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DIGITALIZATION OF THE PROCESS
OF SUBMISSION OF BUDGET REQUESTS AND ITS ROLE
IN THE CONDITIONS OF MILITARY AGGRESSION

Budget planning in Ukraine takes place according to the program-target method of budgeting. Before the drafting of budget requests, the chief manager of funds outlines the priority directions for the use of budget resources, and the goals of state policy, which are determined following the budget declaration, as well as the performance indicators that characterize the budget program. As part of the international technical assistance project "EU for strengthening public financial systems of local governments" [1], methodology and software were developed, which allowed to fully digitize the budget process at the level of local budgets. On August 27, 2020, by order of the Ministry of Finance of Ukraine, the "LOGICA – Information and Analytical System" software (further in text "LOGICA") [2] was deployed into the test environment.

According to subsection 9 of Article 2 of the Budget Code of Ukraine, "Budget request is a document prepared by the chief manager of funds, which contains proposals with appropriate justification regarding the number of budget funds necessary for his activities for the following budget periods. A draft local budget is formed based on budget requests" [3, Art. 2]. Clause 3 of Article 75 of the Budget Code of Ukraine stipulates that "... local financial bodies, following the typical forms of budget requests and taking into account the peculiarities of drafting local budgets, ensure the development and submission to the main managers of budget funds of the Instructions for the preparation of budget requests" [3, Art. 3].

Standard forms of budget requests for local budgets were approved by the order of the Ministry of Finance of Ukraine dated 07/17/2015 No. 648

"On approval of standard forms of budget requests for the formation of local budgets" (as amended by the order of the Ministry of Finance of Ukraine dated 09/30/2016 No. 861) [4]. General approaches to the preparation of the Instructions are defined in the order of the Ministry of Finance of Ukraine dated 06.06.2012 No. 687 "On approval of the Instructions for the preparation of budget requests" [5]. According to the latest amendments made to the mentioned order, of the six approved forms of budget requests, the first three forms are used for the formation of local budgets according to the program-target method, including the budgets of united territorial communities.

From September 1 of each year, the Ministry of Finance initiates the delivery to the main managers of funds of the Instructions for the preparation of budget requests [4; 5], which determine the mechanism for calculating the indicators of the local budget project for the planned budget year and the forecast for the next two budget periods, as well as establish the procedures for drawing up, considering and analyzing budget requests. From this moment, local financial bodies begin the process of drafting local budgets for the next year (drafting, approval, and adoption).

The methodology of drafting and submitting requests was embodied in the "LOGICA" software complex. This software tool defines the data model, logic, sequence, and structures of information exchange between the Ministry of Finance and local budgets and provides an application programming interface for integration with local-level software tools. One of these software tools at the local level is the "Local Budget" by Fintech-Cherkasy [6].

The process begins with the collection of information about the needs of the main managers of funds, which must be taken into account in the draft decision on the local budget. The document for gathering these needs is a budget request. The prerequisites for making budget requests are:

– registration and verification of a local financial body (requires the imposition of a qualified electronic signature (Digital Electronic Signature, DES);

– relevance of system and user directories (if there have been changes since previous periods, the directories need to be updated);

– budget programs with the mandatory formation of directions for the use of funds and performance indicators characterizing the budget program must be defined and entered by the Chief Finance Administrator in the "Budget Programs Dictionary". Some communities mainly use the proposal-to-forecast form to prepare a budget request, since the actual figures are equal to the proven marginal figures, which are proved by a letter from the local financial authority. The letter states deadlines for budget requests, instructions on drafting budget requests to the main manager of funds, and defined limit indicators for each main manager. At the moment, there is no

standard form of such a letter in Ukraine, and at the community level, we can observe our unique budget process.

According to the program-target method, there are only two types of budget requests, which differ in their forms: the first form is made within the limits of proven marginal indicators, and the second form contains indicators that the main managers of funds can foresee more than the limits of allocated resources. There are additional budget requests created by large cities that can double the number of budget requests. The Ministry of Finance of Ukraine does not require mandatory submission of additional budget requests to LOGICA. It is necessary to submit only the first form within the proven limits.

According to the legislation, it is necessary to start drawing up a general form, where to determine the general resource for the main manager of funds, write down the programs, and then start filling out the individual form.

Budget requests are formed based on budget forecasts and take them into account. Proposals for the forecast as an artifact of the system appeared in 2021. A typical form of a budget request, which is included in the software following regulatory documents, contains the following tabs: (1) purpose and basis, (2) income, (3) expenses, (4) indicators, (5) remuneration, (6) number, (7) programs, (8) objects of the development budget (meaning local), (9) payables for the reporting period, (10) current payables, (11) receivables (reporting and current periods), (12) analysis, (13) control [7].

Data verification is implemented in LOGICA, which is available as a function in the API. This functionality is designed to check the entered data for compliance with current legislation, format, and content, as well as to ensure discrepancies in budget requests, to match income and expenses. If there is a discrepancy in the indicators, the document will not be uploaded to the system, as the document will not pass verification at the LOGICA level.

Digitization of the budget request submission process ensured:

– it is possible to fully automate the verification of qualitative and quantitative indicators in the forms used;

– the possibility of registration, direct preparation, and verification of budget requests from remote workplaces using built-in user authorization and authentication mechanisms using a digital signature;

– as well as a guaranteed storage environment for critical and sensitive information for officials in particular and local financial bodies in general.

The implemented methodology and mechanisms significantly contributed to the implementation by local bodies of temporarily occupied local communities, even under the conditions of full-scale Russian aggression, and lack of access to the premises of local finance bodies, and played a significant role in ensuring the post-occupation reconstruction of Ukraine.

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