APPROACHES TO THE CLASSIFICATION OF INTERBUDGET TRANSFERS IN UKRAINE AND ABROAD

Yuliia Bokovykova,
Ph.D. in Public Administration, Associate Professor, Associate Professor at the Department of Public Administration and Public Service
Educational and Scientific Institute «Institute of Public Administration»
of V. N. Karazin Kharkiv National University (Kharkiv, Ukraine)
ORCID ID: 0000-0001-6622-7409
julia.bokovykova@gmail.com

Yevheniia Bokovykova,
Postgraduate Student at the Department of Financial Law
Yaroslav Mudryi National Law University (Kharkiv, Ukraine)
ORCID ID: 0000-0002-0577-3569
yevheniia.bokovykova@gmail.com

Abstract. The scientific work is devoted to the study of approaches to the classification of interbudgetary transfers in Ukraine and abroad. It has been determined that the classification of interbudgetary transfers is not established due to the constant changes in relations regulated by law, which necessitates the search for new models and mechanisms for financing public needs. The legislation of foreign states and doctrinal developments of foreign authors regarding the issue of types of interbudgetary transfers and features of their provision has been analyzed. The possibility of assigning interbudgetary transfers established by the norms of the budget legislation of Ukraine to the classifications developed by the foreign doctrine of budget law, taking into account the latest changes in the budget legislation of Ukraine, has been established. The most common are classifications depending on the model of building inter-budgetary relations in a specific state: depending on the presence of a target purpose, depending on the term of provision, depending on the presence of an equalizing orientation, depending on the degree of their obligation, depending on the direction of movement of funds, depending on the direction of movement of interbudgetary financial flows.

Key words: budget, interbudgetary transfers, classification of interbudgetary transfers, interbudgetary financial flows, purpose of transfers.

Introduction. The movement of funds between budgets in one form or another is observed in almost all countries of the world. This is due to the need to provide public services at an equal level within the state, as well as the unequal level of own financial resources at the local level. Depending on the form of the state system, the peculiarities of the national legislation, the state of development of the state economy and the specifics of the organization of relations in the field of local self-government, the states have developed a number of approaches to the legal regulation of the movement of funds between budgets within the country. In the domestic and foreign scientific literature there are attempts to classify intergovernmental transfers. Some of their types are considered in the works of A. Guerrero-Alcade, J. Pechay, R. Musgrave, G. McDonald, S. Tsaikate, J. Martinez-Vasquez, A. Timofeev.

The aim of the paper is to identify approaches to the classification of intergovernmental transfers in Ukraine and abroad.

To achieve this goal, the following tasks are set: analysis of the legal regulation of intergovernmental transfers in Ukraine and abroad; determination of the main approaches to the classification of intergovernmental transfers; clarification of the peculiarities of classification of intergovernmental transfers after the introduction of the legal regime of martial law in Ukraine. The article uses general scientific (analysis, synthesis), as well as special legal (comparative legal, formal legal, logical and legal) methods.
The main part. Approaches to the division of transfers into types differ depending on the model of intergovernmental fiscal relations in a particular country. For example, the German economist R. Musgrave developed and generalized the distribution of transfer funds depending on the model of such distribution: actual equalization of expenditures per capita; equalization of the performance of local authorities; ensuring the same level of services set by the center; equalization of financial capacity through fiscal charges; ensuring the same level of services per unit of taxes collected; equalization of differences in financial needs and financial capacity; support at the same rate of expenditures.

The classical approach to the division of transfers into types is the division depending on the purpose. According to this classification, transfers are divided into two categories: unconditional (general purpose) and conditional, targeted (specific purpose). General purpose transfers are provided to the respective budgets as general financial support without specifying purposes and specific criteria for their use, so they have only an income effect. Unconditional transfers are aimed at preserving the independence of local budgets. This position is also adhered to by the national legislator of Ukraine, based on Article 9 of the European Charter of Local Self-Government, which enshrines the priority of using this type of transfers for financial support of local self-government: «As far as possible, grants to local authorities shall not be earmarked for the financing of specific projects. The granting of subsidies shall not affect the fundamental freedom of local authorities to pursue their policies within their own competence» (European Charter of Local Self-Government, 1985).

Targeted transfers usually provide for clearly defined areas of their provision. Foreign experience shows that the provision of earmarked transfers to local budgets is possible in several ways: transfers are provided for clearly defined needs without specifying the expected result of their provision or with the requirement to achieve such results (performance-based conditionality). Legislative regulation of the provision of targeted transfers may provide for the obligation of the recipient to finance a certain part of the costs at their own expense. The second type of targeted transfers, the provision of which includes the requirement to achieve specific results through their provision, is considered to be more effective, because at the same time it ensures the achievement of the state's goals for the development of certain sectors, and preserves local autonomy. The requirement to achieve results at the local level encourages proper control over the expenditures financed by the transfers provided: in addition, the control over the use of funds is also carried out by the grantor. However, scholars point out that these requirements place a greater burden on recipients with limited fiscal capacity and propose to set matching rates inversely proportional to the per capita fiscal capacity of the administrative unit to allow the less able to receive public funds and to be able to partially finance their own needs (Boadway, Shah, 2007; 49).

Foreign researchers of the XX century also consider transfers, the recipient of which must also correspond certain requirements, to be a recepient of targeted transfers. For example, to receive aid to finance public transport, it is necessary that the budget needs for its financing are higher than the costs of providing other public goods.

If the purpose of providing financial support to the regions is only to improve the overall level of public services and living standards of its permanent residents, then in this case it is more appropriate to provide general purpose (unconditional) transfers, because they will contribute to strengthening local autonomy.

Thus, the classification of intergovernmental transfers depending on the availability of a targeted purpose outlines the limits of the use of public funds, but they are all equally aimed at meeting public needs. The only difference is the need to use the transfer funds to finance a clearly defined area of public services in one case and the use of such funds at the discretion of the relevant authority in the other.

The division of interbudgetary transfers depending on the availability of the targeted purpose in Ukraine requires clarification. Thus, with the introduction of martial law, a number of amendments were adopted concerning the possibility of using the balances of certain transfers for the needs of
the Armed Forces of Ukraine, territorial defense, protection and support of the civilian population. The Law of Ukraine "On Amendments to Section VI "Final and Transitional Provisions" of the Budget Code of Ukraine and Other Legislative Acts of Ukraine" also amended clause 22-2 of the Budget Code of Ukraine, which was supplemented with words and figures "as well as, as an exception to the provisions of part four of Article 103-2 and part four of Article 103-3 of this Code and paragraph 11 of the section "Final Provisions" of the Law of Ukraine "On the State Budget of Ukraine for 2021", on the allocation of balances of funds for subventions from the state budget to local budgets, kept on the accounts of local budgets as of January 1, 2022, for territorial defense measures, meeting the food needs of the civilian population, evacuation / removal / relocation of civilians from the area where hostilities are taking place and dangerous areas to safe places, in particular for payment for transport services, fuel and lubricants, arrangement of places The subordinate regulation of the use of balances was developed for the educational subvention and subvention from the state budget to local budgets for the provision of state support to persons with special educational needs (On Amendments to the Procedures and Conditions Approved by the Resolutions of the Cabinet of Ministers of Ukraine No. 6 of January 14, 2015 and No. 88, 2022 of February 14, 2017). Therefore, we state that according to the latest changes in the norms of the budget legislation of Ukraine, the balances of funds on targeted transfers can be used for other than targeted needs, which indicates the temporary impossibility of unambiguously attributing subventions to transfers that have a targeted purpose.

Also, intergovernmental transfers in foreign studies are classified into those that have a limited period of use and open-ended. Empirical studies usually show that closed-ended transfers stimulate spending on subsidized activities more than open-ended transfers (Boadway, Shah, 2007; 48). This conclusion logically follows from the very content of transfers with a limited period of use, because in case of non-use of the entire amount of transfers of this type, the funds do not remain with the recipient, but return to the grantor, which necessitates their faster distribution and expenditure. At the same time, the provision of such transfers requires control by the entity providing the funds (usually the state), and also requires a certain degree of financial responsibility on the part of the recipient. Transfers, the provision of which includes the requirement to achieve specific results through their provision, perform several tasks simultaneously: preservation of local autonomy and stimulation of local authorities to improve the mechanisms of public service delivery, as well as control over the use of funds provided.

Transfers, the recipient of which also has to correspond certain requirements (conditional transfers), have a number of advantages and disadvantages from the point of view of the recipient. While such transfers may adequately finance one or several sectors, they may at the same time be inefficient for financing the region, as other public services may remain underfunded under such conditions. Therefore, in order to ensure equitable financing of public services within a region, it is necessary to regularly assess the region's own resources and needs.

Intergovernmental transfers can also be divided into equalizing and non-equalizing transfers. Equalizing transfers, first of all, provide for the creation of such conditions between the subjects of financing (territorial communities, regions, states, etc., depending on the state – the subject of the introduction of transfers), under which their financial capacity will be approximately equal in terms of population. In Ukraine, equalization transfers include basic and reverse grants. Equalization is often based on the indicators of actual tax revenues and actual expenditures of the region and, despite the logic of its introduction, at the local level equalization can have a negative effect: the equalization mechanism actually ignores the differences in local needs and expenditures, and, therefore, one of the main justifications for decentralization in the first place. Such transfers do not stimulate local budgets to increase revenues from their own resources (Bird, Tarasov, 2004: 80).

Researchers in the United States of America (the only federal country that does not have general equalization transfers) often discuss the equity aspects of intergovernmental transfers as if the main purpose of such transfers is to reduce disparities in per capita incomes across regions. The rationale for
intergovernmental transfers may be to ensure that regions have sufficient resources so that local governments, even the smallest and poorest ones, can provide residents with a basic package of local services.

Much public discussion of intergovernmental transfers in foreign countries tends to focus on the link between such transfers and the problem of «regional disparities». Although regional disparity has not generally been clearly defined, it is often interpreted in terms of the purpose of its elimination: the supposed goal of transfers is to reduce such disparity, regardless of what exactly is meant by differences in the regions' own incomes (differences in per capita incomes between states or in terms of regional growth rates, unemployment rates or any other economic variable) (Bird, Tarasov, 2004: 82).

In their turn, non-equalizing transfers are provided to cover certain expenditures for certain categories of public needs: education, healthcare, social protection, infrastructure improvement, etc. Their main difference from equalizing expenditures is the purpose, which, in the first case is to eliminate the imbalance of financing of the regions, and, as a result, to ensure the overall adequate level of satisfaction of public needs, and in the second – to supplement the financing of certain sectors depending on the specific needs of the region. In Ukraine, examples of such transfers are an additional subsidy for the implementation of expenditures transferred from the state budget for the maintenance of educational and health care institutions, medical and educational subventions, subventions for the provision of state support to persons with special educational needs, etc. It is impossible to provide an exhaustive list of the areas of funding provided by intergovernmental transfers in Ukraine due to the dynamism of the budget legislation and the consolidation of some transfers exclusively by the Law of Ukraine on the State Budget of Ukraine for the respective year. International experience, in turn, among the areas of financing through transfers provides for social insurance, health care, education, construction of public infrastructure, etc.

Intergovernmental transfers can also be classified according to the degree of their mandatory nature. Accordingly, both unconditional (unearmarked) and conditional (earmarked) transfers can be divided into mandatory and discretionary. Experts of the Organization for Economic Cooperation and Development define mandatory transfers as the government's statutory obligation to provide funds. That is, the approach applied in this case to the definition is fundamentally different from the one proposed by the Ukrainian legislation: in Ukraine, transfers are defined as funds that are transferred from one budget to another free of charge and irrevocably. Instead, European researchers emphasize the obligatory nature of intergovernmental transfers, that is, the primary obligation of the state to provide funds to regions that need such funds. The mandatory nature of transfers also implies that the amount of transfers and the conditions for their provision should be defined in the statute or resolution, and that these conditions should be necessary and sufficient. Traditionally, most transfers provided on a regular basis are mandatory. Discretionary grants are often of a temporary nature and are provided, for example, for specific infrastructure projects or urgent assistance to a region that needs it as a result of a natural disaster or other insurmountable circumstances (Bergvall, Charbit, Kraan, Merk, 2006: 6)

To get an idea of how countries actually use different types of grants, a questionnaire was sent to OECD member countries through the Fiscal Relations Network in spring 2005. The data provide insights into the extent to which subnational governments depend on transfers to finance their activities, the size of transfers, etc. The analysis of the data obtained from the survey shows that there are significant differences in the approaches to the use of transfers applied by the states. The two main sources of local budget revenues are taxes and transfers (other revenues such as fees for administrative services tend to play a less important role in financing local budgets). Of the two main sources of revenue, taxes are the main source of subnational revenue. In the sample, transfers represent almost 40% of total tax and transfer revenues for states, regions and provinces. The share of transfers in Denmark (12.1% of GDP) is just over 40% of local government revenues from taxes and transfers. In the Netherlands, also a country with a significant amount of transfers to local governments, the percentage of transfers (11% of GDP) is almost 90% of local government revenues from taxes and grants.
In Canada and Germany almost 100% of transfers to the local level are provided from the state budget. Some countries use a horizontal equalization mechanism. This applies, for example, to Ukraine, Austria, Belgium, Switzerland, Austria and Korea.

As for the distribution of transfers into earmarked and unearmarked transfers, the analysis shows significant differences in the prevailing type of transfers. Thus, in Australia over 80% of transfers at the local level are unearmarked, while in Spain over 85% of transfers are earmarked. Unearmarked transfers in European countries are mostly of general purpose. The areas of use of earmarked transfers also require attention. Most of the funds in the framework of earmarked transfers in the European Union are provided to provide general services to the population (almost 25% of the total amount of earmarked transfers). Much less financial resources are spent on other needs (education, social protection). In some countries, such as Belgium and Italy, earmarked transfers are provided only in some areas, while in others earmarked transfers are used more widely. In the Czech Republic, earmarked transfers are provided for all social needs, but a significant part of the funds is spent on education. In Sweden, earmarked transfers are also widespread, and the vast majority of funds are allocated to health and education (Bergvall, Charbit, Kraan, Merk, 2006: 6).

The classification proposed by domestic researchers is based on the definition of intergovernmental transfers. Thus, L. L. Tarangul and T. A. Kolyada point out that intergovernmental transfers are a form of intergovernmental financial flows. At the same time, they note that the movement of interbudgetary financial flows in countries with a unitary system can occur only vertically – between the budgets of different levels of the budget system, and in countries with a federal system – both vertically and horizontally (between the budgets of the same level of the budget system). Therefore, inter-budget transfers, according to the authors, are divided into those that are provided from the budget of one level to another, and those that are provided within the budgets of one level.

Today in Ukraine, as a result of long-term reforms in the budget sphere, inter-budget relations have been transformed. Such relations, according to the results of a systematic analysis of the norms of the current budget legislation of Ukraine, provide for the possibility of interbudgetary relations, and hence the possibility of providing interbudgetary transfers between budgets of the same level, horizontally (Tarangul, Kolyada, 2015: 46). Thus, the concept of local budgets is broader than the concept of "local self-government budgets", as it includes oblast, rayon budgets, budgets of districts in cities, the budget of the Autonomous Republic of Crimea, as well as local self-government budgets. Given that local self-government budgets are included in local budgets, it can be concluded that it is possible to provide such transfers from one local self-government budget to another, that is, between budgets of the same level of the budget system. Territorial communities of villages, towns, cities, districts in cities are not in a relationship of subordination to each other, and therefore the relationship between the budgets of such administrative-territorial units is not a relationship between the budgets of lower and higher levels. Part 1 of Art. 93 of the Budget Code of Ukraine provides for the possibility of transferring funds between local budgets for the implementation of local budget expenditures: a local council may transfer funds for the implementation of certain local budget expenditures to another local council in the form of an interbudgetary transfer to the relevant local budget. This transfer according to Article 93 of the Budget Code of Ukraine is carried out on the basis of decisions taken by the respective councils and the conclusion of an agreement between them. All agreements on the transfer of funds between local budgets in accordance with such decisions are concluded before August 1 of the year preceding the planned one. Local councils may envisage the following intergovernmental transfers in their respective budgets: subventions for the maintenance of joint use facilities or elimination of negative consequences of joint use facilities; subventions for the implementation of investment projects, including the construction or reconstruction of joint use facilities; grants and other subventions. The conditions for granting subventions are determined by the relevant agreement of the parties, unless otherwise provided by the Budget Code of Ukraine (Budget Code of Ukraine, 2010).
Thus, interbudgetary financial flows can also be divided into incoming and outgoing according to the above logic. Incoming flows are the total amount of financial resources that form the revenue side of the budget of the respective level of the budget system, while outgoing flows are the amount of financial resources aimed at financing the tasks and functions of the authorities of the respective level of the budget system, which are legally assigned to this budget.

The peculiarity of interbudgetary financial flows is that the incoming flows of the budget of one level of the budget system simultaneously act as outgoing flows of the budget of another level. The most common practice is when the higher level budget (outgoing flow) receives financial resources from the lower level budget (incoming flow) in the form of interbudgetary transfers on a gratuitous and irrevocable basis for expenditures that are fixed by legislative acts for the budgets of the respective level and should ensure the financing of delegated powers to the lower level of the budget system in accordance with the division of competencies between the central and local (regional) authorities. At the same time, the powers of local (regional) authorities are financed from their own revenues of the respective budget. Interbudgetary transfers provided from a higher level budget to a lower level budget are grants and subventions. Sometimes in inter-budget relations there are situations when the movement of financial flows has the opposite direction – from the lower level budget to the higher level budget of the budget system. This means the withdrawal of funds from relatively financially rich territorial communities and their transfer to the state budget and other higher-level local budgets, such as regional budgets. For countries with a federal state structure, these are payments from the respective local and federal budgets to the state budget.

**Conclusion.** Intergovernmental transfers are accompanied by the movement of funds from one budget to another, are fixed by the legislation of the state of application, which provides for a specific mechanism for their provision. Considering the differences in the legal regulation of intergovernmental transfers within different states, there is a variety of approaches to their classification. The classification of intergovernmental transfers is not stable due to constant changes in the relations regulated by law, which necessitates the search for new models and mechanisms for financing public needs. The most common are classifications depending on the model of intergovernmental fiscal relations in a particular state: depending on the availability of targeted purpose, depending on the term of granting, depending on the focus on budget equalization, depending on the degree of their mandatory nature, depending on the direction of cash flows, depending on the direction of intergovernmental financial flows. The analysis of changes in the budget legislation of Ukraine proves that the balances of funds on targeted transfers can be used for other than targeted needs. This necessitates the transformation of the classification of intergovernmental transfers in Ukraine by their intended purpose by singling out among the targeted transfers those that, under exceptional circumstances, may be used for other needs not provided for by their purpose.

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