

BUDGETARY FUNDS AS AN INSTRUMENT FOR THE IMPLEMENTATION OF PUBLIC FUNCTIONS OF THE STATE

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Abstract. The article provides a comprehensive examination of budgetary funds as a fundamental instrument for the implementation of the state's public functions. The study analyses the legal and financial nature of budgetary resources, their role in fulfilling constitutionally defined public obligations, and their significance for socio-economic development. This text focuses on several key areas, including but not limited to: the conceptual foundations of budgetary funds; the structure of the state's public functions; the financial and legal mechanisms governing budget formation and utilisation; the principles underlying the budgetary system; the contemporary trends and challenges of financing public needs in Ukraine. The study shows that budgetary funds are essential for state activity, as they enable the provision of social services, security and defence functions, and economic development. It emphasises the growing importance of efficiency, transparency and financial sustainability in conditions of fiscal constraint and heightened social and security demands. *Methodology.* The study is based on an integrated methodological approach that combines legal, institutional, comparative and economic analyses. The legal component is grounded in the norms of Ukrainian budgetary legislation, particularly the Budget Code of Ukraine, the annual State Budget laws, and the subordinate regulations of the Cabinet of Ministers and the Ministry of Finance. The institutional approach is employed to evaluate the roles and responsibilities of stakeholders in the budget process, as well as the organisation of public finance governance. The economic component examines budget expenditure structures and long-term trends in social and security financing, using empirical data from national public finance reports. *Results.* The findings demonstrate that budgetary funds perform a dual role: they act as both a legal category, determining the scope of public authority in managing public resources, and an economic instrument for redistributing part of the gross domestic product in order to meet collective needs. The analysis confirms the predominance of social and humanitarian expenditure in Ukraine's budget, revealing persistent underfunding of education and healthcare. This undermines the quality of public services and long-term development. The study emphasises the pivotal function of legal and procedural mechanisms, such as programme-based budgeting, the principle of subsidiarity, treasury control and multi-level financial oversight, in guaranteeing the legality, transparency and targeted allocation of public funds. The results also demonstrate a significant increase in defence and security spending following an escalation in military threats, reflecting the adaptability of the budget in response to changes in national priorities. *Practical implications.* The study provides several practical recommendations for improving the efficiency and sustainability of public finance management. These include the reinforcement of medium-term and strategic budgetary planning; the augmentation of the utilisation of performance-based budgeting instruments; the enhancement of transparency in public expenditure through digital platforms and open data initiatives; and the improvement of tax administration to broaden the state's revenue base. The findings are of particular relevance to policymakers, state authorities, financial institutions, and local government bodies seeking to enhance fiscal discipline, optimise expenditure structures, and ensure the long-term stability of budgetary financing. Furthermore, the article identifies opportunities for the adoption of selected EU and OECD practices with a view to strengthening Ukraine's budgetary governance and increasing the resilience of public finance in crisis and post-crisis conditions.

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Value/Originality. The present study contributes to the scholarly discourse on public finance and administrative law by offering a comprehensive and interdisciplinary analysis of budgetary funds as both a financial and legal category. The present study proposes an integrated conceptual framework to facilitate comprehension of the manner in which budgetary resources empower the state to fulfil its public functions in circumstances of constrained resources and augmented demands. The paper's originality lies in its synthesis of legal, institutional and economic perspectives, its detailed examination of Ukraine's expenditure structure and budgetary challenges, and its substantiated proposals for enhancing the efficiency of public finance management. The study also emphasises the importance of transparency, fiscal decentralisation, and long-term investment in human capital and infrastructure as central determinants of sustainable development.

Keywords: budgetary funds, public functions of the state, budgetary process, fiscal governance, programme-based budgeting, public expenditures, financial and legal mechanism, transparency, accountability, socio-humanitarian policy, public finance efficiency.

JEL Classification: H61, H72, H83, K34, H50

1. Introduction

The budget and public funds occupy a central place within the system of financial support for public authorities, as it is through the budget that the state formulates and implements its principal policy directions. The budget is a foundational financial and legal instrument that enables state and local self-government bodies to fulfil their public functions and to generate the resources necessary for addressing socio-economic development tasks. The structure of the budget is predicated on the priorities of state policy, with financial resources being allocated towards the sustenance and development of socially significant sectors. This, in turn, generates significant impulses for the functioning of the national economy.

The state is responsible for the provision of social protection, access to education, healthcare, cultural services, and other public goods to its citizens through budgetary funds, in accordance with its constitutional obligations. The quality and accessibility of these services are contingent on the volume of resources concentrated in the state and local budgets, as well as on the effectiveness of their allocation and utilisation.

The present study explores the pertinence of examining public budget funds within the contemporary context, underpinned by the escalating significance of public finance in fostering sustainable societal advancement. The effectiveness of the state in performing its assigned functions is increasingly assessed not solely through economic indicators but through the degree to which societal needs – educational, social, cultural, and environmental – are satisfied. The implementation of these functions is rendered unfeasible in the absence of adequate financial provision. It is budgetary funds that constitute the resource base enabling the state to influence socio-economic processes and maintain stability within the public sphere. The budget is also an indicator of the state's socio-economic development, reflecting both

its actual financial capacities and its strategic policy priorities. Furthermore, it fulfils an orienting function for economic actors by shaping the context in which investment and financial decisions are made.

Consequently, a thoroughgoing scholarly analysis of budgetary funds demands a comprehensive approach encompassing the study of the financial and legal mechanisms governing their formation and utilisation, in addition to an assessment of compliance with fundamental financial principles established in legislation. It is imperative to comprehend these aspects to ensure transparency, effectiveness and efficiency in budget expenditures, which directly impact the state's capacity to carry out its public functions.

This article aims to provide a thorough analysis of public budget funds as a means of fulfilling the state's public functions, focusing particularly on the financial and legal aspects of their utilisation. To this end, it explores the concept of budgetary funds and the content of the state's public functions; the mechanisms for forming, allocating and using budget resources within the budgetary process; the financial principles underpinning the structure of, and ensuring the effective functioning of, the budget system; contemporary trends and challenges in financing public functions; and potential ways to improve the efficiency of budgetary spending.

2. The Concept of Budget Funds and Public Functions of the State

In accordance with prevailing legislation, budgetary funds are defined as budget revenues and expenditures that, when considered collectively, comprise the consolidated fund of the state's financial resources. These funds encompass all financial inflows mobilised by the state through the collection of taxes, fees, and other mandatory payments, as well as targeted transfers and non-tax revenues. These resources are allocated towards financing the expenditures necessary for the

fulfilment of the functions and tasks assigned to public authorities. Consequently, budgetary funds constitute the material foundation for the functioning of the state apparatus and the provision of societal needs.

The public functions of the state comprise its main areas of activity, which arise from its constitutionally defined purpose in society and are established in legal norms. These functions include ensuring national security and defence, maintaining public order and the rule of law, providing social protection, guaranteeing social rights (including the rights to education, healthcare and pensions), performing economic regulatory functions, creating conditions for entrepreneurial development, carrying out environmental protection and fulfilling cultural and humanitarian functions. Implementing each of these areas requires the appropriate material and financial resources, necessitating the formation and utilisation of budgetary funds (Ventsel, 2020).

The fundamental distinction between public and private finance lies in their respective natures and objectives. It is evident that the primary objective of private finance is to maximise economic gain. In contrast, the financial activities of the state are exclusively determined by the necessity to ensure the effective fulfilment of its functions. The state's primary objective is not the accumulation of wealth, but rather the generation of revenue to fund the operation of public authority and the provision of public goods. Consequently, budgetary funds are allocated to the sustainment of institutions that carry out state functions, including the armed forces, law enforcement agencies, educational and medical institutions. These funds are also used to finance development programmes and to improve the quality of public services (Ventsel, 2020).

It is therefore evident that budgetary funds constitute the material basis of state activity. The state's capacity to fulfil its obligations towards society is contingent upon the sufficiency and rational utilisation of natural resources. The budget, understood as a financial and legal category, signifies the redistribution of a portion of the gross domestic product for the purpose of supporting public authority and meeting collective societal needs. It also reflects the priorities of state policy: the structure of budget expenditure shows which areas of development are prioritised in terms of funding. For instance, an analysis of Ukraine's budget expenditure over the past decade reveals that socio-humanitarian sectors, including education, healthcare, social protection and culture, have consistently received over half of total budget resources. This indicates a clearly articulated social orientation of budgetary policy and prioritisation of the state's social function.

Contemporary global trends have resulted in an expansion of the content and significance of the state's public functions. In the contemporary era, the

evaluation of state effectiveness is not solely determined by economic growth; quality-of-life indicators, including levels of education, public health, cultural development, and access to essential social services, also play a pivotal role in this assessment. Consequently, the importance of the state's social function continues to grow, as does the role of budgetary resources required for its implementation. The effectiveness of these functions is directly linked to the financial capacity of the state, including both the volume of budgetary funds and the efficiency of their distribution.

The allocation of budgetary funds enables the state to purposefully influence socio-economic processes. The state, through the system of public expenditures, redistributes resources among sectors and regions, shaping the structure of the national economy, supporting key areas of economic activity, regulating the labour market, and ensuring the implementation of social guarantees. In this manner, budgetary expenditures function as a pivotal instrument of state influence on economic development and social stability, delineating the state's capacity to cater to societal requirements and guarantee sustainable development.

3. Financial and Legal Mechanism for the Use of Budget Funds

The utilisation of budgetary funds as a means of implementing state functions is facilitated by a coherent and institutionally regulated financial and legal mechanism. In this context, the financial and legal mechanisms should be understood as a systemic set of legal norms, procedures, methods, and institutions governing the mobilisation of budget revenues, their allocation, redistribution, and utilisation for the purposes of achieving state policy objectives (Lunina & Bondaruk, 2019). The fundamental legal foundation of this mechanism is constituted by the norms of budgetary law, codified primarily in the Budget Code of Ukraine (The Budget Code of Ukraine, 2010), as well as in the annual Laws on the State Budget, normative acts of the Cabinet of Ministers of Ukraine and the Ministry of Finance, and decisions of local self-government bodies concerning local budgets.

The Budget Code provides a comprehensive definition of the budgetary process, encompassing all its stages, from forecasting and planning to execution and the preparation of official reports. It also establishes the legal framework for the utilisation of budgetary funds at each stage. It stipulates procedures for the drafting of budget proposals, their consideration and adoption, mechanisms for the execution of revenue and expenditure components of the budget, and the rules for monitoring compliance with budget legislation. The financial and legal mechanisms are comprised of participants in the budget process, each of whom is endowed with specific powers. These include:

- Legislative bodies (the Verkhovna Rada of Ukraine and local councils), which approve budgets and oversee their execution;
- executive authorities (the Cabinet of Ministers of Ukraine, local state administrations, and financial bodies) responsible for drafting, executing, and supervising budgets;
- principal budget administrators (ministries, agencies, and other public institutions), responsible for the targeted and efficient use of allocated appropriations;
- bodies of state financial control (the Accounting Chamber, the State Audit Service, and internal audit units), which ensure compliance with budgetary discipline.

The efficacy of the budget mechanism is contingent upon the explicit delineation of powers among its participants and the adherence to procedures for planning and utilising funds. As indicated by the findings of scholarly research, the establishment of an efficient financial and budgetary system is contingent upon a clear division of functions, the establishment of accountability, the assurance of targeted and economical use of budgetary resources, and the alignment of revenue and expenditure components.

The combination of these elements constitutes an effective budgetary strategy, realised through the financial and legal mechanisms (Lunina & Bondaruk, 2019). It is therefore the case that the budget mechanism constitutes the instrument through which state budgetary policy is given practical implementation. The combination of economic methods of influence (taxation, expenditure, transfers) with legal regulators (normative prescriptions, procedural requirements, financial sanctions) ensures that budget flows are directed in accordance with established priorities.

The practical dimension of the financial and legal mechanism is most evident in the process of budgetary redistribution. The mobilisation of revenues by the state establishes a centralised fund of financial resources, which is subsequently allocated among various levels of government and areas of public need. The budget system of Ukraine is characterised by a multi-tiered structure that corresponds to the administrative-territorial organisation of the state. This means that resources are distributed between the State Budget and local budgets.

A fundamental principle underpinning this distribution is the principle of subsidiarity, which stipulates that public services should be delivered as proximate to the recipient as feasible, provided that the delivery process remains efficient. It is evident that nationwide functions, including but not limited to defence, the operation of high-level public authorities, and the implementation of nationwide programmes, are financed from the State Budget. Conversely, the provision of basic social services, such

as education, primary healthcare, cultural services, and the maintenance of communal infrastructure, is predominantly funded from local budgets. In order to equalise the financial capacities of different territories and ensure the provision of guaranteed social standards throughout Ukraine, the state has implemented a system of interbudgetary transfers.

A pivotal component of the mechanism pertains to the principle of the targeted utilisation of budgetary funds, which necessitates that each expenditure operation be directed with unwavering rigour towards the purposes delineated in the budgetary appropriations. In order to implement this principle, Ukraine has introduced a programme-based budgeting approach. In accordance with the model under discussion, principal budget administrators are tasked with the development of budget programmes that are characterised by clearly defined goals, performance indicators, and necessary resources. The execution of state functions is facilitated by the financing of programmes, each of which has its own appropriations. The utilisation of funds is monitored through estimates and spending plans. This approach is predicated on the principles of transparency and accountability, with the overarching objective being enhanced efficiency in the utilisation of budgetary expenditures (Kutsenko, 2016).

Control and financial discipline constitute an integral part of the financial and legal mechanism, as they guarantee that budgetary resources are used responsibly and in accordance with the public interest. Ukraine operates a multi-level system of control that encompasses:

- Preliminary control (assessing the justification of budget requests);
- current control within the treasury servicing process;
- subsequent control (performance and compliance audits of budgetary funds).

An important additional tool for ensuring transparency is the Law of Ukraine "On Transparency in the Use of Public Funds", which obliges administrators to publish data on all budgetary transactions in open access. The aforementioned approach is consistent with the tenets of publicity and transparency, thereby enabling public oversight of the utilisation of taxpayers' funds (The Law of Ukraine "On Transparency in the Use of Public Funds", 2015).

In summary, the financial and legal mechanisms that govern the functioning of budgetary funds comprise a complex system of legal instruments that ensure the legality, targeted nature, efficiency, and timeliness of the use of the state's financial resources. It is through this mechanism that budgetary funds become a practical tool for the state in fulfilling its public functions and achieving strategic policy objectives.

4. Principles of the Budgetary System and Public Finance

For budgetary funds to effectively contribute to the achievement of the state's strategic objectives, financial activity must be grounded in a clear system of fundamental principles. Article 7 of the Budget Code of Ukraine (The Budget Code of Ukraine, 2010) enshrines ten foundational principles that determine the structure, content, and logic of the functioning of the budgetary system. An examination of these principles provides a more profound understanding of the mechanisms that ensure the efficiency of public finance.

The *principle of unity* necessitates a unified budgetary system in Ukraine. This unity is demonstrated through a shared legal framework, a unified monetary system, a harmonised budget classification and standardised accounting and reporting rules. This ensures the internal coherence of budgetary procedures and the interconnection of all elements of public finance, thereby promoting consistent budgetary policy across all levels of government.

The *principle of balance* requires revenues and expenditures in each budget to be in correspondence with one another. The state is prohibited from adopting a budget with an uncontrolled deficit; expenditure must be covered by either revenues or borrowings, within legislatively determined limits. This principle ensures financial stability and prevents excessive debt accumulation.

The *principle of autonomy* signifies that the State Budget and local budgets function independently, each within the limits of its respective powers and responsibilities. The state is not held liable for the debt obligations of local budgets, and local budgets are not responsible for those of the state. The allocation of revenue sources and the authority to determine expenditures autonomously ensure genuine financial independence across budgetary levels.

The *principle of completeness* stipulates that all revenues and expenditures stipulated by law must be incorporated within the budget. It is imperative that financial operations are conducted within the parameters of the allocated budget. The principle of transparency in financial activities is guaranteed by the observance of this principle, and it prevents the creation of extrabudgetary funds and hidden expenditures.

The *principle of substantiation* stipulates that the budget must be founded on realistic macroeconomic projections and scientifically substantiated estimates of revenues and expenditures. It is imperative that budget planning incorporates both objective economic trends and social needs, thereby ensuring both feasibility and implementability.

The *principle of efficiency* and effectiveness require participants in the budget process to achieve maximum

results with minimum expenditure of resources. This involves ensuring the productive use of funds and achieving specific, measurable outcomes in the provision of public services. Implementing this principle involves adopting modern approaches to public financial management, such as evaluating the performance of budgetary programmes.

The *principle of subsidiarity* governs the division of expenditures between the state and local budgets according to the proximity of public services to their recipients. Consequently, the delivery of services that can be most effectively administered at the local level should be financed from local budgets. The subsidiarity principle constitutes a fundamental cornerstone of fiscal decentralisation, thereby enhancing the quality of governance at the local level.

The *principle of targeted use of budgetary funds* stipulates that financial resources must be expended exclusively for the purposes delineated in the budgetary appropriations. The adherence to this principle is facilitated by meticulous expenditure planning within budget programmes and treasury control over each transaction. This approach is intended to mitigate the risks of misallocation and inefficient use of public funds.

The *principle of fairness and impartiality* establishes that the distribution of public wealth, the imposition of tax burdens, and budgetary expenditures must be carried out on the basis of equality and non-discrimination. The state is obligated to guarantee compliance with fundamental social standards, irrespective of an individual's place of residence. Furthermore, the tax system should be progressive and economically substantiated.

The *principle of publicity and transparency* requires information to be open at all stages of the budgetary process, from the drafting and consideration of the budget to its execution and reporting. Publishing budget documents, providing open access to data on public finances and holding consultations and public hearings enhances public trust, strengthens governmental accountability and helps prevent corruption.

Adherence to these principles establishes the normative and institutional foundations for the lawful, rational, and efficient utilisation of budgetary funds. The primary function of the state is to ensure a balance between societal needs and the financial capacity of the state, between the centralisation and decentralisation of resources, and between control and flexibility in budgetary policy.

M. L. Shvaiko rightly emphasises that the level of organisation and balance within the state's "financial system" determines its ability to implement internal and external policy and to achieve strategic development goals. It is therefore vital to ensure effective management of budgetary funds if the state is to achieve successful performance (Shvaiko, 2019).

5. Priorities and Contemporary Trends in the Use of Budgetary Funds

A thorough examination of the configuration and operation of budgetary expenditures enables the identification of the manner in which budgetary funds facilitate the execution of diverse state functions, in addition to the delineation of fiscal policy priorities. In Ukraine, throughout the 2010s, the largest share of consolidated budget expenditures consistently belonged to the socio-humanitarian sphere, particularly education, healthcare, social protection and social security, culture, and sports. Collectively, these domains accounted for over 50% of all budgetary outlays, exhibiting fluctuations within the range of approximately 53% to 64% (Lunina & Bondaruk, 2019). The allocation of expenditure indicates the priority assigned to the state's social function and the orientation of fiscal policy towards supporting and developing human capital.

Within the socio-humanitarian expenditure category, the largest volume of resources was allocated to education, which reflects the constitutional obligation of the state to ensure the accessibility and quality of educational services. Healthcare and social protection expenditures also constitute key components, including financing to cover the deficit of the Pension Fund. It is through such expenditures that the state is able to ensure fundamental social standards, including pension payments, social benefits, access to medical services, and other elements of social welfare (Ventsel, 2020).

A considerable proportion of the budget is allocated to the implementation of economic functions, encompassing financing for industry, agriculture, infrastructure projects, innovation, and regional development. Despite their tendency to be comparatively minor in relation to social expenditures, the role of these expenditures in ensuring economic growth and modernisation is indispensable. The state has been observed to utilise economic budget programmes as a means of stimulating structural transformations, providing support to priority sectors, developing transport, energy, and digital infrastructure, and, during periods of economic downturn, implementing counter-cyclical measures. Such measures may include increasing public investment or supporting small and medium-sized enterprises (Lunina & Bondaruk, 2019). Consequently, the budget functions as an instrument of macroeconomic stabilisation.

A distinct and particularly important component of the expenditure structure consists of defence and security expenditures, which underpin the fundamental function of the state – protecting sovereignty, territorial integrity, and maintaining public order. In light of the escalating security threats that have been observed since 2014, and particularly following the full-scale invasion

of Ukraine by the Russian Federation in 2022, there has been a substantial increase in the proportion of defence and security expenditures. This demonstrates the budget's capacity to respond to shifting priorities and reallocate resources in favour of national security. Defence expenditure encompasses a variety of domains, including the maintenance of military personnel, the procurement and modernisation of weaponry, and the development of military infrastructure. Additionally, it includes the financing of internal security institutions, such as the police, security services, prosecution bodies, and the judiciary.

Notwithstanding the formally declared social orientation of the budget, significant issues have been identified with regard to the complete and timely financing of several sectors. A plethora of studies have indicated that, within the period spanning from 2011 to 2019, a considerable number of fields have been subject to systematic underfunding, falling short of the legal mandates stipulated by law. For instance, the education sector was underfunded by approximately 581 billion UAH compared to statutory financing norms (including those related to the required share of GDP). The issue of inadequate healthcare funding was even more critical, with a cumulative funding shortfall amounting to approximately 1,370 billion UAH. The aforementioned financial imbalances have resulted in the deterioration of material and technical capacities, a decline in the quality of public services, and constrained development opportunities for the affected sectors (Lunina & Bondaruk, 2019).

The underlying causes of underfunding are multifaceted, encompassing both objective and subjective factors. Objective factors include economic crises, limited budgetary resources, and macroeconomic instability. Subjective factors encompass deficiencies in budget planning, inconsistent priority-setting, and the dispersion of resources across an excessively large number of budget programmes. Despite the substantial volume of actual expenditures, the absence of strategic concentration of resources hinders the budget from facilitating breakthrough development in key social sectors.

In conclusion, the above analysis demonstrates the need to improve approaches to budgetary financing of public functions. This can be achieved through clearer prioritisation, optimisation of budget programmes and more efficient use of financial resources.

6. Enhancing the Efficiency of the Use of Budgetary Funds

At the current stage in the development of public finance, the state's financial system must ensure that it achieves the highest possible return on each unit of budgetary resources allocated to meeting public needs. This involves achieving efficiency, i.e., maximising

outcomes given existing resources, and effectiveness, i.e., achieving the specific objectives for which budget expenditures are allocated. In order to fulfil this task, there is a necessity to introduce contemporary methods of public financial management, including medium-term budget planning, performance evaluation of budget programmes, competitive mechanisms for the allocation of funds, electronic public procurement systems, and digital tools for expenditure management and monitoring.

A strategic approach to fiscal policy involves the development of comprehensive development programmes and the alignment of budgetary priorities with the goals of socio-economic policy. It is the opinion of experts that in order to develop socially significant sectors in a coherent and integrated manner, Ukraine requires a strategy that is in harmony with economic, investment and budgetary policy. It is imperative that social policy is grounded in the real capabilities of the economy, the source of budgetary resources, whilst simultaneously stimulating economic growth through investments in human capital, infrastructure, and innovation (Ventsel, 2020). This prompts a conceptually significant conclusion: expenditures on the social sphere should not be regarded as passive consumption but rather as investments in the future – investments in a skilled labour force, a healthy population, and a safe environment. It is evident that, in the long term, such investments have the capacity to enhance economic productivity and reduce fiscal pressures on the budget.

Transparency and public oversight are crucial for improving the efficiency of budgetary expenditure. Open data initiatives, such as public finance portals, online procurement monitoring and participatory budgeting practices, create the conditions necessary for holding public authorities to account and help prevent the inefficient or corrupt use of funds. Experience from both the global and domestic spheres demonstrates that transparency in budgetary information creates incentives for public officials to make more responsible financial decisions. Increased openness also boosts public trust in the budgetary system. Taxpayers are more likely to fulfil their fiscal obligations when they are confident that public resources are being used rationally and for important social purposes.

Another important way to optimise fiscal policy is to reduce inefficient or duplicative expenditure by reviewing the state's functional responsibilities. According to public finance theory, it is essential to clearly define the boundaries of state intervention, as an excessively broad range of functions results in the dispersion of resources and reduced efficiency. Regularly assessing the relevance of budget programmes and their alignment with state priorities, as well as analysing costs and outcomes, makes it possible to

identify ineffective programmes. Reforming irrational expenditure, such as low-impact privileges, excessive administrative staffing and the maintenance of unprofitable state enterprises, allows resources to be redirected towards essential public functions and priority development areas (Kutsenko, 2016).

The stability and predictability of budgetary financing is equally important. As state functions such as education, healthcare, defence and social protection are continuous by nature, the state must ensure they are adequately funded. This requires a robust tax policy, an expanded revenue base and an enhanced tax administration system. Significant steps in this direction include reducing the size of the shadow economy, developing digital tax control tools, tackling tax evasion and encouraging legal employment. An increase in the size of the formal economy automatically increases the financial resources available to the state to perform its functions.

In summary, the financial and legal mechanisms of the budgetary system must be oriented towards the ultimate goal of maximising satisfaction of public needs through the optimal and rational use of budgetary resources. This objective is particularly important in circumstances of limited financial capacity and heightened public expectations regarding the quality of public services. As an instrument of state policy, budgetary funds should support the current functioning of public institutions and also serve as a foundation for development by investing in the future and creating conditions for sustainable, high-quality societal progress.

7. Conclusions

Budgetary funds are a key financial and legal category that enable the state to perform its public functions effectively and ensure the provision of public goods. As a centralised resource pool, the budget is an instrument for redistributing a portion of the gross domestic product, influencing social, economic and humanitarian processes in the process. The effectiveness of public policy depends largely on the efficiency with which budgetary funds are formed, allocated and utilised, and on the consistency with which fundamental financial principles are applied.

The financial and legal mechanisms governing the use of budgetary resources, as set out in Ukraine's Budget Code, ensure legal certainty, transparency and accountability in budgetary procedures. The clear division of powers among participants in the budgetary process, application of the programme-based budgeting method, development of financial control instruments and openness of budgetary data create conditions conducive to rational public finance management. However, contemporary challenges – from rising social needs to increasing defence-related threats –

necessitate further improvements to the budget system and strengthening its capacity to support sustainable development.

An analysis of the structure of budget expenditures demonstrates the dominance of the socio-humanitarian component, reflecting the social orientation of the state as embedded in legislation. However, the systematic underfunding of several sectors reveals significant imbalances in fiscal policy and highlights the need for deeper modernisation of planning mechanisms and priority-setting. In order to ensure the stable financing of public functions, there is a necessity to expand the revenue base of the budget, whilst concomitantly improving the quality of tax administration and further developing fiscal decentralisation instruments.

The enhancement of the efficiency of budgetary funds must be based on strategic budget planning, regular evaluation of programme performance, optimisation

of ineffective expenditures, and the development of digital management tools. It is imperative that fiscal policy prioritises not only the financing of current needs but also the creation of long-term foundations for development, including investments in human capital, infrastructure, and innovation. In this context, the budget functions not only as a tool to ensure the day-to-day functioning of the state but also as a mechanism for generating qualitative societal transformation.

Consequently, budgetary funds serve as a pivotal instrument in the execution of the state's public functions, playing a fundamental role in ensuring societal stability, development, and welfare. It is imperative to enhance the financial and legal mechanisms, adhere to the principles of the budgetary system with unwavering consistency, and optimise the effectiveness of budgetary expenditures. These measures are indispensable for fortifying the state's capacity to address contemporary challenges and ensure sustainable societal growth.

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