

BUDGETARY SAFETY PASSPORT AS A TOOL FOR IMPROVING AN ANALYTICAL COMPONENT OF ENSURING COUNTRY'S BUDGETARY SAFETY

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Abstract. *The purpose* of the paper is to explore the feasibility of using the budgetary safety passport as a tool for improving the analytical component of ensuring country's budgetary safety and fiscal planning. *Methodology.* In the research, there are used general scientific methods of learning economic facts and the use of processes in their steady development and correlation: logic analysis, methods of scientific abstraction, induction, deduction, optimization, grouping, economic modelling, comparison, as well as tabular methods. *Results.* The work identifies the Budgetary Safety Passport as a document that contains information on the quality of budget process and an integrated assessment of the country's budget potential with regard to internal and external threats. The Passport is presented as structured into 15 sections, which are combined into five groups according to their contents: revenue potential of the state budget; core indicators of the state budget; monitoring the state budget performance; forecasting revenue from national taxes and duties; monitoring threats to budgetary safety of the country, and assessing the efficiency of threat prevention and neutralization programs. *Practical implications.* The article presents a systematization of the main results aimed at the practical application of the suggested Budget Safety Passport. *Value/originality.* It is concluded that Budget Safety Passport is an illustrative, systemic and fundamentally new tool for comprehensive evaluation of the state and prospects of the country's budgetary system, which allows us to raise the responsibility of government and administrative bodies for the budgetary safety of Ukraine and efficiency of budget performance, improve the quality and accessibility of public information.

Key words: budgetary safety, budget process, budgetary safety passport, threat, budget system.

JEL Classification: H61, H69

1. Introduction

Ensuring budgetary safety is one of the basic priorities for any country as a sufficient level of budgetary safety guarantees an implementation of the national interests in fiscal system in particular and financial system as a whole, provides the government with the possibility to fully accomplish its functions using budget funds and address important socio-economic, political, environmental and other issues, raises the efficiency of the national income allocation and enhances the influence of state institutions on expanded reproduction processes. Thus, budgetary safety, ensured by the appropriate budget system and process, is essential for the country's macroeconomic stability and sustaining rates of economic growth. Accordingly, under current circumstances, it is increasingly important to take adequate actions to strengthen countries' budgetary safety on the basis of stabilizing the budget system and improving budget process, including the development of proper means and tools of information analysis.

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1.1 Brief literature review

Theoretical fundamentals of ensuring country's budgetary safety were laid by outstanding international scholars including, J. Buchanan (1967), J. Golden and L. Olvey (1984), L. Codogno (2007), and others. Theoretical, methodological, and applied principles of ensuring budgetary safety on the macro level are explored in the works of our national scholars including, O. Baranovsky (2004), O. Vlasiuk (2008), V. Heiets (2006), V. Yermoshenko (2001), V. Muntiani (2006).

1.2 Unsettled components of the general problem

While giving credit to scholars for their significant scientific achievements, it should be noted that comprehensive solutions have not been offered for many problems arising in the framework of analytical support for the process of ensuring the budgetary safety of the country. In particular, much in-depth research is required to develop practical tools for budgetary safety ensuring which are based on a quantitative and qualitative assessment of the country's budgetary

potential taking into account existing threats to its budgetary safety.

1.3 The purpose of this article is to prove the feasibility of using Budgetary Safety Passport as a tool to improve and enhance the analytical component of ensuring budgetary safety in the country; systemize the main sections of arranging information in the Passport, and consider their contents; define expected result of using the suggested Budgetary Safety Passport in practice.

2. The essence of the Passport of the budgetary safety of the country

In order to improve the analytical component of ensuring budgetary safety in Ukraine and enhance budget planning, we suggest using a Budgetary Safety Passport of the country in the work of state bodies responsible for the national (including economic and financial) security.

The Passport is based on the macroeconomic approach to identifying budget potential of the country, which takes into account current threats to budgetary safety. The Passport itself should be seen as the primary aggregate summarizing document on the work of state bodies ensuring the country's budgetary safety, which provides a comprehensive description of the budget potential with an account of internal and external threats.

Budgetary Safety Passport is a document that, along with the overall macroeconomic information that reflects the state of socio-economic development, provides information on the quality of the budget process. The set of indices in every section of the Passport is analysed and displayed in the Passport dynamically, which provides an opportunity to identify the trends in influence and weight of separate factors that affect the country's budgetary safety. Consequently, it allows for high reliability in detecting emerging risks and threats to budgetary safety as well as enhanced quality and effectiveness of budget planning, higher validity in developing a system of measures on threat prevention and response.

Structurally, the Passport sections are arranged into five groups according to their contents: income potential of the state budget of the country (pp. 1, 12); basic indices of the state budget of the country (pp. 2, 4, 6, 8); monitoring the implementation of the state budget of the country (pp. 3, 5, 7, 9, 10, 11); forecasting revenues from national taxes and duties (p. 13); monitoring threats to budgetary safety and assessing the effectiveness of implementing various programs aimed at their prevention and neutralization (pp. 14–15).

3. Basic maintenance of sections of Passport of the budgetary safety of Ukraine

The analysis of the Budgetary Safety Passport indices enables us to establish the weight of impact that certain factors have on budgetary characteristics of the country.

Let us have a closer look at the sections of Budgetary Safety Passport of Ukraine.

We suggest grouping the Passport data in the following sections:

1. Main indicators of the country's socio-economic development.
 2. Revenues of the state budget.
 3. Monitoring of the state budget administration.
 4. Incoming taxes, duties, and payments to the state budget disaggregated by administrative units of the country.
 5. Financing of the state budget.
 6. Monitoring of the financing of the state budget.
 7. Allocation of the state budget expenditures.
 8. Monitoring of the expenditures of the state budget.
 9. Repayment of loans to the state budget and distribution of loans from the state budget.
 10. Monitoring of the loan repayment to the state budget and distribution of loans from the state budget.
 11. Arrears on taxes, duties, and payments to the state budget disaggregated by the major economic activities.
 12. Indices of tax burden by economic activities.
 13. Forecasting revenues from national taxes and duties.
 14. Aggregated data on checking whether the bodies of state financial control keep within budget income and expenditures.
 15. Monitoring of threats to budgetary safety and assessing the effectiveness of implementing the programs for their prevention and response to them.
- In the first section of the Budgetary Safety Passport – Main indicators of the country's socio-economic development – there are indicators that reflect the geography and the level of productive forces development in the country. These are, first and foremost, the gross domestic product, the level of secondary segment development, the volume of sales by economic activities and foreign trade turnover of the country. In addition to the aforementioned indicators, the section will also show respective indices such as the physical volume of the GDP, industrial production, sales (of goods and services) by economic activities, the consumer price index etc. Considering the fact that labour market indices are the primary tool in devising both social policy in general and policy on personal income, this section should also include the data on the economically active population, the number of economically employed and unemployed, the volume of people's real monetary income and employees' payroll budget.

The first section also contains indicators of investment in fixed assets, consolidated financial results of enterprises performance, profits for the companies that received it, which allows us to relate these indicators with the amounts received from taxes on income and profits. Moreover, this section provides information

on the number of legal entities and individual entrepreneurs, which is available on the United State Register of Legal Entities, Individual Entrepreneurs and Public Organizations of Ukraine.

The second section of the Budgetary Safety Passport – Revenues of the state budget – provides budget figures on income items envisaged by the law on the state budget of Ukraine for the fiscal year. For example, such income in Ukraine includes: official transfers, tax revenues, non-tax revenues, income from capital transactions. Note that grouping items of income must be conducted in accordance with the revenue codes.

Therewith, the third section of the Budgetary Safety Passport provides for the monitoring of the state budget revenue administration in the country in the context of law articles. Therefore, the second and the third sections of the Passport are among the most important ones as they not only provide the opportunity to assess the process of replenishing the Ukrainian budget revenue base in individual quarters on a cumulative total from the beginning of the year but also help to follow the impact of certain economic factors and changes in the current legal framework of Ukraine related to the procedures of budget performance, the scope, and structure of its revenues.

In its turn, the fourth section of the Passport – Incoming taxes, duties, and payments to the state budget disaggregated by administrative units of the country – reflects the contribution of individual regions of Ukraine in the performance of the revenue of the state budget. The information in this section provides for the timely exposure of problems in the economic development of the administrative units of the country in terms of their ability to replenish the state budget.

The fifth section – Financing the state budget – contains information on the quarterly budget performance under all items of funding to cover the budget deficit, including the repayment of internal and external debts of the state, envisaged by the law on the state budget of the budget of Ukraine for the current year.

The sixth section of the Passport is devoted to the monitoring of the financing of the state budget. The budget deficit is an important economic category derived from the state budget, which reflects the situation when revenues do not cover all expenditures of the budget as a result of increased level of marginal costs of production in society, leading to a negative budget balance.

There may be different reasons for this, including inefficient production, high level of shadow economy, inadequate (in terms of economic situation) increase in budget expenditures, inflation processes, cash flow and cash payments problems, inefficient investment, taxation or loan policy of the state, political factors, downturn in certain industries in the country etc. (Mashko, 2012).

The reason why we assign a separate section to budget deficit is due to the fact that the deficit serves

as an indicator of imbalances in the economic system, poor efficiency of tax policy, deteriorating financial and operational performance of businesses and other evidence showing the need to take appropriate stabilization actions on the national level, including introduction of institutional changes in the budget sphere.

The seventh section of the Budgetary Safety Passport – Allocation of the state budget expenditures – provides quarterly information in terms of expenditure items on the state budget of Ukraine. The need for such information to be presented is due to the fact that the state budget, based on the formation of a centralized monetary fund of the state and its subsequent use, reflects social and economic processes in the country. The composition and structure of the state budget expenditures characterize the purpose of the state budget according to the allocation of the gross domestic product and the national income.

The results of monitoring the expenditures of the state budget in order to see whether they are performed on time and in full are presented in the eighth section of the Budgetary Safety Passport, which is directly related to the budget's efficiency level and potential to perform its functions. The section provides an opportunity to identify main threats to the budgetary safety of the country in terms of fulfilling its financial obligations to society.

The ninth section of the Budgetary Safety Passport (Repayment of loans to the state budget and distribution of loans from the state budget) along with the tenth one (Monitoring the loan repayment to the state budget and distribution of loans from the state budget) contain information on the planned and actual situation concerning conducting operations to provide funds from the state budget on conditions of intended use, repayment, interest payment, and fixed term, which imply obligations to the state budget (providing loans from the state budget) and operations to repay such funds to the state budget (repaying loans to the state budget), as well as information on budgetary lending and financial assistance from the state budget on condition of repayment. Analysis of the above-mentioned data allows us to detect in advance possible threats in terms of financial discipline and solvency of budget fund borrowers. It also provides an opportunity to finance through loans important programs of social and economic development, as well as timeliness and proper volume of cash flow.

The eleventh section characterizes the situation with debts to the state budget of Ukraine on the part of taxes, duties, other mandatory payments in relation to economic activities. This section shows the structure of the debt: the amount of arrears, deferred or extended payments, restructured debt, suspended payments, fines, and penalties. Thus, the section contains full information about the total tax payable.

The twelfth section – Indices of the tax burden by economic activities – contains data on tax burden on businesses, income from every type of taxes and charges to the budget of Ukraine as well as social security tax for obligatory state social insurance.

We find it expedient to include in the calculation of the tax burden not only the taxes and charges paid by the business itself but also those withheld by employers from employees' wages because these payments represent a form of the implicit tax burden on the corresponding tax subject. When hired, a person agrees to receive a certain level of remuneration for his work, which is a net amount after all subtractions. Therefore, employees should include into the payroll the full sum of future deductions provided for by the current legislation of Ukraine. We believe this approach could provide more adequate information on tax burden on Ukrainian business entities.

A special attention in the process of drafting the Budgetary Safety Passport should be given to an informed and representative representation of data in the thirteenth section – Forecasting revenues from national taxes and duties – which requires using techniques of integrated forecasting of tax revenues to the budget system of the country.

In our view, the process of forecasting revenues from taxes and charges should include three main blocks of analysis: forecasting changes to the institutional environment of the national economy functioning, forecasting macroeconomic parameters of Ukrainian national economy, forecasting revenues from taxes and charges to the budget of Ukraine. It should be noted that every stage of the process of forecasting revenues from taxes and charges to the budget of Ukraine allows for its implementation under several scenarios.

The fourteenth section – Aggregated data on checking whether the bodies of state financial control keep within budget income and expenditures – implies grouping data on the amount of payments, which were additionally received/returned to the budget as a results of audits done by the bodies of state financial control, the number of on-site inspections, results of inspections of budgetary discipline in the context of targeting and efficiency of spending budget money, and other data, which make it possible to assess the effectiveness and performance of the state financial control bodies in Ukraine. A comparative analysis of the results of control over the state budget performance during the reporting period against the figures received during the corresponding period of previous years makes it possible not only to analyse the efficiency of state control bodies performance but also to detect threats to the budgetary safety of the country (their scope and dynamics of development), which have internal origin and are generated by the presence of shadow economy and violations of the laws of Ukraine.

Section 15 – Monitoring threats to budgetary safety and assessing the effectiveness of implementing the programs for their prevention and response to them – is the resulting part of the Budgetary Safety Passport. This basic section includes comprehensive information required for monitoring the scope of threats (both present and potential) to the budgetary safety of Ukraine, ensuring their early detection with subsequent outlining and implementing a set of relevant measures to prevent and react to them. The section also includes summary data as to assessing the efficiency of implementing relevant government target programs.

Full coverage of the above specified information load is achieved through its classification and representation in several analytical units, such as: name of the threat; identification number of the threat; the year of threat detection; the level of the threat (probability of its actualization) as of the date of its detection; availability of a target threat response program (program name, No, date of adoption) (in case the threat is not provided with a relevant program of prevention and response to threats to budgetary safety of Ukraine, it must be noted whether there are any steps taken to draft the program and specify the stage of the process); implementation level of the program is supposed to achieve according to its implementation schedule; the actual implementation level of the program as of reporting date; actual expenses incurred by program implementation; planned result to be achieved by the reporting date according to the schedule of the program implementation (threat level); the level of the threat (probability of its actualization) as of the reporting date; decisions made by the competent authority as to further implementation of the program.

4. Possibilities of the offered format of Passport of the budgetary safety of Ukraine

We believe that the suggested format of the Budgetary Safety Passport of Ukraine provides a great assistance in conducting comparative analysis of estimated factors dynamics in the context of different time intervals and defining on this basis statistical trends, assessing budget potential, and possible threats to budgetary safety of the country in terms of individual components of budgetary process and budget item structure.

To ensure the timely submission and updating, comprehensiveness, and high quality of analytical information to be provided, we offer to present the Budgetary Safety Passport in an automated way within a relevant analytical complex with mandatory timely quarterly placing on the official website of the relevant authorized government body. It is essential for the Budgetary Safety Passport analytical complex to provide possibilities of forecasting and simulation for all elements of the state budget both in the current socio-economic situation in the country and with an account of potential changes.

Feasibility of using the country's Budget Safety Passport as a tool to enhance the analytical component of the process of ensuring budgetary safety is confirmed by the fact that under the current circumstances many developed European economies recognize the increasing importance of effective control and surveillance mechanisms (Codogno, Nucci, 2008), such as the suggested Passport. It is for a good reason that research by International Monetary Fund highlights the fact that today governments should, as a part of their fiscal strategy, consider the adequacy of the structures, rules, and procedures that govern the formulation, passage, and execution of their budgets (Gupta, Ylaoutinen, 2014).

5. Practical use of the Budgetary Safety Passport

It is also worth noting that practical application of the Budgetary Safety Passport is consistent with the technocratic approach to understanding politics in the budget process, which at a practical level is aimed at focusing efforts on producing recommendations for a range of procedural measures in fiscal area based on the analysis of a certain data set, which makes budget process more transparent.

Bringing the suggested Budgetary Safety Passport into practice has the following objectives:

- form an integrated system of sharing information between state bodies responsible for implementing the budget process in the country;
- form a common database/information framework that allows for a timely detection of threats to the budgetary safety of the country and understanding their risk level;
- create opportunities for the fullest possible collection and spreading information (through appropriate information resources) on budget potential, budget process in Ukraine, the efficiency of government measures towards preventing threats to the country's budgetary safety and response to them;
- introduce an organizational and economic mechanism of response to the threats to budgetary safety in Ukraine based on creating a sensible institutional environment and institutional system aimed primarily at potential threat prevention and response instead of overcoming their consequences;
- minimize the number of possible deviations in the process of forecasting and drafting projects of the state

budget of the country for the following fiscal year through using authentic information from the participants of the budget process and taking in account the dynamics of changes in detected threats to the budgetary safety of Ukraine of both internal and external origin;

- provide ongoing monitoring over income and expenditures of the state budget as a basis for a collective drafting and adoption of required measures;
- as a result, increase revenues to the state budget and maximize the efficiency of budget expenditures;
- ensure maximum transparency and openness in the work of government and administration in terms of budget, full accessibility of relevant information to members of the public;
- ensure a wider use of the result oriented method in managing the budget process in particular and the country as a whole.

6. Conclusions

Thus, Budgetary Safety Passport is an illustrative, systemic and fundamentally new tool for comprehensive evaluation of the state and prospects of the country's budget system, which allows us to raise the responsibility of government and administrative bodies for the budgetary safety of Ukraine and efficiency of budget performance, improve the quality and accessibility of public information.

Budgetary Safety Passport is primarily aimed at satisfying information needs of state government bodies in terms of ensuring a stable budget system and sustainable economic development of the country. By offering accurate and up-to-date information, the Passport enables people to carry out a comprehensive assessment of Ukrainian budget framework and use the results of the assessment as a basis for making informed and well-grounded decisions to prevent a downturn in the country's economy, its budgetary system, reduce social tension, and enhance efficiency and performance of government and public administration bodies.

In addition, the suggested Passport will be of much interest to members of general public who are the main recipients of public goods, taxpayers, investors (including foreign ones) who will be able to conduct assessment of budgetary and financial potentials of the country while making investment decisions, plan, and forecast income and spending in terms of their own finances and investments, engage in strategic planning and forecasting in general.

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ПАСПОРТ БЮДЖЕТНОЙ БЕЗОПАСНОСТИ КАК ИНСТРУМЕНТ СОВЕРШЕНСТВОВАНИЯ АНАЛИТИЧЕСКОЙ СОСТАВЛЯЮЩЕЙ ОБЕСПЕЧЕНИЯ БЮДЖЕТНОЙ БЕЗОПАСНОСТИ СТРАНЫ

Аннотация. *Целью работы* является обоснование целесообразности использования паспорта бюджетной безопасности как инструмента совершенствования аналитической составляющей обеспечения бюджетной безопасности страны и бюджетно-налогового планирования. *Методология.* В работе использованы общенаучные методы познания экономических явлений и процессов в их непрерывном развитии и взаимосвязи: логический анализ, методы научной абстракции, индукции, дедукции, оптимизации, группировки, экономического моделирования, сравнения, синтеза, а также табличный метод. *Результаты.* Определена сущность Паспорта бюджетной безопасности как документа, содержащего информацию о качестве бюджетного процесса и комплексную характеристику бюджетного потенциала страны с учетом внутренних и внешних угроз. Предложено выделять в структуре Паспорта 15 разделов, которые по их содержанию объединены в пять групп: доходный потенциал бюджета страны; базовые показатели Государственного бюджета страны; мониторинг выполнения Государственного бюджета страны; прогнозирования поступления общегосударственных налогов и сборов; мониторинг угроз бюджетной безопасности страны и оценки эффективности реализации программ их предупреждения и нейтрализации. *Практическое значение.* Систематизированы основные результаты, достижение которых имеет целью практическое использование предлагаемого Паспорта бюджетной безопасности. *Значение/оригинальность.* Сделан вывод, что Паспорт бюджетной безопасности является наглядным, системным и принципиально новым инструментом комплексной оценки состояния и перспектив развития бюджетной системы страны, что дает возможность увеличить ответственность органов государственной власти и управления за состояние бюджетной безопасности Украины, эффективность исполнения бюджета, повысить качество и уровень доступа общественности к публичной информации.