

CONCEPTUAL FOUNDATIONS FOR THE DEVELOPMENT OF UKRAINE'S ECONOMIC LEGISLATION IN THE CONTEXT OF EUROPEAN INTEGRATION: FINANCIAL-BUDGETARY RELATIONS AND FINANCIAL CONTROL

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Abstract. The *subject* of the present study is the conceptual, legal and institutional framework for the development of Ukraine's financial-budgetary legislation in the context of European integration. The study's primary focus is on the transformation of financial-budgetary relations, the modernisation of financial control, the development of public finance governance, and the gradual adaptation of national mechanisms to the standards of the European Union. Particular focus is given to the relationship between medium-term budget planning, performance-based spending, managerial accountability, risk-based financial control, digital transparency, international financial assistance, external auditing and safeguarding public and European financial interests. *Methodology.* The research is based on a combination of comparative legal, systemic, institutional, financial law and public governance methods. The analysis integrates the Budget Code of Ukraine, national strategies for reforming public finance management, the EU *acquis* in the field of financial control, Regulation (EU) 2024/792 establishing the Ukraine Facility, European Commission evaluations and OECD approaches to integrity, auditing and public financial management. This methodological approach enabled the interdependencies between budget planning, financial control, institutional responsibility, fiscal risk management, digital traceability and the effectiveness of public expenditure to be identified. The work *aims* to define conceptual directions for the further development of Ukraine's financial and budgetary legislation within the context of European integration, and to substantiate an integrated model of public finance governance. This model is based on medium-term planning, performance evaluation, preventive control, institutional accountability and digital transparency. The article demonstrates that Europeanisation in this area should not be limited to the formal alignment of legal norms, but should instead result in the functional transformation of the entire public financial management system. The results of the study show that Ukraine's financial and budgetary legislation is gradually shifting towards a broader system that combines legality, efficiency, effectiveness, risk management and responsibility for financial consequences, rather than focusing solely on the legality of expenditure. Medium-term budget planning, performance audits, managerial accountability, external public audits and preventive, risk-based controls are becoming increasingly important elements of this transformation. The study also demonstrates that digital systems such as ProZorro and DREAM enhance the traceability of public funds, expand opportunities for public oversight, and establish the foundation for integrating procurement, public investment, budget planning, and financial monitoring within a unified information environment. This text focuses on the management of international financial assistance. The Ukraine Facility shows that access to substantial European financing is linked to certain requirements

Received on: June 21, 2026 **Accepted on:** September 14, 2026 **Published on:** October 14, 2026

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regarding internal control, auditing, the prevention of fraud and corruption, the protection of the financial interests of the European Union, and accountability for the use of resources. Based on this, the article highlights the importance of developing a unified model for managing national budget resources, international assistance and financial risks. Such a model should incorporate medium-term and performance-oriented planning, risk-based financial control, and the institutional accountability of public authorities for the consequences of their decisions. It should also include the financing of preventive measures, the digital traceability of budget resources, and the stronger integration of audit results into subsequent budget decisions. *Conclusion.* In the context of European integration, the development of Ukraine's financial-budgetary legislation should be based on the formation of an integrated, results-oriented, risk-sensitive and institutionally accountable system of public finance governance. Transitioning from controlling the formal use of funds to controlling results, risks, and long-term financial consequences signifies a profound shift in the legal nature of financial control. Effective Europeanisation requires coordination between budget planning, internal control, external auditing, digital transparency, public investment management and international financial assistance. The future development of this model hinges on Ukrainian legislation's ability to align financial authority with responsibility for the legality and economic impact of expenditure, thereby bolstering fiscal sustainability, reconstruction capacity, and Ukraine's preparedness for comprehensive participation in the European Union's financial mechanisms.

Keywords: financial-budgetary relations, financial control, public finance governance, European integration, budget planning, performance audit, risk-based control, managerial accountability, fiscal risks, digital transparency, ProZorro, DREAM, international financial assistance, Ukraine Facility, EU acquis.

JEL Classification: H11, H61, H83, H87, O52

1. Introduction

European integration has become one of the key factors influencing the development of Ukraine's economic legislation. In the sphere of public finance, this process involves adapting individual legal norms to the requirements of the European Union, as well as transforming approaches to budget planning, public expenditure, financial control, auditing, transparency, and institutional accountability. Financial-budgetary relations are therefore of particular importance as they are directly connected with fiscal stability, reconstruction, and Ukraine's preparation for operating within the European Union's legal and institutional framework.

The relevance of this issue has increased considerably under martial law. Russia's large-scale aggression has altered the composition of public spending, increased fiscal risks, and intensified Ukraine's reliance on external financial assistance. Nevertheless, the importance of transparency, accountability and efficient management of public resources has not been reduced by the need to finance defence, social obligations and reconstruction. The 2022–2025 Strategy for Reforming the Public Finance Management System identified fiscal discipline, the effective allocation of resources, transparency, accountability, and the management of fiscal risks as key areas of public finance reform (The Resolution of the Cabinet of Ministers of Ukraine 'On the Approval of the Strategy for Reforming the Public Finance Management System for 2022–2025 and the Action Plan for its Implementation' of 29.12.2021, No. 1805-2021-p).

A new stage in the process began with the approval of the Public Finance Management System Reform Strategy for 2026–2030. The strategy links the further transformation of public finance management to Ukraine's accession to the European Union, its recovery and reconstruction needs, and the harmonisation of national approaches with EU standards. The Strategy aims to establish an effective and sustainable public finance management system that can ensure fiscal stability, the responsible use of resources, and the institutional capacity required for reconstruction (Ministry of Finance of Ukraine, 2026). This confirms that, in the financial sphere, European integration is increasingly associated with the quality of public financial management rather than with legislative approximation alone.

The Budget Code of Ukraine already incorporates several principles that align with this approach. It ensures the budget system is public and transparent, and that compliance with budget legislation is monitored to ensure the effective and efficient management of budget funds. Article 26 links financial control to the economy, the targeted use of resources, and efficiency and effectiveness. The responsibility for organising internal control and internal audits is assigned to heads of spending units (The Budget Code of Ukraine, 2010). These provisions provide the legal basis for the further development of financial control as a public management tool.

At the same time, ensuring the effectiveness of such mechanisms remains a significant challenge. While the OECD acknowledges that internal control in the Ukrainian public sector has improved considerably, it

often remains focused on compliance with procedures rather than organisational performance and achieving results. Strengthening external audit and the institutional capacity of the Accounting Chamber has also been identified as an important area for development (OECD, 2025). This problem is particularly relevant in the context of European integration, where public expenditure is increasingly being assessed not only for its legality, but also for its efficiency, risk management and measurable results.

The European integration dimension is clearly reflected in Regulation (EU) 2024/792, which establishes the Ukraine Facility. The Regulation links EU financial support to requirements relating to public financial management, internal control, auditing, transparency, and the protection of the financial interests of the European Union. According to the European Parliament and the Council of the European Union (2024), it requires mechanisms for preventing, detecting and correcting fraud, corruption, conflicts of interest and irregularities, as well as appropriate monitoring and reporting procedures. Consequently, access to large-scale European financial support depends on the quality of national financial governance.

These developments have an impact on the way financial and budgetary relations are understood within Ukraine's economic legislation. Budget regulation can no longer be confined to the rules that govern the accumulation and expenditure of public funds. Instead, it increasingly incorporates mechanisms for risk assessment, performance evaluation, institutional accountability, internal and external auditing, and digital transparency. Financial control thus becomes an element of strategic public management.

This study aims to establish the conceptual basis for developing Ukraine's financial and budgetary legislation, as well as its financial control systems, in the context of European integration. Particular attention is paid to the transformation of public finance governance, the development of performance- and risk-based controls, and the formation of an integrated model that connects budget planning, accountability, digital transparency, and financial risk management.

2. Transformation of Financial-Budgetary Relations in Ukraine in the Context of European Integration

The transformation of financial and budgetary relations in Ukraine has moved beyond the traditional tasks of balancing revenues and expenditure, and ensuring formal compliance with budget legislation. European integration places greater emphasis on the quality of public finance management, medium-term predictability, managerial accountability, fiscal risk assessment, and the measurable results of public expenditure. These changes impact the legal aspects of

budgetary relations by modifying the responsibilities of public authorities, the criteria used to evaluate financial decisions, and the mechanisms employed to oversee the management of public resources.

The Budget Code of Ukraine remains the primary legislative instrument that governs the national budget system. It establishes the principles of unity, balance, efficiency, effectiveness, subsidiarity, the targeted use of budget funds, fairness, and publicity and transparency. The Code also regulates medium-term budget planning and defines the Budget Declaration as a strategic medium-term State Budget policy document (The Budget Code of Ukraine, 2010). The gradual strengthening of the medium-term dimension is important for European integration, as budgetary decisions are increasingly required to align with policy priorities, fiscal limits, and anticipated outcomes over a period that extends beyond a single financial year.

This approach is evident in the State Budget Declaration for 2026–2028. The document outlines the key parameters and priorities of State Budget policy for the medium term, aiming to enhance the stability and predictability of public financial policy and ensure the efficient management of limited resources. The preparation of the document also reflects Ukraine's European integration priorities and its co-operation with international financial institutions (Ministry of Finance of Ukraine, 2025). Medium-term planning performs fiscal and legal functions. It prevents expenditure decisions from being made in isolation without considering their future financial consequences, and establishes a framework within which sectoral policies must be aligned with available public resources.

European integration also strengthens the relationship between budget planning and institutional responsibility. Chapter 32 of the EU acquis on financial control is based on internationally recognised standards and European best practice in public financial management. One of its central principles is the accountability of decentralised management. Public authorities are expected to take responsibility for managing and controlling the resources made available to them, while the internal audit function should provide independent assurance regarding the effectiveness of management and control systems (European Commission, n.d.). This approach differs from a model in which financial responsibility is mainly concentrated at the level of financial departments or external control institutions. Instead, it makes managers of public institutions directly responsible for decisions concerning the use of resources and the achievement of planned results.

This logic is increasingly reflected in Ukraine's public finance reforms. The Strategy for Reforming the Public Finance Management System for 2026–2030 identifies

European integration, efficiency, accountability and resilience as its main objectives. The strategy envisages the further development of medium-term planning, fiscal risk management, public investment management, and internal control and audit mechanisms (Ministry of Finance of Ukraine, 2026). The significance of these reforms lies in their combined effect. Rather than functioning as separate administrative procedures, budget planning, control and evaluation are gradually being integrated into a common management cycle.

A key aspect of this transformation is the evolving nature of expenditure planning. Traditional budgetary regulation focuses primarily on the availability of appropriations and compliance with established expenditure procedures. However, a more developed public finance management model requires an additional assessment of the relationship between allocated resources and achieved results. Article 26 of the Budget Code provides a legal basis for this approach, linking financial control to the economy, efficiency, effectiveness, and targeted use of budget resources (The Budget Code of Ukraine, 2010). The practical implementation of these provisions could gradually transform the legal perception of budget expenditure from an authorised financial transaction to a managed public resource, for which specific authorities would be held accountable.

Further European integration requires stronger links between financial and budgetary relations, as well as public investment management. The reconstruction process will require substantial public and international resources, creating long-term financial obligations for the state. Therefore, investment decisions need to be incorporated into medium-term budget planning and fiscal risk assessment. The public finance reform agenda is increasingly focusing on recording multiannual commitments, contingent liabilities, and fiscal risks associated with public investment. This is particularly important for infrastructure projects, public-private partnerships, and programmes that are financed jointly with international partners.

External financing has also influenced the structure of financial and budgetary relations in Ukraine. During the war, grants, concessional loans and other forms of international support became an important source of State Budget financing. These resources are subject to conditions relating to reforms, financial management, transparency, auditing and protection against misuse. The Ukraine Facility is a clear example of this. Regulation (EU) 2024/792 links financial support to the implementation of the Ukraine Plan, setting out requirements relating to internal control, monitoring, auditing, and the protection of the financial interests of the European Union (European Parliament & Council of the European Union, 2024). Consequently, the legal framework for budgetary resources received

from external partners is increasingly incorporating standards derived from EU law.

This development has broader consequences for Ukrainian economic legislation. International financial assistance is increasingly being integrated into national budget planning and reform commitments. Consequently, the distinction between domestic financial regulation and European financial governance is becoming increasingly blurred. National authorities must manage public resources in a way that complies with both Ukrainian budget legislation and the requirements of European financial instruments and accession obligations.

The European Commission's 2025 assessment of Ukraine acknowledges progress made, while also highlighting remaining institutional issues. In the area of financial control, Ukraine has set up internal audit and control systems at a national level, including within state authorities. However, implementation at the local level remains inconsistent, and the practical capacity of these systems to prevent fraud and corruption requires improvement. The Commission also acknowledges the progress made by the Accounting Chamber and Ukraine's gradual preparation for the future management and control of EU financial resources (European Commission, 2025).

The transformation of financial and budgetary relations therefore involves legislative alignment and the redistribution of institutional responsibilities. Various institutions, including ministries, spending units, internal audit units, the Ministry of Finance, the State Audit Service and the Accounting Chamber, participate in different stages of the financial management cycle. The increased importance of European integration means that it is crucial to clearly define responsibilities and avoid duplication between management, internal control and external audit. Effective financial governance requires control institutions to complement, rather than substitute for, the managerial responsibility of bodies that make financial decisions.

Another significant trend is the increasing importance of fiscal risk management. Wartime conditions demonstrate that the sustainability of a budget depends on the State's ability to identify potential liabilities before they result in actual expenditure. Such risks may arise from public enterprises, guarantees, public-private partnerships, reconstruction projects, litigation, external borrowing, and other sources. Their systematic identification and disclosure are therefore integral to responsible budget management. This approach aligns with the 2026–2030 Strategy's objective of strengthening the resilience of the public finance system and improving the quality of financial decision-making (Ministry of Finance of Ukraine, 2026).

The Europeanisation of financial and budgetary relations also affects the transparency of public

finances. Public access to budget information, reports, procurement data and public investment information creates additional accountability mechanisms. Digital systems reduce the asymmetry of information between public authorities, control institutions, international partners and society. In this context, transparency should be understood as part of the legal infrastructure of financial management, as access to reliable information is essential for independent evaluation of expenditure decisions.

These developments demonstrate that Ukraine's economic legislation is undergoing a functional transformation in terms of its financial and budgetary components. The budget is increasingly being used to connect public policy priorities with available resources, assess fiscal risks, and establish responsibility for results. Financial-budgetary relations therefore encompass not only the allocation and expenditure of public funds, but also planning, monitoring, evaluation, auditing and accountability.

The subsequent evolution of this model necessitates the consistent integration of European principles into national legislation and administrative practice. Medium-term planning should be connected with measurable policy objectives, fiscal risks should be reflected in budget decision-making, and managerial responsibility and accountability of heads of public institutions should be further strengthened and effectively implemented in practice. Concurrently, financial control mechanisms, both internal and external, should furnish reliable information regarding the legality, efficiency, and outcomes of public expenditure.

Thus, European integration is changing the fundamental nature of financial and budgetary relations in Ukraine. These relations are moving towards a model in which financial decisions are assessed within a broader cycle of planning, implementation, control and evaluation. This transformation establishes the institutional basis for the subsequent development of financial control, which will perform an increasing number of preventive and performance-oriented functions alongside its traditional role of ensuring compliance with budget legislation.

3. Europeanisation of Financial Control and Public Finance Governance in Ukraine

The Europeanisation of financial control in Ukraine is part of a wider transformation of public finance governance. The expansion of the purpose of control is its central feature. Traditionally, financial control has focused on compliance with budget legislation, verification of documentation, and identification of financial violations. While these functions remain necessary, contemporary public finance governance also requires the assessment of financial management quality, expenditure performance, and financial risk.

This transformation is directly connected with Ukraine's accession to the European Union. Financial control is covered in Chapter 32 of the EU acquis, alongside public internal financial control, external audit, and the protection of the Union's financial interests. While the European Commission's Ukraine Report 2025 acknowledges progress in this area, it also highlights the necessity of reinforcing internal audits, enhancing the autonomy and capabilities of the Accounting Chamber, and adopting risk-based and preventive strategies for state financial control (European Commission, 2025).

The evolving control model necessitates a clearer distinction between legality control, performance audits, and risk-based controls. Legality control determines whether the use of public funds complies with applicable laws and budgetary rules. This remains the basis of financial accountability, as public authorities can only use financial resources within the powers and purposes established by legislation.

Formal legality does not necessarily demonstrate economic justification or the achievement of intended results. A programme may comply with all procedural requirements yet still fail to achieve its objectives. This is why performance audits, which evaluate the economy, efficiency and effectiveness of public resource use, are becoming increasingly important.

For Ukraine, the significance of performance audits is particular because limited fiscal resources mean that ineffective expenditure is costly. The OECD has observed that the Ukrainian internal audit system has gradually shifted towards a more performance-oriented model. While compliance-oriented approaches remain common in practice, the share of performance audits increased considerably between 2019 and 2023 (OECD, 2025).

The purpose of risk-based control is to perform a preventive function. Its purpose is to identify areas where financial losses are most probable and severe, and to allocate control resources accordingly. These risks may relate to procurement, public investment, state guarantees, public debt, the management of state-owned enterprises, international assistance, and other significant financial operations. The European Commission has emphasised the need to strengthen Ukraine's risk-based and preventive approaches to financial control (European Commission, 2025).

These three forms of control should therefore be used together. Legality control determines whether a financial action complies with the law. A performance audit evaluates whether resources have been used effectively. Risk-based control identifies where future losses are most likely to occur and where preventive measures are needed.

Ukraine's institutional structure of financial control includes parliamentary oversight, external public audit, state financial control, and internal control

within public institutions. Parliament plays a central role through its budgetary powers and the Accounting Chamber. According to Article 98 of the Constitution, the Accounting Chamber is responsible for controlling revenues to the State Budget and their use on behalf of the Verkhovna Rada (The Constitution of Ukraine, 1996).

The Accounting Chamber is the primary institution responsible for external public audits. Amendments adopted in 2024 strengthened its legal framework, with the intention of aligning its organisation and methodology with European and international standards. Current legislation defines the Accounting Chamber as the supreme state collegial body responsible for financial control and audit, and it is accountable to the Verkhovna Rada (The Law of Ukraine 'On the Accounting Chamber' of 01.01.2025, No. 576-VIII).

The external audit function differs from financial control within the executive branch of the state. The State Audit Service is part of the executive system and performs financial control functions within its statutory remit. The European integration process requires this control to shift towards a more preventive and risk-oriented approach, moving away from a predominant focus on ex post inspections.

Internal financial control has another institutional purpose. Under Article 26 of the Budget Code, heads of spending units are responsible for organising internal control and internal audit within their institutions and subordinate bodies (The Budget Code of Ukraine, 2010). This provision reflects the principle of managerial accountability.

Managerial accountability means that the responsibility for financial management cannot be entirely transferred to auditors or financial departments. Heads of public institutions are expected to establish appropriate internal controls, manage risks, and ensure that resources are used to achieve their institutions' objectives. Rather than substituting for management, internal audit should independently evaluate the adequacy and effectiveness of these systems.

In 2024, the government reinforced this approach by amending the regulatory framework for internal control and internal audit. According to the Ministry of Finance, the purpose of these amendments was to reinforce managerial responsibility and accountability in line with the requirements of European integration (Ministry of Finance of Ukraine, 2024).

Digitalisation has become an important part of modernising financial control. Digital systems make financial decisions traceable and enable information to be analysed throughout the expenditure cycle. ProZorro is one of the main examples of this. It provides open access to public procurement information and creates a digital record of procurement procedures, contracts, and related data (ProZorro, n.d.).

ProZorro's value for financial control goes beyond the publication of information. State authorities, auditors, market participants, researchers and civil society can use procurement data to identify suspicious patterns, compare prices and detect potential irregularities. Open data therefore increases the number of people involved in public financial oversight.

DREAM performs a related function in public investment and reconstruction. Operating as a digital public investment management system, it provides information on the planning and implementation of public investment projects (DREAM, n.d.). The importance of this system is particularly high because reconstruction projects may combine resources from the State Budget, local budgets, and international partners.

The interaction between DREAM and ProZorro demonstrates the importance of connecting the various stages of financial management. A project may be designed well but implemented poorly through procurement, or a procurement procedure may be formally correct while the underlying investment decision is economically unjustified. Financial control should therefore assess the entire expenditure cycle, rather than individual transactions in isolation.

Digitalisation also strengthens risk-based controls. Automated analysis of financial data can highlight unusual prices, contract concentrations, repeated amendments, project delays and other risk indicators. This enables control bodies to allocate their resources to transactions and projects with a higher financial exposure.

Control over international financial assistance adds another dimension to the system. External grants and concessional financing have become an important part of Ukraine's public finances. These resources usually come with requirements regarding transparency, auditing, reporting, and the prevention of fraud and corruption.

In this context, the Ukraine Facility is particularly important. According to Regulation (EU) 2024/792, Ukraine must ensure the effective management and control of EU financial support, as well as implement measures to prevent, detect and correct fraud, corruption, conflicts of interest and irregularities (European Parliament & Council of the European Union, 2024).

The Regulation also established an Audit Board to assist the European Commission in monitoring the management of Facility resources. This mechanism demonstrates the growing connection between Ukrainian financial control and European oversight systems. Therefore, weaknesses in national control may affect not only domestic accountability, but also access to international financial support.

This creates an incentive to strengthen national institutions, enabling donor-specific controls to be

gradually integrated into the general public finance management architecture. Excessive fragmentation of control procedures increases administrative costs and can result in the creation of parallel accountability systems. A more sustainable approach would be to develop domestic institutions that can meet both national and European control requirements.

Europeanisation also alters the relationship between transparency and accountability. While transparency makes financial information accessible, accountability requires the identification of the institution responsible for a financial decision and its consequences. Publishing expenditure data is of limited value if it is not possible to establish why a decision was taken, what risks were considered, and what results were achieved.

Parliamentary control should therefore increasingly rely on performance information, as well as formal budget execution data. The percentage of appropriations used cannot be the sole indicator of successful policy implementation. To assess the quality of public expenditure, audit findings, procurement data, investment information and performance indicators should be used together.

The same logic applies to audit recommendations. Rather than focusing solely on individual documentary violations, financial control should identify the systemic causes of recurring weaknesses. Follow-up procedures should establish whether the relevant authority has implemented the recommendations and whether identified financial risks have been mitigated.

However, Europeanisation should not lead to an uncontrolled increase in inspections and reporting requirements. Excessive procedural control can reduce administrative efficiency and encourage institutions to prioritise formal compliance over substantive results. Therefore, a modern financial control system should be proportionate and risk-based.

This is particularly important under martial law and during reconstruction. While some public expenditure requires rapid implementation, accountability must remain effective. Risk-based control provides a way of balancing operational flexibility with financial discipline, applying more intensive control where financial exposure and the probability of misuse are greater.

Thus, the Europeanisation of financial control in Ukraine involves a gradual shift from a predominantly reactive approach to a model that combines legal compliance, performance evaluation, and the prevention of financial risks. External accountability is provided by Parliament and the Accounting Chamber, while executive financial control addresses systemic financial risks. Internal control should operate as part of managerial responsibility.

Digital systems such as ProZorro and DREAM enhance transparency and traceability, while European

financial instruments introduce supplementary audit and financial interest protection requirements. The main aim is to bring these elements together in a coherent system where public authorities are responsible for the legality of expenditure and the outcomes achieved through the use of public resources.

4. Conceptual Directions for the Development of Ukraine's Financial-Budgetary Legislation

The further development of Ukraine's financial-budgetary legislation should be based on a coherent model of public finance governance. Such a model would need to connect planning, allocation of resources, implementation, financial control, audit and responsibility for results. The present system already contains many of the necessary legal and institutional elements. The main problem lies in the fragmentation of financial decisions and the insufficient connection between these decisions, the risks involved, public policy objectives and subsequent responsibility for the consequences of these decisions. European integration creates the conditions necessary to overcome this fragmentation and develop a more integrated model of financial and budgetary regulation.

Financial-budgetary regulation plays a key role within Ukraine's broader economic legislative framework because it determines the legal mechanisms through which public economic priorities are translated into resource allocation, investment decisions, fiscal obligations, and accountability mechanisms. For this reason, the Europeanisation of financial and budgetary legislation should be regarded as an integral part of the transformation of national economic legislation, rather than as an isolated reform of budgetary procedures.

The first conceptual step should therefore be to establish an integrated legal model of public financial management. Budget planning, public investment, procurement, internal control, auditing, managing international assistance, and fiscal risk assessment should all operate within a coordinated financial cycle. The legal significance of this integration is that it enables a public decision to be traced from the point at which a financial need is identified to the point at which the outcome is evaluated.

Currently, the various stages of the financial cycle are regulated and administered through different institutional mechanisms. This differentiation is necessary because the functions of planning, treasury execution, procurement, internal audit and external audit are different. Problems arise when these mechanisms do not exchange sufficient information, or when responsibility becomes dispersed between several institutions. Further legislative development should therefore focus on functional coordination rather than institutional centralisation.

An integrated model should maintain the expertise of specialised institutions while establishing clear links between their activities. The body initiating expenditure should identify the expected results and relevant risks. The budget process should establish whether the necessary resources are available within the medium-term fiscal framework. Procurement should ensure the economically justifiable acquisition of goods, works, or services. Internal control should be maintained throughout the implementation process. An external audit should independently assess the legality and performance of the process. The results of the controls should influence subsequent planning decisions.

The second area of focus is the consolidation of medium-term and performance-oriented budget planning. Restoring medium-term planning and preparing the Budget Declaration for 2026–2028 are important steps towards making public finance more predictable (Ministry of Finance of Ukraine, 2025). The next stage should involve establishing a stronger legal link between expenditure limits, policy objectives, and measurable results.

Medium-term planning should reduce the tendency to evaluate public programmes primarily within one budget year. Many state policies have financial consequences that extend over several years. Reconstruction projects, public investment, guarantees, social programmes and institutional reforms all require multiyear financial commitments. Their assessment should therefore consider both the initial cost and the future budgetary impact.

A performance-oriented approach also requires an improvement in the quality of the indicators used to evaluate budget programmes. Formal indicators that are mainly based on the number of activities performed or funds spent do not adequately demonstrate public value. Performance indicators should demonstrate whether policy objectives have been met and whether the use of public funds has helped to solve the problem that the programme was created to address.

This requires a gradual change in how budget execution is understood legally. The full utilisation of an appropriation should not automatically be considered successful implementation. In some cases, savings that are achieved without compromising the quality of public services may suggest more efficient financial management. Conversely, the full utilisation of allocated resources may coexist with poor outcomes.

The third conceptual direction should therefore be a shift in focus from expenditure control to results control. This does not diminish the importance of legality. Public expenditure must continue to be strictly subject to statutory authority and budget appropriations. The proposed change concerns expanding the criteria used for evaluation.

Financial control should examine whether expenditure was lawful, whether resources were used

economically, whether the intended outcome was achieved, and whether the decision reduced or increased future financial risks. These criteria reflect the broader development of performance audits and managerial accountability within modern public finance systems. The OECD has noted Ukraine's progress in developing performance-oriented internal and external audits. However, the practical implementation of these audits and the integration of risk management into public-sector control remain areas requiring improvement (OECD, 2025).

A results-oriented system also requires robust follow-up mechanisms. Audit findings have limited value if recommendations are formally accepted but do not result in changes to management practices. Therefore, legislation and administrative practice should require public authorities to demonstrate how significant audit recommendations have been implemented and the effect this has had.

This establishes a link between the audit process and subsequent budget planning. If a programme repeatedly demonstrates low efficiency, the audit findings should influence decisions regarding future funding. If a structural problem results in ongoing expenditure, the financial system should evaluate whether it is economically justifiable to continue financing the consequences compared to investing in preventive measures.

The fourth conceptual direction involves the systematic introduction of risk-oriented financial control. As financial control resources are limited, they should be concentrated where potential losses and institutional consequences are greatest. It is not appropriate to apply the same level of control to every transaction, regardless of its value, complexity, or risk profile.

Risk-oriented control should operate at several levels. As part of internal management, public institutions should identify risks. Spending units should incorporate financial and operational risks into programme planning. State financial control bodies should use risk indicators to select entities for audit or inspection. When planning external audits, the Accounting Chamber should take systemic and fiscal significance into account.

The European Commission has identified the enhancement of risk-based and preventive approaches as a pivotal direction for the ongoing development of Ukraine's financial control system (European Commission, 2025). This finding lends further support to the conclusion that control measures should place greater emphasis on the probability of future financial loss rather than on violations that have already transpired.

A risk assessment should cover both traditional financial risks and broader institutional risks. Signs of future fiscal losses may include procurement

concentration, weak competition, repeated contract amendments, unrealistic project timelines, the accumulation of contingent liabilities, and recurrent litigation, even where no direct violation has yet been established.

This approach enhances the preventive capacity of financial legislation. If foreseeable risks must be identified and managed, the absence of reasonable controls may indicate inadequate financial governance. Responsibility then extends beyond unlawful expenditure to include serious deficiencies in the management of predictable financial risks.

The fifth direction relates to institutional responsibility for the financial consequences of public decisions. A weakness of traditional public finance systems is the separation between the authority that creates a financial problem and the budget that finances its consequences later on. If these consequences are always absorbed by a general budget programme, the institution responsible for the original decision may be incentivised to change its practices.

As managerial accountability is already incorporated into Ukraine's budget legislation, it should be further operationalised as a practical principle linking financial authority, risk management, and responsibility for results. Heads of public institutions should be responsible for internal control, risk management and the outcomes of expenditure within their remit. This responsibility should be primarily institutional and managerial, rather than punitive.

The purpose is to establish a clear connection between decision-making and financial consequences. If a public authority repeatedly produces inefficient programmes, incurs compensation liabilities or takes unjustified financial risks, this should be reflected in the assessment of its management and future budget decisions.

This approach is consistent with the broader development of the EU's public internal financial control model, as well as with the reforms already being implemented in Ukraine. While Ukraine has established a substantial regulatory framework for internal control, the OECD notes that it still needs clearer institutional responsibilities and stronger implementation of audit recommendations (OECD, 2025).

The sixth conceptual direction is related to preventive financing. Traditionally, public finance legislation has focused on financing obligations that have already arisen. A more economically rational system would also consider whether public expenditure could prevent larger future liabilities from arising.

Preventive financing is particularly relevant where recurring institutional failures result in ongoing budgetary costs. Such failures may be caused by ineffective infrastructure maintenance, poorly designed administrative procedures, repeated violations of legal obligations, or systematic failures in public service

delivery. Continued payment of these consequences may eventually be more costly than reforming the underlying system.

However, preventive expenditure should not become an abstract justification for increasing public spending. It must be based on evidence and risk assessment, and have measurable expected outcomes. The financial impact of prevention must be capable of subsequent evaluation. Therefore, preventive financing can be considered a key aspect of responsible public financial management when the anticipated cost of eliminating a systemic cause of future liabilities is lower than the projected cost of repeatedly financing its consequences.

The seventh direction is the development of end-to-end digital traceability of budget resources. Ukraine already has significant digital infrastructure in place for procurement and public investment management. The next conceptual step should be to connect financial information across the various stages of the expenditure cycle.

Digital traceability means that, within the legal limits, it should be possible to identify the origin of public resources, the decision authorising their use, the responsible spending unit, the procurement procedure, contractual obligations, payments, project implementation, and the final result. This would substantially strengthen internal management, external auditing and public oversight.

ProZorro plays a key role in this infrastructure by providing open procurement data, and DREAM is increasingly performing a similar function in public investment management. These systems will become more valuable if data can be reliably linked with budget programmes, treasury information, and audit findings.

Therefore, the development of digital traceability should focus on interoperability rather than the creation of additional, isolated databases. The creation of each new system increases administrative complexity if it duplicates information that already exists elsewhere. The legal framework should establish common data standards and clearly define the institution responsible for ensuring the accuracy of information entered into public financial systems.

Digitalisation also creates opportunities for automated risk analysis. Control bodies can use data to identify deviations that warrant closer examination. These include unusually high prices, repeated amendments to procurement contracts, a rapid increase in project costs, a concentration of contracts among particular suppliers, and delays in implementation.

Automated analysis should support, rather than replace, professional financial control. Although risk indicators signal the need for examination, they do not prove a violation themselves. Therefore, legal safeguards are required to prevent automated risk assessment from automatically establishing liability.

The eighth conceptual direction is the systematic alignment of Ukrainian budget legislation with the EU *acquis*. This does not mean the literal transplantation of European rules. The aim is to ensure that Ukrainian institutions are compatible with the principles that govern public financial management within the European Union.

Chapter 32 of the accession framework is particularly relevant as it covers public internal financial control, external auditing, and the protection of the EU's financial interests. Effective managerial accountability, independent auditing and systems capable of detecting and preventing financial irregularities are required for adaptation in these areas.

The Ukraine Facility creates a practical environment in which some of these standards are already in place prior to membership. Regulation (EU) 2024/792 requires the implementation of mechanisms to ensure internal control, auditing, the prevention of fraud and corruption, the management of conflicts of interest, and the recovery of improperly used funds (European Parliament & Council of the European Union, 2024).

This means that Europeanisation is taking place through legislation and financial practices. The Ukrainian institutions responsible for implementing EU-financed programmes are already operating under requirements that anticipate elements of the future membership framework.

Therefore, legislative approximation should be coordinated with institutional capacity. Adopting European terminology without establishing effective control and audit systems would result in mere formal compliance, rather than substantive convergence. The quality of implementation should remain the primary measure of progress.

The ninth objective is to establish a unified model for managing international assistance, national budget resources, and financial risks. International financial assistance currently plays a significant part in maintaining Ukraine's fiscal stability and funding its recovery. Therefore, it should be integrated into the general architecture of public finance, rather than being treated as a parallel financial system.

Different donors may have different reporting, auditing and expenditure eligibility conditions. While these requirements are legitimate, excessive fragmentation can increase administrative costs and create multiple control systems for similar transactions. The long-term objective should therefore be to strengthen national public finance institutions to the extent that international partners can increasingly rely on domestic systems.

The Ukraine Facility exemplifies this approach by combining financing with institutional requirements for the management and protection of financial resources.

The same logic should underpin the wider development of donor coordination and reconstruction finance.

A unified model should establish common principles for registering international assistance, linking it to medium-term budget planning and identifying the relevant public authorities. It should also facilitate monitoring of implementation and evaluation of financial risks. The model should also prevent double financing and ensure that information about projects funded by donors can be compared with information about projects financed from national resources.

Public investment planning should also incorporate the management of international assistance. The principles that govern the economic assessment of a reconstruction project should not depend on whether the project is financed by a foreign grant or from the State Budget. Therefore, the same principles of project appraisal, transparency, risk management and performance evaluation should apply.

This approach would also strengthen fiscal sustainability. Initial capital expenditure could be financed by international grants, with the State assuming operating and maintenance costs later. These future obligations should be recognised during the selection of projects. Otherwise, external financing could exert hidden long-term pressure on national or local budgets.

These directions should not be viewed as individual reform measures. Their conceptual value lies in their interdependence. Medium-term planning establishes the timeframe for financial decisions; performance budgeting defines expected results; risk-oriented control identifies potential losses; managerial accountability allocates responsibility; and digital traceability and auditing provide the information necessary for subsequent evaluation.

The proposed integrated model can therefore be expressed through a number of interrelated legal principles. Public expenditure should be planned within a medium-term fiscal framework. Financial decisions should aim to achieve measurable results. Managers should be held accountable for risks and performance. Control should combine legality, performance assessment, and prevention. Digital systems should ensure traceability. International and national resources should be managed according to compatible standards. Audit results should inform future budget decisions.

The model should also preserve proportionality. Europeanisation should not result in excessive administrative control, which would delay implementation and diffuse responsibility. Additional procedures are only justified where they improve the quality of financial decisions or reduce material risks. The objective is effective control, not maximum control.

This distinction will be particularly important during the reconstruction process. Ukraine will need to implement a large number of infrastructure and

institutional projects within set timeframes, all the while maintaining the confidence of taxpayers and international partners. A system dominated by ex ante approvals and repeated documentary checks could hinder implementation without necessarily preventing corruption or inefficiency. Risk-oriented controls and digital traceability offer a more flexible alternative.

Therefore, the development of financial-budgetary legislation should move towards regulating the complete financial management cycle, rather than fragmented procedural regulation. The law should not only establish how money may be spent, but also how public objectives are formulated, risks identified, results evaluated, and responsibility assigned when financial decisions repeatedly fail to achieve their intended purpose.

Such a transformation would also alter the purpose of financial control. Rather than functioning predominantly as a mechanism for identifying past violations, control would become an instrument influencing future financial behaviour. Subsequent budget decisions and management reforms would be informed by audit findings, risk assessments and performance information.

The proposed model is consistent with the general direction of Ukraine's public finance reforms. The Strategy for Reforming the Public Finance Management System for 2026–2030 aims to align the public finance system with EU standards, improving efficiency, accountability, and resilience (Ministry of Finance of Ukraine, 2026). The role of economic legislation is to translate these strategic priorities into stable legal mechanisms that will remain effective beyond individual reform programmes.

Therefore, Ukraine's financial and budgetary legislation should be developed in a way that establishes a results-oriented, risk-sensitive and institutionally accountable system of public finance governance. A key feature of this system should be the link between financial authority and responsibility for its consequences.

European integration provides the necessary normative framework and practical incentives for this transformation. The long-term objective should not be the mere replication of individual European procedures. It should be to create a domestic financial governance system that can meet European standards through its own institutional effectiveness. This would strengthen fiscal sustainability, improve the management of reconstruction resources, and provide a more reliable legal basis for Ukraine's future participation in the European Union's financial mechanisms.

5. Conclusions

In the context of European integration, the development of Ukraine's financial-budgetary legislation

demonstrates a gradual transition from a predominantly procedural model of public finance regulation to a more complex system based on planning, performance management, risk management, transparency, and institutional accountability.

The process of European integration has increased the importance of medium-term budget planning, managerial responsibility, internal control, external auditing, and the protection of financial interests. These elements are becoming part of the legal framework of public finance, influencing not only the organisation of the budget process, but also the criteria used to evaluate financial decisions.

The analysis shows that, while legality must remain the basic requirement of public financial activity, it should also be assessed in terms of economy, efficiency, effectiveness and financial risk. To this end, performance auditing and risk-oriented control must be further developed, audit recommendations must be followed up more closely, and the connection between financial authority and responsibility for the consequences of public decisions must be clearer.

It is imperative to emphasise the significance of managerial accountability in this context. Public authorities that initiate and implement expenditure should be held accountable for the quality of planning, management of risks and achievement of expected results. The external audit and state financial control should evaluate these processes independently, while parliamentary oversight should increasingly rely on information concerning performance and systemic financial risks rather than only on formal budget execution indicators.

Digitalisation engenders a plethora of opportunities for the transformation of financial control. Systems such as ProZorro and DREAM illustrate the capacity of digital instruments to enhance transparency, traceability and monitoring of public resources. The subsequent evolution of these systems should be predicated on interoperability, reliable data, and the capacity for integrating budget planning, procurement, public investment, implementation, and audit within a unified information environment.

Management of international financial assistance should also be integrated into the national public finance system. The increasing importance of external grants and concessional financing necessitates compatible rules for planning, control, auditing and risk assessment. The Ukraine Facility demonstrates that access to European financial resources hinges on the quality of internal controls, transparency, anti-fraud mechanisms, and the protection of the European Union's financial interests (European Parliament & Council of the European Union, 2024).

This study proposes the formation of an integrated model of financial-budgetary regulation as the principal

conceptual direction. This model is characterised by a legal link between financial authority, measurable results, management of foreseeable risks, digital traceability, and institutional accountability for long-term financial consequences. Such a model should incorporate medium-term planning, performance-based budgeting, proactive risk management, institutional accountability, digital traceability, and robust external oversight. Financial control within this model should operate throughout the entire financial cycle, influencing future management decisions.

Another element of this approach is the development of preventive financing. Public finance should not only be used to meet existing obligations, but also to reduce the likelihood of recurring financial losses resulting from structural deficiencies in public administration. Where institutional failures repeatedly result in compensation, emergency expenditure or other liabilities, financing corrective measures may be a more rational economic choice than continuing to pay for the consequences.

Therefore, the further approximation of Ukrainian legislation to the EU acquis should focus on substantive institutional effectiveness rather than the mere reproduction of European rules. The aim should be to create a public finance system that can demonstrate fiscal discipline, responsible management, reliable auditing, transparent use of resources, and measurable results.

Thus, Europeanisation alters the functional purpose of financial and budgetary legislation. It is becoming an increasingly important tool for managing public resources, risks and institutional responsibility. The success of this transformation will directly impact Ukraine's fiscal sustainability, the effectiveness of reconstruction, and its national institutions' capacity to manage European financial resources post-accession.

In this sense, the future development of Ukraine's economic legislation should be based on the fundamental principle that public financial authority should carry responsibility for the legality of expenditure and its long-term financial consequences.

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