

## **PROBLEMS OF IMPLEMENTING THE CLASSIFICATION OF EXPENDITURES OF THE STATE BUDGET OF UKRAINE**

**Volodymyr Zadorozhnyi,**  
**Doctor of Science in Public Administration, Associate Professor**  
**Valentyna Boiko**  
**Poltava National Technical Yuri Kondratyuk University**

---

© Zadorozhnyi V., 2019.

© Boiko V., 2019.

*Стаття отримана редакцією 02.08.2019 р.*

*The article was received by editorial board on 02.08.2019*

**Formulation of the problem.** The classification of budget expenditures is extremely important for the implementation of the state budget. The importance of implementation of a correct classification of budget is obvious, since this will allow to successfully manage budget expenditures and to reach the maximal effect to conduct the tasks facing the state.

**Study status.** The question of the classification of budgetary expenditures at the time was paid attention in the works by well-known scientists in the field of financial law M. M. Speranskyi, S. I. Plovaiskyi, V. A. Lebedev, A. Krokhnina, M. Karaseva, L. K. Voronova, A. A. Nechai, O.P. Orliuk, V.D. Chernadchuk.

However, the analysis of publications testifies about the existence of divergences in legislative and scientific approaches to the implementation of the classification of budget expenditures. That is why, taking into consideration the extremely important significance of the classification of expenditures for the effective organization of the implementation of budget in the expenditure part, we consider it necessary to investigate the types of budget expenditures, depending on the changing approaches to them during the twentieth century and to put it in its article.

**Presenting main material.** Ukraine in 1917, with the fall of royal power and the coming of the Bolsheviks, made several attempts to realize its right to a sovereign state, but they were not successful, and our state began its existence in the USSR with a common political, financial, credit and budget systems.

The Soviet budget classification inherited from the imperial one the approach to the division of incomes and expenditures, as well as characteristic of the last combination of subject and departmental classifications. It is worth noting that in the USSR, almost until the middle of the twentieth century, the budget classification was functioning, the basis of which was laid in the part of expenditures in 1925. The structure of this budget classification of expenditures remained almost until the mid-1990s.

The budget classification of sovereign Ukraine was approved in July, 1996 by the Verkhovna Rada of Ukraine Resolution No. 327 "On the Structure of the Budget Classification of Ukraine" which introduced the general structure of the budget classification of Ukraine and aimed at strengthening the unified system of state revenues and expenditures of budgets of all levels of government, as well as to ensure nation-wide and international comparison of budget indicators.

In the future, with the development of international cooperation of states in almost all spheres of public life and the spread of international borrowing practices, there was a need for comparing, analyzing and evaluating the financial situation of the states-participants of international associations. In this regard, international financial organizations have developed international standards of the classification in the field of public finances. That is why in Ukraine there was a need to develop a new budget classification that would meet international standards of public finance statistics and new approaches to fiscal policy. Thus, according to the order of the Ministry of Finance of Ukraine No. 265 of December 3, 1997, a budget classification was introduced that met the requirements of economic development.

With the adoption in June 2001 of the Budget Code of Ukraine, as well as the introduction of the program-target method of budget expenditure planning in 2002, there was a need for changes in the structure of the budget classification. Thus, on December 27, 2001, by the order of the Ministry of Finance of Ukraine No. 604, the budget classification was approved, which with amendments, was in force until January 1, 2011. However, with the passage of time and the development of economic relations in the country, the new

requirements, which were reflected in the new Budget Code of Ukraine of July 8, 2010, began to be considered in the classifications of incomes, expenditures and lending.

To date, according to Article 10 of the BCU, expenditures and lending to the budget are classified according to:

- 1) budget programs (the program classification of expenditures and budget lending);
- 2) a sign of the main spending unit manager (the departmental classification of expenditures and budget lending);
- 3) functions, the execution of which involves expenditures and lending to the budget (the functional classification of expenditures and budget lending);
- 4) the economic characteristics of the operations in which these expenditures are carried out (the economic classification).

The program classification of expenditures is used in application of the program-target method in the budget process and is formed by the central executive body, which ensures the formation of the state budget policy (local financial authority) on proposals submitted by the main spending units during the drafting of the law on the State Budget of Ukraine (the project decision on the local budget) in budget requests [1, Article 10].

The program classification essentially represents the distribution of budget expenditures by state programs and gives an opportunity to understand what kind of activity is funded and what results it seeks to achieve. This classification makes it possible to analyze the effectiveness of using the funds provided for the tasks provided by a specific program and compare them with the results achieved. In addition, based on the analysis, it can decide on further funding.

However, it should be noted that, despite the normative fixing of the program classification, it is rather difficult in the Law of Ukraine "On the State Budget" to observe the implementation of specific budget programs for a particular year, since the names of specific programs can be seen only in the materials of the main spending units, and annexes to the law only contains classification program codes for certain departments and subjects of the budget process.

The departmental classification of expenditures and lending to the budget contains a list of the main spending units for systematizing expenditures and lending the budget on the basis of the main spending unit manager [1, p. 10]. The main spending units (in accordance with Art. 2 BCUs) are budgetary institutions in the person of their leaders, who are empowered by setting budget allocations.

The positive feature of the departmental classification is that when it is implemented, it is possible to allocate in each group of budget expenditures the immediate addressee, who receives budget allocations, which makes it possible to implement effective financial control over the use of budget funds by a specific manager.

The functional classification of expenditures, while defining the general type of expenditure from the budget, in turn has the following levels of detail:

- 1) sections in which the expenditures and lending of the budget are systematized, connected with the fulfillment of the functions of the state, the Autonomous Republic of Crimea or local self-government; 2) subdivisions and groups, which specify expenditures and lending to the budget for the functions of the state, the Autonomous Republic of Crimea or local self-government [1, art. 22].

The current functional classification of budget expenditures is approved by the Order of the Ministry of Finance of January 14, 2011, No. 11 "On Budget Classification" and provides for the implementation of state budget expenditures for such purposes as: national, defense, public order, security and judiciary, economic activity; protection of the environment; housing and communal services, health care, spiritual and physical development, education, social protection and social security [2].

So it can be noted that the functional classification of budget expenditures reflects the fulfillment of state functions. It reveals the priority directions of the state's activity in terms of satisfying its needs of society, and also shows the purpose of the implementation of expenditures.

With regard to the economic classification of the state budget expenditures, it is a reflection of the daily costs that arise as a result of the exercise by the public authorities of their functions. According to this classification, budget expenditures are systematized according to the economic characteristics of transactions carried out during their conduct.

Article 1.1. "Instructions on the application of the economic classification of budget expenditures", approved by the order of the Ministry of Finance of Ukraine dated March 12, 2012, stipulates that the economic classification of budget expenditures is intended for a clear separation of expenditures of budgetary institutions and recipients of budget funds according to the economic characteristics of

transactions carried out in accordance with functions of the state and local self-government [3, p. 1.1]. The economic classification of budget expenditures provides a unified approach for all participants in the budget process in terms of budget execution.

It should be noted that the economic classification is essentially an effective tool for controlling the funds used, since it is based on it that a schedule of expenditures is drawn up that defines the direction of budget funds. It should be noted that the economic classification is essentially an effective tool for controlling the funds used, since it is based on it that a schedule of expenditures is drawn up that defines the direction of budget funds. As we see, the classification of expenditures of the state budget of Ukraine, implemented by the legislator, is such that it gives a more or less clear idea of the nature and social purpose of each type of expenditure, but the expenditures of the state budget are also characterized by quantitative indicators. The structure of budget expenditures, in turn, largely depends on the fiscal policy of the state and the political mood of individuals and parties in power.

As for scientific approaches to the classification of budget expenditures, the financial science knows many attempts to implement the theoretical division of public expenditures. In our study, we will focus on approaches to the classification of state budget expenditures of the second half of the 20<sup>th</sup> century.

In the Soviet period V.G. Boldyrev, characterizing the expenditures of the state, noted that the socio-economic essence of expenditures was determined by the functions of the state, and at the same time they were divided into: 1) military; 2) expenditures on state interference in economic life; 3) foreign economic expansion; 4) social needs; 5) for the maintenance of the state apparatus of management [4, p. 116-117].

There is also the deserved attention to the approach of E.A. Rovinskyi to the division of the state budget and funding, which were grouped into 4 groups, taking into account functions and tasks that relied on the state: 1) the national economy; 2) socio-cultural events; 3) defense of the country; 4) the maintenance of the control apparatus [5, p. 235].

The proposed classifications by V.G. Boldyrev and E.A. Rovinskyi are not very different from each other and in some way reflect the official approach to cost sharing, which is reflected in the regulatory acts. It is obvious that during Soviet times, Soviet legal scientists did not practically deal with the classification of budget expenditures, as part of its improvement, because the scientists shared the opinion of the legislator on the division of budgetary expenditures. And in general, one of the first scientific works on the study of expenditures was the monograph by professor L.K. Voronova entitled "Budgetary and Legal Regulation in the USSR" and "Legal Basis of the State Budget Expenditures in the USSR", dated in 1975 and 1981, respectively, which are currently fundamental research on the legal regulation of public expenditures. It was L.K. Voronova who for the first time determined the expenditures of state and republican budgets as a kind of state expenditures, in no way identifying them as it was before [6, c. 19].

In Ukraine, at the present time, as in most European states, when implementing the expenditure budget, a procedural classification is used, but in the scientific literature, scientists are constantly offered new approaches and proposals for its improvement.

From the standpoint of the scientists-economists S. I. Yurii and Yo. M. Beskyd the state budget expenditures can be classified according to the following categories:

- for their value in the production process – the costs associated with the financing of material production, and the maintenance of non-productive sphere;
- for public appointment – for expenditures on financing of the national economy, social and cultural measures, defense of the state; maintenance of the control apparatus;
- by branch structure – for the development of industry, agriculture, transport, trade, and other [7, p. 100].

Somewhat similar classification is carried out by a well-known scientist-economist V. Fedosov, proposing to share budget expenditures for: a) the role of reproduction of production; b) public appointment; c) branches of the economy and social sphere; d) the intended purpose; e) levels of the budgetary system [8].

H. H. Starostenko and Yu. V. Bulhakov, while investigating budget expenditures, propose to classify them according to such classification features as: the role in reproduction of production; public appointment; branches of economy and social sphere; the purposed appointment; levels of the budgetary system [9, p. 141].

As we can see, the above classifications are quite similar, since economists almost unanimously distinguish between such criteria for the division of budgetary expenditures as public and specific purpose, the role in production and branch structure. However, there is also a classification in the economic sphere that is more specific than the previous ones and this classification allocates budget expenditures:

- 1) for public purposes: expenditures on the economy; social expenditures; defense expenditures; management costs;
- 2) according to the forms of budget financing: project financing; budgetary loans; budget financing; budget transfers;
- 3) by the level of the budget system: expenditures of the state budget; local budget expenditures;
- 4) for the role in extended playback: current – expenditures aimed at ensuring simple reproduction; capital are the development expenditures related to the financing of scientific, investment and innovation activities and other expenditures related to expanded reproduction;
- 5) on the role and place of expenditures in GDP production: expenditures related to the development of the production sector; expenditures, with which the functioning and development of the sphere of public services is ensured;
- 6) by sections according to the Budget Code of Ukraine: budget expenditures for functional purposes; program budget expenditures; budget expenditures for departmental appointment; budget expenditures on the economic characteristics of operations carried out in their conduct [10, p. 107].

In our opinion, this classification is more successful, in spite of the discussion of certain provisions, because it is among other things that take into account the provisions of the Budget Code of Ukraine, covering more criteria, making it possible to specify the nature and purpose of expenditures, carried out over a specific period of time with a specific purpose.

The division of expenditures according to their classification is the same in both the state and local budgets. The classification of expenditures allows to determine the similarity of operations of authorities and group the individual operations into homogeneous categories, which helps to reveal the nature, structure and economic impact on the level of socio-economic development of the country [11]. At the present stage, under the conditions of limited budget resources, the Government should conduct a balanced policy of expenditures aimed primarily at improving the state defense capability, timely payment of debt obligations, financing in accordance with the planned indicators of all social benefits, and ensuring austerity budget funds, which should promote and improve approaches to budget classification [12].

However, summing up, we can note that among economists there is no consensus on approaches to the classification of state budget expenditures, but the scientific classifications given above do not fundamentally differ from one another. As for legal scientists, most of them, such as L. K. Voronova, A. A. Nechai, O. P. Orliuk, Yu. A. Krokhina, M. Karaseva, Yu. A. Gracheva obviously share the legislator's opinion regarding the allocation of expenditures to the groups set forth in the budget acts of the countries, without examining expenditures by other classification grounds.

**Conclusions.** In general, it should be noted that more than one research has been carried out and many attempts have been made in the history of financial science to implement the classification of the state budget expenditures. After all, it became clear that there is a direct relationship between the division of the state budget expenditures into specific groups that specify and determine the direction of expenditure of budget funds and the efficiency of budget execution by expenditures, which has led the legislator and scientists to find more successful variants of budget expenditures classifications, which proceeds and for now.

Thus, taking into account the aforementioned, we propose, in the framework of the economic classification of the state budget expenditures reflected in Article 10 of the Budget Code of Ukraine and in the "Instruction on the Application of the Economic Classification of Budget Expenditures" approved by the order of the Ministry of Finance of Ukraine dated 12.03.2012, to amend, completing the classification further one criterion for allocating expenditures. In our opinion, it is worth sharing the expenditures of the state budget also according to the degree of need in them, distinguishing:

– necessary expenditures, with which the implementation of tasks within the framework of fulfillment of internal and external functions of the state is ensured;

– Excessive expenditures, which are carried out in order to equip certain departments, institutions with objects of luxury or meet the needs of certain officials, and relate to so-called representative expenses, which in no way are such as to ensure the fulfillment of the functions of the state. The application of an additional criterion for the division of public expenditures would reduce the burden on the expenditure part of the state budget in terms of providing the state apparatus and would not allow the spending of state budget money to meet the needs of certain officials under cover of providing conditions for the fulfillment of state functions.

**REFERENCES:**

1. The Budget Code of Ukraine of June 21, 2001 // Bulletin of the Verkhovna Rada of Ukraine. – 2001. – No. 37 – 38. – P. 189
2. Order of the Ministry of Finance of Ukraine "On Budget Classification" No. 11 of 14.01.11. – [Electronic resource]. – Access mode: [http://www.minfin.gov.ua/control/uk/publish/article%3Fart\\_id=356065&cat\\_id=355990](http://www.minfin.gov.ua/control/uk/publish/article%3Fart_id=356065&cat_id=355990)
3. "Instruction on the application of the economic classification of budget expenditures", approved by the order of the Ministry of Finance of Ukraine No. 333 dated 12.03.2012. – [Electronic resource]. – Access mode: <http://zakon2.rada.gov.ua/laws/show/z0456-12>
4. Finances of capitalist states: textbook / [ed. V.G. Boldyrev]. – 3rd ed., Reworked and add. – Moscow: Finance, 1980. – 352 p.
5. Soviet Financial Law / E.A. Rovinsky [and others]; ed. E. A. Rovinsky. – M.: Yurid. Lit 1978. – 344 p.
6. Voronova L.K. Legal bases of the expenditures of the state budget in the USSR (on materials of the Union Republic). – K.: Higher School, 1981. – 221 p.
7. Yurii S.I., Beskyd Yo.M. Budget system of Ukraine: textbook. – K., NIOS., 2000. – 400 p.
8. Budget management: under the umbrella. / [Fedosov V., Oparin V., Safonova L. et al.]; for community edit V. Fedosova. – K.: KNEU, 2004. – 864 p. – [Electronic resource]. – Access mode: <http://www.slv.com.ua/book/103/6971.html>
9. Starostenko H. H., Bulhakov Yu.V. Budget system: teach. manual – K.: Center for Educational Literature, 2006. – 240 p.
10. Budget system: tutorial / R.S. Soroka, I.G. Blahun. – Lviv: Lviv State University of Internal Affairs, 2011. – 236 p.
11. Zhadan O.V. Economic classification of expenditures: national and international experience. Journal scientific review. №8 (51), 2018. – [Electronic resource]. – Access mode: <http://oaji.net/articles/2017/797-1541006873.pdf>
12. Prots N.V., Bokii O.V. System of Expenditures of the State Budget of Ukraine: Problems and the Need for Optimization. Financial Space, No. 2 (22), 2016. [Electronic resource]. – Access mode: <https://fp.cibs.ubs.edu.ua/files/1602/16pntno.pdf>

УДК 336.144/148: 336.5.02

**Задорожний Володимир Петрович**, доктор наук з державного управління, доцент.  
**Бойко Валентина Вячеславівна**, старший викладач. Полтавський національний технічний університет імені Юрія Кондратюка. **Проблеми впровадження класифікації витрат державного бюджету України.** Класифікація видатків бюджету має надзвичайно важливе значення для виконання державного бюджету з дотриманням принципів, притаманних цій стадії в цілому та принципам ефективності й економності зокрема. Важливість здійснення правильної класифікації бюджету є очевидною, оскільки саме це дозволить успішно розпорядитися видатками бюджету й досягнути максимального ефекту у виконанні завдань, які постають перед державою. Зважаючи на надзвичайно важливе значення класифікації видатків для ефективної організації виконання бюджету у видатковій частині, автором розглянуто зміни в підходах до класифікації видатків державного бюджету починаючи з 1917 року до часів незалежності нашої держави, а також проаналізовано зміни в них за часів суверенної України. Акцентовано увагу на позитивних і негативних рисах бюджетної класифікації, закріпленої Бюджетним кодексом України, та здійснено порівняльний аналіз трактування видатків державного бюджету вченими - юристами й економістами. Зважаючи на складність досліджуваної проблематики та відсутність єдиного підходу до розв'язання цієї проблеми серед науковців, автор має власне бачення щодо вдосконалення класифікації видатків державного бюджету й пропонує внесення змін у бюджетну класифікацію, зокрема доповнення статті 10 Бюджетного кодексу України додатковим критерієм поділу видатків державного бюджету на необхідні та надлишкові видатки, які здійснюються з метою облаштування окремих відомств, установ предметами розкоші чи задоволення потреб певних посадових осіб і належать до так званих представницьких витрат, які жодним чином не є такими, що забезпечують виконання державою своїх функцій. На думку автора, застосування додаткового критерію при поділі державних видатків дозволило б зменшити навантаження на видаткову частину державного бюджету в розрізі забезпечення державного апарату.

**Ключові слова:** видатки бюджету, класифікація, програмна класифікація, відомча класифікація, економічна класифікація, функціональна класифікація.

UDC 336.144/148: 336.5.02

**Zadorozhnyi Volodymyr**, Doctor of Science in Public Administration, Associate Professor. **Boiko Valentyna**, Senior Lecturer. Poltava National Technical Yuri Kondratyuk University. **Problems of implementing the classification of expenditures of the state budget of Ukraine.** The classification of budget expenditures is extremely important for the implementation of the state budget, in compliance with the principles inherent in this stage in general and the principles of efficiency and economy in particular. The importance of implementing a proper budget classification is obvious, as it will allow you to successfully manage budget expenditures and maximize the impact of the tasks that the state is facing. Considering the extremely important role of the classification of expenditures for the effective organization of budget execution in the expenditure part, the author examines the changes in the approaches to the classification of expenditures of the state budget from 1917 to the times of independence of our state, and also analyzes changes in them during the times of sovereign Ukraine. The attention is paid to the positive and negative features of the budget classification, enshrined in the Budget Code of Ukraine, and a comparative analysis of the interpretation of the state budget expenditures by scholars – lawyers and economists. It is suggested own vision in this paper.

**Key words:** expenditures, classification, program classification, departmental classification, economic classification, functional classification.

УДК 336.144/148: 336.5.02

**Задорожний Владимир Петрович**, доктор наук по государственному управлению, доцент. **Бойко Валентина Вячеславовна**, старший преподаватель. Полтавский национальный технический университет имени Юрия Кондратюка. **Проблемы реализации классификации расходов государственного бюджета Украины.** Классификация расходов бюджета имеет чрезвычайно важное значение для выполнения государственного бюджета с соблюдением принципов, присущих этой стадии в целом и принципам эффективности и экономности в частности. Важность осуществления правильной классификации бюджета очевидна, поскольку именно это позволит успешно распорядиться расходами бюджета и достичь максимального эффекта в выполнении задач, стоящих перед государством.

Учитывая чрезвычайно важное значение классификации расходов для эффективной организации выполнения бюджета в расходной части, автором рассмотрены изменения в подходах к классификации расходов государственного бюджета начиная с 1917 года до времен независимости нашего государства, а также проанализированы изменения в них во времена суверенной Украины. Акцентировано внимание на положительных и отрицательных чертах бюджетной классификации, закрепленной Бюджетным кодексом Украины, и осуществлен сравнительный анализ трактовки расходов государственного бюджета учеными – юристами и экономистами.

**Ключевые слова:** расходы бюджета, классификация, программная классификация, ведомственная классификация, экономическая классификация, функциональная классификация.