a growing expenditure commitment.

The budget strategy has a significant impact on socio-economic processes and the development of social relations. In order to maintain financial stability in both developed and transformational economies, the development of budget strategies is underway, which helps to reduce the risks of disturbances in budget stability, stability and balance associated with the impact of negative exogenous and endogenous factors on the development of the budget system. However, the development of a budget strategy that defines long-term directions and objectives of fiscal policy is only a prerequisite for improving the efficiency of management of public financial resources. Necessary tasks are to ensure its realism and effective ways of implementation. Substantiation of these issues will require further research.

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