

Oksana Mazorenko, PhD in Economics, Associate Professor
Kateryna Kozhevnikova, student
Anna Zinchenko, student
Simon Kuznets Kharkiv National University of Economics

COMPARATIVE CHARACTERISTICS OF BUDGET ALLOCATION IN UKRAINE AND OTHER EUROPEAN COUNTRIES

In the context of the transition to a market economy, all the institutions of the financial system are given great importance, since they make a certain contribution to the development of the economy of the state. However, in institutions where financial relations are governed by norms that are not consistent with the actions of economic laws, or by related financial institutions, they create preconditions or directly act on the deepening of the economic crisis. Currently, such institutions are the institutions of bank lending, the state budget, as well as the current system of non-cash payments, both within the country and in settlements with foreign countries. Diverse financial activity in Ukraine, regulated by the norms of various financial institutions, is built on the economic basis of the state.

The state budget of Ukraine is approved by the law of Ukraine. The leading place in the financial system of Ukraine is occupied by the state budget of Ukraine and local budgets of local councils of people's deputies.

State budget - list of state revenues and expenditures for a certain period (for a year). It is a centralized fund of monetary funds accumulated in a general way with the help of taxes and used for state regulation of the economy, stimulating the economic situation, financing social programs, science and culture, the armed forces, the formation of financial and material reserves, the maintenance of government bodies.

The state budget of Ukraine is a nationwide centralized fund of funds, approved by an act of supreme legal force, the Law. The budget is built on the principles of integrity, completeness, reliability, publicity, visibility, and independence of all budgets that are part of the budgetary system of Ukraine.

The relevance of the topic lies in the fact that human rights and freedoms and their guarantees determine the content and direction of the state's activities. The state is responsible for the person for its activities. To fulfill its functions, clearly defined by the Constitution of Ukraine, the state certainly needs financial and material resources, which in the conditions of commodity-money relations of a market economy have a monetary nature. To cover the costs associated with the performance of its functions, any state needs financial resources, which the state receives through the formation and use of a centralized fund, monetary funds - the state budget.

The purpose of this article is to analyze and compare government budgets of two countries. We will consider the distribution of finance in such countries as Ukraine and New Zealand.

To fulfill the stated goal of the article, we need to perform the following tasks:

1. The first is to collect, analyze and describe data about budgets of these countries from external resources on the distribution of the state budget of the country.
2. The second is to create a comparative table of the distribution of funds by spheres necessary for the life of citizens.
3. The third is to draw conclusions.

The state budget is something that no country can exist without. With its help, the state distributes money for the development of the national economy, for the social protection of the population, the maintenance of the state authorities, defense and education of the country. The state budget of Ukraine for each financial year is considered by the Verkhovna Rada of Ukraine and is necessarily approved as a law.

State budget revenues in Ukraine mainly consist of various taxes and fees, and also partly from the privatization of state property. It is important to understand that if budget revenues exceed expenditures, then this is called a budget surplus, and if budget expenditures exceed its revenues, then this is called a budget deficit. Depending on the incomes and expenses taken into account, the following table of budget deficit in Ukraine is distinguished (Table 1):

Table 1

Implementation of the state budget of Ukraine in 2020 (UAH mln.)

2020	Incomes	Expenses	Credits	Balance (budget deficit)
Planned numbers	1095580,4	1182010,4	7845,8	-94275,7
January 2020	50968,5	66282,0	-99,6	-15213,9
October 2020	842437,8	950842,3	3757,6	-112162,1

We can see the budget deficit caused by a reduction in budget revenues and an increase in budget expenditures that is now observed throughout 2020 in Ukraine. There is a budget deficit almost in the economy of every state, so it can be called a standard phenomenon. Of course, the unforeseen situation with the global coronavirus pandemic had a negative impact on spending, as it had to cut finances in other spheres and transfer some of them to the healthcare sector.

Now we will consider the distribution of the budget of Ukraine in 2020 and understand to which spheres and why this or that percentage was given. Looking on the table below it is clear in which sector were directed money mostly (Table 2).

Based on the numbers that we see in the table, we can draw the following conclusion: in the first place in the priority of expenses in Ukraine is social protection and social security, in the second - national functions, in the third - interbudgetary transfers, in the fourth - public order, security, judiciary, in the fifth - economic activity, on the sixth – defense, and already on the seventh to conduct the undeniably important healthcare now. Why is that?

Table 2

**State budget expenditures of Ukraine by functional classification in 2020 from data on 1.11.2020
(million UAH)**

Spheres by functional classification	Expenses, million UAH	Expenses, %
National functions	137631,4	14.47%
Defense	86287,3	9.07%
Public order, security, judiciary	118084,5	12.42%
Economic activity	91941,1	9.67%
Environmental protection	3441,0	0.36%
Housing and utilities	48,2	0.01%
Health care	75991,1	7.99%
Spiritual and physical development	6734,8	0.71%
Education	40496,4	4.26%
Social protection and social security	259436,7	27.28%
Interbudgetary transfers	130749,9	13.75%
Total	950842,3	100.00%

The European Union has allocated € 10 million in humanitarian aid for residents of eastern Ukraine "in connection with the coming winter and the coronavirus pandemic." This is stated in the statement of the European Commission. Therefore, in order not to aggravate the situation of the Ukrainian economy even more, the country accepts assistance from outside, so as not to compromise other areas besides healthcare. However, the Minister of Finance of Ukraine Serhiy Marchenko has promised to increase Ukraine's budgetary spending on healthcare in 2021. According to him, they will grow from 3.4% of GDP to 4.2% of GDP and in 2023 will reach 5% of GDP.

Let's look at the distribution of the state budget in New Zealand. Budget 2020, dubbed "Rebuilding Together", is the New Zealand budget for fiscal year 2020/21 worth NZ\$50 billion, presented to the House of Representatives by Finance Minister Grant Robertson on 14 May 2020, the third budget presented by the coalition government of 2017–present. This budget occurs during the COVID-19 pandemic in New Zealand and on the same day that the country exits the lockdown brought about by alert level 3.

The 2020 budget includes allocating NZ \$ 50 billion to the COVID-19 Response and Recovery Fund, which will be spent on several areas including a NZ \$ 3.2 billion wage subsidy scheme, business support, trades training support, a NZ \$ 1.1 billion environmental jobs package, \$ 900 million to support Māori, housing, and extending the school lunch program. NZ \$ 15.9 billion will be spent on rejuvenating the economy while NZ \$ 20.2 billion will be put aside for future investment.

Total assets at \$391.3 billion were \$23.5 billion below forecast. This is primarily owing to decreased marketable securities held by the Reserve Bank.

Total liabilities at \$285.4 billion were \$24.4 billion below forecast, and mainly owing to the decrease in borrowings.

The Reserve Bank has used \$1.6 billion of settlement cash to purchase reserves that were to have been funded by the Treasury borrowing. Therefore, the impact of settlement cash on GSID is adjusted by this amount.

Now we will consider the distribution of the budget of New Zealand in 2020 and understand to which spheres and why this or that percentage was given. Looking on the table below it is clear in which sector were directed money mostly (Table 3):

Table 3

State budget expenditures of New Zealand by functional classification in 2020 from data on 31.10.2020 (million UAH)

Spheres by functional classification	Expenses, million \$	Expenses, %
National functions	1,606	3,74
Defense	807	1,88
Public order, security, judiciary	1,721	4,01
Economic activity	4,114	9,58
Environmental protection	485	1,13
Housing and utilities	653	1,52
Health care	7,434	17,31
Spiritual and physical development, culture and recreation	1,251	2,91
Education	5,598	13,03
Social protection and social security	15,174	35,32
Interbudgetary transfers	4,114	9,58
Total		100,00 %

Based on the numbers that we see in the table, we can draw the following conclusion: in the first place in the priority of expenses in New Zealand is social protection and social security, in the second - health care, in the third –education, in the fourth and the fifth - economic activity and interbudgetary transfers, on the sixth – public order, security, judiciary, and already on the seventh - public order, security, judiciary.

The 2020 budget was released in the midst of the global COVID-19 pandemic, which spread to New Zealand in late February 2020. In response to an increase in the number of COVID-19 cases, the country entered into a nationwide lockdown on the evening of 25 March, in which all non-essential businesses were closed. Because of the closure of businesses, the government offered a \$12.1 billion wage subsidy scheme to offset employment costs in an attempt to keep as many New Zealanders as possible in their jobs.

The original contents of the budget were set aside and replaced with a plan on how New Zealand will recover from the lasting effects of COVID-19, of which this budget is only the first step. Finance Minister Grant Robertson states that the economic recovery for New Zealand will create an extended operating deficit and increase debt to above previous targets, however he points out that New Zealand entered the COVID-19 crisis with a debt of below 20% of GDP compared to the United States with 90% and the United Kingdom with above 75%. The budget expands on the \$12 billion New Zealand Upgrade Programme infrastructure project.

In order to make it more convenient to compare the distribution of the state budgets of Ukraine and New Zealand in percentage terms, below is a comparative chart (Figure 1).

Based on this chart, a comparative analysis of the distribution of funds from the state budget of New Zealand and Ukraine can be made. We can definitely say that New Zealand allows itself to spend a lot more finance than Ukraine on such spheres as environmental protection, housing and utilities, health care, education, spiritual and physical development, culture and recreation, social protection and social security. However, it is incorrect to be say that Ukraine lags behind a more developed country. In our country more attention is paid to the directions of national functions, defense, public order, security, judiciary, economic activity interbudgetary transfers, than in New Zealand.

In total, we had eleven spheres, among which the countries of Ukraine and New Zealand distribute their state budgets. Based on our diagram above, New Zealand spends more money on its country, when compared with Ukraine - seven out of eleven spheres, New Zealand pays more emphasis, and Ukraine is ranked above New Zealand in only four of them.

According to Wikipedia's data on the revenues and expenditures of the countries of the world for 2017, where they are ranked by budget expenditures, you can see that New Zealand (place 41) is higher than Ukraine (position 58). How then can she spend more than Ukraine? It's all about the percentage of the country with its income and even GDP. Of course, this can be attributed to the fact that in 2018 the GDP in New Zealand was 204.9 billion USD, and the GDP in Ukraine was 130.8 billion USD. In general, the more revenues from outside

the country and the more developed internal resources that can be converted into monetization, the more free it feels towards the distribution of finances from its own state budget.

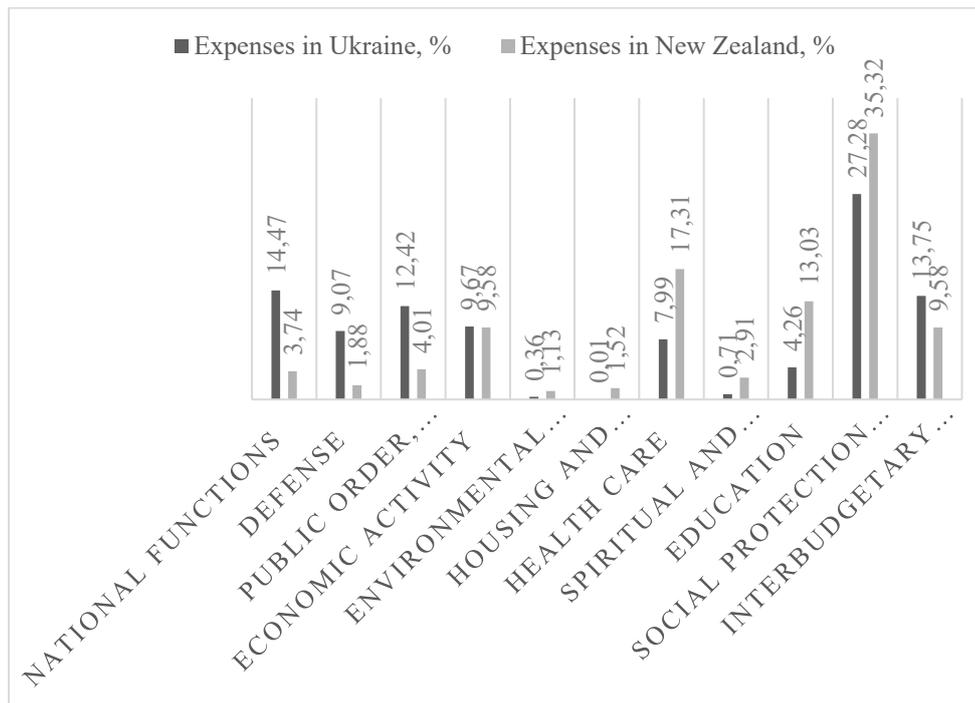


Fig. 1. Comparative chart of the state budgets of Ukraine and New Zealand

It cannot be concluded and loudly proclaimed that New Zealand is simply using budget funds more rationally. No, this is not so, just in each country, based on the needs and desires of its population, the situation within the country, economic aspects, which also depend on external factors, highlight a list of certain priorities, on which the vector of development and improvement will be directed every year.

THE LIST OF REFERENCE

1. "'We are ready to move into level two': Jacinda Ardern's speech in full". 11 May 2020. Retrieved 11 May 2020 – via Spinoff.
2. Small, Zane; O'Brien, Tova (17 April 2020). "COVID-19: \$12 billion package includes wage subsidies, tax relief and sick leave support amid coronavirus pandemic". Newshub. Retrieved 6 May 2020.
3. "New Zealand confirms case of Covid-19 coronavirus". Radio NZ. 28 February 2020. Retrieved 6 May 2020.
4. "Covid-19: New Zealand is now in lockdown". Radio NZ. 25 March 2020. Retrieved 6 May 2020.
5. "Covid 19 coronavirus alert 3: New Zealand to move to alert 4 lockdown for next four weeks - Jacinda Ardern says schools closed, essential services only". NZ Herald. 23 March 2020. Retrieved 6 May 2020.
6. Small, Zane (7 May 2020). "Budget 2020: Government's original priorities 'put on ice' to prioritise '1-in-100 year shock'". Newshub. Retrieved 11 May 2020.
7. Dreaver, Charlie (18 May 2020). "Budget 2020: What you need to know". Radio New Zealand. Archived from the original on 14 May 2020. Retrieved 18 May 2020.
8. Molyneux, Vita (14 May 2020). "Budget 2020: Where the Government is spending big to rebuild New Zealand after coronavirus". Newshub. Archived from the original on 18 May 2020. Retrieved 14 May 2020.
9. ЗАКОН УКРАЇНИ Про Державний бюджет України на 2020 рік
10. <https://index.minfin.com.ua/finance/budget/gov/>
11. <https://index.minfin.com.ua/finance/budget/gov/2020/>
12. <https://index.minfin.com.ua/finance/budget/gov/expense/>
13. <https://www.treasury.govt.nz/system/files/2020-12/fsgnz-4mths-oct20.pdf>