

PRINCIPLES OF THE LEGAL REGIME OF BUDGET FUNDS IN THE CONTEXT OF SOUND PUBLIC FINANCIAL MANAGEMENT

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Abstract. This article explores the legal and economic principles underlying the legal regime of budget funds, with a view to ensuring sound public financial management. It focuses on identifying and systematising the fundamental principles that govern the use of public budget resources, such as efficiency, transparency, legality, accountability and targeted use. Particular attention is paid to the interconnection between these principles and their practical implementation in Ukraine during the post-reform and wartime periods. *Methodology.* The study employs a combination of economic and legal analyses, incorporating a systematic review of legislation, an evaluation of fiscal policy, and an analysis of budget execution data and public audit reports. The research also considers EU practices and OECD standards in public finance governance, integrating comparative approaches. *Results.* The findings demonstrate that, although the principles of sound financial management are formally recognised in Ukrainian budget legislation, their practical application remains inconsistent. The implementation of budget governance is hindered by institutional and procedural shortcomings, a lack of transparency, and limited accountability mechanisms. The findings from international studies indicate that the presence of legal clarity, procedural safeguards, and integrated audit systems is imperative in achieving both fiscal discipline and social outcomes. *Practical implications.* The article's findings are outlined in a series of legal and policy recommendations, the aim of which is to strengthen the budgetary legal framework and promote institutional reforms. These include the enhancement of regulatory clarity, the facilitation of public access to budget information, the expansion of the powers of oversight bodies, and the adoption of a results-based management approach. *Value / Originality.* The article provides a structured analysis of the fundamental principles of the legal regime of budget funds and their role in enhancing the quality of fiscal governance. The research contributes to the ongoing discourse on legal mechanisms for the management of public funds in emerging economies, with a particular focus on fragile and conflict-affected contexts.

Keywords: budget funds, legal regime, public financial management, transparency, accountability, fiscal governance, Ukraine.

JEL Classification: H50, H61, K34, P35

1. Introduction

The significance of the research topic is rooted in the pressing necessity to optimise the utilisation of finite public resources while upholding robust oversight mechanisms for their allocation.

In the context of Ukraine's persistent budgetary shortfalls and mounting social demands, the judicious utilisation of financial resources assumes a heightened significance. On the one hand, optimal public financial management contributes to economic

stabilisation and social development. Conversely, weak or absent control mechanisms result in misuse of funds and corruption. Conversely, excessively rigid procedural constraints and a surfeit of layers of oversight have the potential to impede the budget execution process. Budget administrators often eschew decision-making for fear of formal violations, which can result in funds remaining unused or only partially spent.

This creates the problem of striking the right balance between the effectiveness of budgetary spending and

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ensuring adequate oversight of its use. These issues are directly linked to sound public financial management, which requires modern principles of transparency, accountability and efficiency to be introduced into the budgeting process.

The purpose of this article is to conduct a comprehensive legal and economic analysis of the legal regime of budget funds, with particular emphasis on the fundamental principles that underpin it in the context of sound public financial management. To achieve this objective, the following research tasks have been set: 1) reveal the theoretical foundations and economic content of the core principles of the legal regime of budget funds, including efficiency, targeted use, publicity, control and accountability; 2) analyse international experience in public finance management, drawing on examples from the EU and USA, with regard to the implementation of these principles in the budgeting process; 3) investigate Ukrainian legal regulation and use of budget funds, taking into account current legislation, oversight body activity and empirical data on spending effectiveness and violations; 4) Formulate recommendations for improving the legal regime of budget funds to ensure sound public financial management in Ukraine.

2. Theoretical Aspects of the Legal Regime of Budget Funds

Legally speaking, budget funds refer to public financial resources derived from state and local budgets and owned by the state or territorial communities (hromadas). The legal framework governing such funds encompasses a set of rules that govern their accumulation, allocation and use, and requires strict adherence to certain principles. In contrast to other forms of state property, budget funds are subject to a distinct regulatory framework. Their expenditure is permitted exclusively within the limits delineated by the relevant budgetary allocations and cost estimates, with oversight of this process being conducted by authorised public bodies. In essence, legislation imposes stringent requirements to ensure that budgetary resources are used lawfully and for their intended purposes. The objective of this regime is to ensure effective public financial management, thereby guaranteeing that every unit of currency expended generates the maximum possible societal benefit while upholding the rule of law.

The fundamental principles that underpin the legal framework governing budget funds in the context of sound public financial management are as follows: efficiency and effectiveness, targeted use, publicity and transparency, control and accountability, and the principle of legality in the use of public funds. These principles are interrelated and collectively

form the foundation of good governance in the realm of public finance. Their substance is as follows:

1. Efficiency and effectiveness

The principle of efficiency can be defined as the achievement of intended budgetary outcomes with the least possible expenditure, thus establishing an optimal balance between the resources utilised and the results obtained. In the Ukrainian budget legislation, this principle is enshrined among the fundamental tenets of the budget system, which stipulates that every hryvnia expended from the budget must yield the greatest possible benefit for society. This may be considered to reflect a "value for money" approach, insofar as it ensures economy (prudent use of resources), productivity (maximum quantity and quality of services with available resources), and effectiveness (attainment of policy goals). The implementation of this principle necessitates a robust legal framework and effective control mechanisms (Voronkova & Melnyk, 2020). In other words, efficiency should be considered not only an economic imperative but also a legally binding criterion, subject to evaluation and enforcement by the state.

2. Targeted use of funds

This principle stipulates that budget funds must be utilised in strict accordance with the objectives delineated in the pertinent budget laws and appropriation decisions. It is imperative that every hryvnia is expended in accordance with its designated purpose, as outlined in the budget programme or cost estimate. In practice, this means that the redirection or misuse of funds for unauthorised needs is inadmissible. The principle of targeted use, which is now legally codified, ensures that adopted budgetary policies and priorities are executed. Expenditure is strictly limited to the goals approved by the legislature. The economic dimension of this principle involves preventing the inefficient dispersal of resources and maintaining fiscal discipline, thereby ensuring that funds are allocated as planned and generate the greatest possible public value. Compliance with this principle is a key goal of public financial control, which aims to prevent budgetary resources being misused for unintended purposes (Voronkova & Melnyk, 2020).

3. Publicity and transparency

It is imperative that the budgetary system is both open and comprehensible to citizens. The principle of publicity and transparency dictates that information regarding the formation and utilisation of budget funds must be made publicly available, and the procedures for adopting budgetary decisions must be transparent and subject to public oversight. This principle is explicitly enshrined in the Budget Code of Ukraine, obliging public authorities to inform the public about the budget and its execution.

The economic significance of transparency is twofold: firstly, it has the potential to reduce corruption risks and improve efficiency; secondly, budget openness helps to curb misuse of funds, enhance trust in public authorities, and increase citizen participation in financial oversight. As stated in the current academic discourse, budget transparency constitutes a pivotal instrument of effective governance, ensuring accountability and public participation, whilst concurrently enabling the assessment of expenditure performance (Davidenko & Sydorenko, 2025).

Consequently, the legislative entrenchment of publicity requirements – such as laws on access to information and open data – has a directly positive economic effect by improving the quality of public expenditure through civic oversight.

4. Control and accountability

This principle signifies that budget holders and other participants in the budget process are accountable for the legality and efficiency of their actions with public funds and are obligated to report on the results achieved. The concept of control is predicated on the presence of a comprehensive system of financial oversight, encompassing both internal (within government agencies) and external (independent audits, parliamentary and civic control mechanisms) dimensions (Pysmenna, n.d.). Accountability is defined as the obligation of public officials to provide a justifiable and explicative account of budget fund utilisation and the attained outcomes, and to accept legally defined sanctions in the event of violations.

From a legal standpoint, the principle of accountability is implemented through norms concerning budget reporting, mandatory audits, parliamentary hearings, and the publication of performance reports. From an economic perspective, this principle fosters more rational resource allocation, as public responsibility incentivises officials to achieve results and avoid wasteful or improper expenditures. Financial law theory emphasises that control should ensure legality and transparency, but not be excessive; excessive bureaucracy can hinder the timely execution of programmes. Excessively detailed oversight can stifle the initiative of budget holders and reduce management flexibility. Conversely, insufficient control without proper performance evaluation can lead to corruption and wastefulness (Shulha, 2011).

Therefore, it is essential to establish a control model that balances flexibility in fund use (to achieve optimal economic outcomes) with robust oversight mechanisms (to guarantee legality and accountability), both legislatively and institutionally. The principles of efficiency and targeted use can only be fully realised under conditions of transparent procedures, effective monitoring and unavoidable liability.

5. Legality of fund utilisation

At the core of all the aforementioned principles lies a fundamental requirement: strict adherence to budget legislation when executing expenditure. The principle of legality means that no part of the budget can be spent without legal basis or in violation of established procedure. Expenditure must be carried out in accordance with the approved budget and other relevant legislation (such as the Law on the State Budget, local council decisions, etc.). Adherence to the law is the basis of fiscal discipline, which is ensured through the treasury system, payment approval procedures, and penalties for budgetary violations.

From an economic perspective, legality is a prerequisite for efficiency, insofar as only legitimate and transparent spending fosters public trust and creates the conditions for the optimal use of public resources. In the contemporary context, adherence to legal formalities alone is inadequate; instead, the pursuit of tangible outcomes is imperative.

As researchers have noted, public financial control in Ukraine has historically centred on the identification of legal violations after the fact, a practice that, in itself, did not ensure enhancements in spending efficiency. Consequently, there has been a transition towards a focus on preventive control and performance management, whereby oversight bodies not only document violations but also provide recommendations to enhance the effectiveness of budget programmes. This approach is consistent with the concept of sound financial management, which integrates the principles of legality and performance (Kreshchenko, 2017).

Consequently, the combination of the aforementioned principles constitutes the methodological foundation of the legal regime of budgetary funds. The aforementioned principles are closely interrelated: legality and targeted use ensure fiscal discipline; efficiency and economy promote rational spending; while publicity, transparency, and accountability serve as mechanisms of control and incentives for good governance. The implementation of these principles within the legal framework engenders the necessary conditions for achieving the strategic goal of sound public financial management, whereby resources are used economically, purposefully, under effective oversight, and for the benefit of society.

3. International Experience in Sound Public Financial Management

The experience of developed countries demonstrates that the implementation of the above-mentioned principles within public financial management systems increases the efficiency of budgetary expenditures and enhances trust in fiscal policy.

This section examines the practices of the European Union and the United States as two representative models of sound public financial management.

The European Union. At the supranational level, the EU is committed to the principle of "sound financial management," which is predicated on the three E's: economy, efficiency, and effectiveness of public expenditures. This principle entails the judicious utilisation of EU funds, ensuring their optimal deployment to maximise impact in accordance with established objectives. As stipulated by EU budgetary regulation, the evaluation of each budget programme is to be conducted in accordance with the achievement of planned results, whilst ensuring that the minimum necessary expenditure is utilised. The control system incorporates both internal financial control mechanisms within executive bodies and external auditing to verify compliance with efficiency standards (Svirko, Dovhaliuk, Trosteniuk, 2024).

The European Court of Auditors is responsible for conducting annual audits of the legality and regularity of EU budget execution, as well as assessments of the economy and performance of implemented programmes. Member States are required to establish supreme audit institutions that are capable of conducting financial and performance audits, with the objective of evaluating the correlation between expenditures and results.

In recent decades, European countries have increasingly adopted practices combining strict fiscal discipline with the introduction of results-oriented management tools. A significant number of organisations have progressively transitioned from a conventional line-item budget approach to a performance-based budgeting model, thereby incorporating the principle of effectiveness into the budgetary process. It is important to note that this transition has been gradual. The formal adoption of new methodologies alone does not guarantee success. Institutional capacity and the motivation of budget participants to achieve results must also be taken into account (Tkachenko, 2024).

Consequently, the administrative culture within EU countries has evolved from a focus solely on fund disbursement to a culture of performance measurement and evidence-based policy evaluation. The European experience exemplifies a pursuit of institutional balance, characterised by the implementation of meticulous regulatory procedures for budget control, complemented by agile performance management mechanisms that incentivise budget holders to achieve enhanced outcomes.

Consequently, the EU has achieved a notable enhancement in the transparency and accountability of the budgetary process, thereby aligning expenditures more closely with policy priorities. This assertion is substantiated by the implementation

of a performance assessment framework within the 2021–2027 Multiannual Financial Framework (European Union, 2021).

The United States of America. Reform of public financial management in the United States has followed a legislative route, focusing on results-based governance and strengthening the role of independent audit. A key milestone was the 1993 adoption of the Government Performance and Results Act (GPRA), which required federal agencies to engage in strategic planning, set annual goals and measure outcomes achieved. The purpose of the Government Performance and Results Act (GPRA) was to shift the focus of public management from mere compliance with budgetary procedures (i.e., how and where funds were spent) to evaluating programme effectiveness – what was actually achieved for the money spent. Implementing this law meant that each agency had to submit strategic plans and annual performance reports to Congress, which significantly enhanced accountability to the public.

In 2010, the GPRA Modernisation Act reinforced this focus on results further by introducing interagency priority goals and requiring quarterly reviews of key performance indicators. Consequently, a comprehensive system for planning and monitoring budget performance was formalised at the federal level and integrated directly into decision-making processes (GPRA, 2010).

A cornerstone of the US model is the work of the Government Accountability Office (GAO), an independent audit institution that is accountable to Congress. The GAO conducts financial and performance audits of federal programmes, providing Congress and executive agencies with recommendations to improve efficiency and cost-effectiveness (GAO, n.d.).

The United States' experience demonstrates that the combination of legally mandated performance planning and reporting (GPRA) with the oversight of a strong independent audit body (GAO) yields tangible fiscal benefits. It is estimated that the activities of the GAO result in annual savings amounting to billions of dollars. This is achieved by identifying inefficient expenditures and proposing optimisation strategies. A common theme is that transparency and accountability are prerequisites for efficiency. Agency reports are publicly available and audit results are widely discussed in Congress and the media. Over time, the focus of control in the US has shifted from identifying violations to analysing the performance of budget holders.

Therefore, the American experience shows that sound public financial management can be achieved when a results-oriented institutional culture is backed by legal mandates and organisational infrastructure.

International experience demonstrates that enhancing the efficiency of public financial resource

utilisation is a shared priority among developed countries, although the approaches employed vary. The European model is predicated on the gradual adoption of transparency and performance standards, with the "three Es" principle being integrated into the budgetary process. Furthermore, a multi-level system of internal and external control is relied upon. In contrast, the American model is predicated on explicit legislative requirements for planning and performance evaluation, as well as a robust chain of accountability from the executive to the legislature via independent auditing. Despite the evident disparities, both models are predicated on a shared foundation: the cornerstones of transparency, accountability, and performance orientation form the bedrock of sound financial governance. These pillars ensure a balanced approach to the effective use of public funds and robust oversight, a lesson that Ukraine should consider when advancing its public finance reforms.

4. Ukrainian Practice: Current State and Challenges

In the preceding two decades, Ukraine has endeavoured to integrate the tenets of sound public financial management into its budgetary process. Since 2002, the country has officially implemented a programme-target budgeting method (PTBM) at the national level. The aim of this method is to align budget planning and execution with specific performance outcomes. This approach is characterised by the structuring of expenditures through budgetary programmes that specify responsible executors, objectives, tasks, and performance indicators.

The Budget Code of Ukraine enshrines the key requirements of the programme-target method (Articles 20 and 21) and explicitly states that efficiency, effectiveness, targeted use, publicity and transparency are core principles of the budgetary system (The Budget Code of Ukraine, 2010). Thus, the same principles discussed earlier are affirmed at the normative level: maximum return on every hryvnia spent, allocation of funds for their intended purposes, and budget transparency.

In addition to the Budget Code, a number of subordinate acts have been adopted to enhance the efficiency of public spending. For instance, the Resolution of the Cabinet of Ministers of Ukraine "On Effective Use of State Funds" introduced specific austerity measures aimed at reducing administrative costs, optimising staff numbers, and requiring cost-effective procurement. The goal of this act was to prevent inefficient public expenditures and promote the rational use of budgetary resources, effectively implementing the principle of economy (The Resolution of the Cabinet of Ministers of Ukraine "On Effective Use of State Funds" of October 11, 2016, No. 710).

Furthermore, the Ministry of Finance Order No. 608 of May 17, 2011 approved methodological recommendations for evaluating the effectiveness of budgetary programmes. The overarching objective of these guidelines is to provide a framework for the assessment of programme performance and financial utilisation. The five key criteria that are to be applied in the process of expenditure evaluation are as follows: economy, legality, targeted use, efficiency, and effectiveness. These criteria are recognised in theory as fundamental (The Order of the Ministry of Finance of Ukraine "On Approval of Methodological Recommendations for Evaluating the Effectiveness of Budget Programs" of May 17, 2011 No. 608).

Consequently, within the normative framework, Ukraine is developing a methodology that is consistent with international "value for money" frameworks. While this legal foundation enables a sound regime for budget fund usage, its practical effectiveness is heavily dependent on institutional capacity and the operational organisation of financial control.

Ukraine maintains a system of specialised financial control bodies. The State Audit Service of Ukraine (conducts public financial audits, inspections, and reviews of budget holders, while the Accounting Chamber of Ukraine serves as the supreme independent audit institution accountable to the Verkhovna Rada (Parliament)). Their responsibilities are defined in the Budget Code (Articles 26 and 110), primarily including oversight of the lawful and targeted use of budgetary funds, along with performance evaluation of public spending. The incorporation of the latter function—performance auditing—into their mandates was a relatively recent development, enabling control bodies to not only detect violations (e.g., illegal or misallocated expenditures) but also to assess the effectiveness of budgetary programmes and the extent to which their objectives have been achieved.

Consequently, the institutional framework in Ukraine furnishes the requisite prerequisites for the implementation of the principle of efficiency. Specifically, the law obliges controllers to supervise not only compliance with legal norms but also the efficacy of public expenditure.

Concurrently, the effective utilisation of budgetary resources in Ukraine remains encumbered by significant challenges pertaining to the implementation of sound public financial management. It is evident from annual audit reports that there are numerous cases of inefficiencies or misallocations of public spending. The Accounting Chamber of Ukraine has reported that violations and deficiencies in budget execution totalled approximately 60.8 billion UAH in 2023. This figure increased sharply to nearly 217.5 billion UAH in 2024 (Accounting Chamber of Ukraine, 2023). This surge can be partially explained by the expansion of audit coverage during martial

law and the growth of the budget (including due to international assistance). However, the prevailing trend indicates systemic deficiencies in efficiency and financial discipline.

A multitude of identified irregularities directly reflect violations of the principles discussed earlier. These violations include funds being spent for unintended purposes, mismanaged procedurally, or failing to produce tangible outcomes. For instance, in 2023, a considerable proportion of allocated resources were not utilised in a timely or targeted manner. It is evident that certain key spending units did not utilise approved appropriations, that charitable contributions in special funds were expended at a gradual rate, and that the implementation of specific investment projects financed by international loans was behind schedule. Consequently, a significant proportion of public funds remained unused, failing to provide the necessary support to the economy at a crucial time when urgent demands—particularly during wartime—necessitated prompt action.

State auditors commonly identify issues such as unjustified delays in fund utilisation caused by prolonged tendering processes or project approvals, deviations from intended purposes, procurement violations resulting in inflated prices, the maintenance of redundant infrastructure or staff, and low returns on budget-funded investment projects. For example, a performance audit of educational subsidies revealed that equipment purchased for schools was left unused for extended periods. While such cases may not constitute formal misconduct, they nonetheless fail to deliver the expected improvements in service quality.

These findings illustrate that compliance-focused control mechanisms do not necessarily ensure socially beneficial outcomes. In other words, adherence to legal and procedural norms may coexist with ineffective public spending from the standpoint of final results.

Nevertheless, certain positive developments can be observed in Ukrainian practice. There has been a gradual improvement in the transparency of budgets, as evidenced by the Ministry of Finance and the State Treasury Service's recent publication of programme passports and reports on performance indicators. This is consistent with the principle of transparency, as it allows both the public and parliament to more effectively monitor budget execution.

In recent years, the State Audit Service has increasingly conducted performance audits of ministries and state-owned enterprises. In addition to assessing the legality of expenditures, these audits also evaluate the effectiveness of resource use. The audits issue recommendations for performance improvement. In specific sectors, such as road infrastructure, education, and healthcare, performance indicators are being introduced to quantify the number and quality

of goods or services delivered using budget funds. This gradual shift towards measuring outcomes signifies a significant advancement in the enhancement of the economic dimension of budgetary control.

However, implementing audit recommendations remains problematic. Every year, audit agencies submit dozens of proposals to address identified shortcomings, but enforcement is often inconsistent. The Accounting Chamber reports annually to the Verkhovna Rada on budget implementation, highlighting issues and advising the government. Nevertheless, many recommendations are reiterated from year to year. A lack of follow-up leads to persistent inefficiencies and unresolved violations.

This situation highlights the need to increase the accountability of the executive branch for audit results, both through stronger parliamentary oversight and broader public engagement. This should include the involvement of civil society and the media in monitoring the implementation of audit recommendations.

In summary, Ukraine has established a regulatory foundation for sound public financial management. The principles of efficiency, targeted use of funds, and transparency are enshrined in legislation, and specialised oversight bodies are in place. Nevertheless, the practical implementation of these principles is encumbered by a number of significant challenges. A persistent imbalance exists between the formal presence of legal frameworks and institutions and their effective enforcement. Despite the presence of effective control mechanisms, a significant portion of public resources continues to be allocated in a manner that deviates from the principles of economy and productivity.

This situation highlights the need for ongoing reform to strengthen preventive oversight, improve the institutional capacity of financial control bodies and enhance performance evaluation methodologies. Equally importantly, it is crucial to foster a culture of accountability in the use of public funds. Only by making comprehensive changes in these areas can Ukraine achieve a standard of public financial management that meets both societal expectations and international standards.

5. Conclusions

The present study analysed the principles underlying the legal regime of budgetary funds by combining legal requirements with economic efficiency. It has been established that Ukrainian legislation enshrines the key foundations for the efficient, targeted, and transparent use of public funds, and institutional frameworks have been created to ensure oversight and compliance with these principles. However, an analysis of actual practice reveals

a discrepancy between the law and reality. Substantial amounts of budget resources are still being spent inefficiently or without achieving expected outcomes, despite the existence of formal control mechanisms.

A comparative analysis of the experiences of the European Union and the United States demonstrates that enhanced effectiveness of public expenditure is achievable, on the condition that contemporary methods of public financial management are implemented, such as performance-based budgeting and results-oriented evaluation, and that robust accountability mechanisms are in place.

In the European Union, the principles of economy, efficiency, and effectiveness are integrated into the budgetary process, with multi-level controls (internal control within institutions and external audit) providing support. In the United States, legally mandated performance planning and reporting, in combination with the strengthened role of independent audit institutions, has resulted in enhanced transparency and accountability with regard to public expenditure.

It is a commonly held view that control mechanisms only become effective in enhancing efficiency when there is genuine transparency and accountability on the part of all participants in the budget process. This shift in focus entails moving away from the mere identification of violations to the evaluation of the performance outcomes of budget holders.

Based on the findings of this study, the following practical recommendations can be proposed to improve the legal regime governing budgetary funds in Ukraine in line with the principles of sound public financial management:

1. *Development of the regulatory and methodological framework.* It is imperative to establish a clear methodology for evaluating the effectiveness of public expenditures in legislation and by-laws, and to mandate the utilisation of these evaluation results when planning future budgets. In particular, the Cabinet of Ministers should adopt unified, standardised performance measurement criteria for all key spending units to ensure comparability and objectivity of assessments. This would facilitate a transition from input-based budgeting to goal-oriented expenditure planning.

2. *Strengthening the institutional capacity of oversight bodies.* In order to enhance the effectiveness of the State Audit Service and the Accounting Chamber, it is essential to grant them sufficient authority and resources to conduct performance audits, as well as to ensure the actual implementation of their recommendations. It is imperative that the mechanisms of parliamentary and governmental oversight over the implementation of audit recommendations are improved in order to hold the executive accountable for addressing identified deficiencies. For instance,

the regular convening of parliamentary committee hearings on the implementation of Accounting Chamber recommendations, the public disclosure of progress, and the establishment of specific deadlines for corrective actions could be introduced.

3. *Implementation of best practices in financial management.* It is recommended that successful international experience be incorporated by developing modern internal control systems within spending units, with a focus on preventing inefficient expenditures already at the planning and procurement stages. The utilisation of IT solutions for real-time monitoring of budget transactions and the identification of high-risk operations should be proactively encouraged. Moreover, budgetary provisions should be contingent on the attainment of quantifiable outcomes, as evidenced by EU practices – for instance, the initiation of pilot projects on results-based budgeting and the implementation of performance-based rankings of budget programmes. These innovations would render the budgeting process more flexible, data-driven, and transparent for the public.

4. *Fostering a results-oriented management culture.* It is imperative to effect a transformation in public sector management practices so that every budget holder is incentivised not only to utilise allocated funds in their entirety, but also to optimise the results achieved with those resources. In order to this end, the introduction of performance-based incentives for civil servants is recommended (for example, bonuses for exceeding key performance indicators (KPIs), institutional performance rankings, and public competitions), whilst ensuring the inevitability of liability for deliberate inefficiency or illegal actions. This encompasses both the disciplinary and material responsibility of managers for losses or waste, and the criminal liability in cases of corruption involving public funds. It is asserted that a synergy between intrinsic motivators and extrinsic oversight is a prerequisite for the establishment of an environment in which the tenets of sound financial management become an integral part of organisational culture, superseding their current status as mere legal formalities.

In conclusion, it is asserted that ensuring a proper balance between the efficiency of public expenditure and rigorous control over its use is only possible through a comprehensive and systemic approach.

It is imperative to enhance the legislative and methodological framework, fortify oversight institutions, implement contemporary budget planning and monitoring methodologies, and cultivate a culture of responsibility and transparency within the domain of public finance. The practical implementation of these recommendations entails the development of clear criteria and key performance indicators (KPIs) for budget programmes, regular public disclosure of performance results, the empowerment of financial

control authorities not only to audit but also to provide advisory support to spending units on improving efficiency, and the introduction of a robust mechanism of parliamentary oversight for the implementation of audit recommendations. It is anticipated that the implementation of such measures will result in an enhancement of the return on each budgetary hryvnia, thereby fostering enhanced public confidence in the budgeting process.

The potential for future research lies in conducting a more detailed analysis of specific aspects of the economic and legal regime of budgetary funds. In particular, the development of quantitative models for evaluating the effectiveness of public spending (e.g., return ratios on budgetary investments across

different sectors) and the integration of such models into the budgeting process remain highly relevant. Another promising avenue for future research is the study of behavioural factors, with a particular focus on how systems of motivation for civil servants and mechanisms of civic oversight affect the efficiency of budget execution.

Continued academic contributions in these areas will facilitate the development of more effective public financial management mechanisms. Ultimately, this will ensure the practical realisation of the principles of sound financial governance – namely, aligning result-oriented public expenditure with transparent, accountable control mechanisms – in the interest of Ukraine's sustainable development.

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