PUBLIC FINANCE DEVELOPMENT STRATEGY IN THE CONDITIONS OF MACROECONOMIC INSTABILITY

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Abstract. An important tool for ensuring macroeconomic stability in the conditions of institutional transformations of the socio-economic system is the improvement of the quality level of the public finance management mechanism. *The purpose* – to reveal the role of public finance as a tool for stabilizing macroeconomic processes, to substantiate the strategic priorities of their development. Solving these tasks determines the logic of the presentation of the material in this work: a literature review of approaches to the development of public finance, the mechanism of public finance management; directions of public finance development; state financial support for the development of human capital; institutional transformations of the financial support of the pension system. *Methodology* of the study is based on general research methods of analysis and synthesis, induction and deduction, observation and abstraction, which are used to systematize the achievements of the theory and practice of the functioning and development of public finance. *Results* the role of public finance as a tool for stabilizing macroeconomic processes is determined. The quantitative and qualitative impact of the system of state financial regulation on the economic environment is characterized. It is substantiated that purposeful state financial regulation allows to speed up or slow down socio-economic processes, to ensure the achievement of defined strategic goals and objectives. An assessment of the impact of financial and budgetary policy on economic growth was made, in particular, in the part of substantiating the relationship of the share in the gross domestic product of revenues, including direct and indirect taxes; expenses, including for social protection

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and social security, economic activity; of direct state and guaranteed debt with real gross domestic product in Ukraine. The share in the gross domestic product of government revenues and expenses, deficit and debt is determined. Justification of the provision regarding the development of the institutional foundations of the development of public finance based on the need to adapt the set of mechanisms of the state financial regulation system to the conditions of the development of the macroeconomic environment and the cyclicality of economic processes; regulations on the formation of financial and budgetary policy and its components. The role of the public finance management mechanism in regulating economic processes and improving the level and quality of life of the population is revealed. The directions of institutional transformations of the public finance system have been determined. Disclosed provisions on increasing the efficiency of the use of state financial resources, improving public debt management tools, developing the institutional environment of public-private partnership, criteria for the distribution of state financial resources in the event of unfavorable dynamics of budget revenues. Proposed provisions on increasing the effectiveness of state financial control and audit, improving the state forecasting system in order to ensure timely implementation of adequate financial and budgetary measures and responding to the socio-economic situation in the country, strengthening the strategic nature of state financial and budgetary forecasts. The importance of the ongoing assessment of fiscal risks in order to ensure stability, stability and balance of the budget system was determined in the modern conditions of the development of public finances; ensuring a sufficient level of flexibility of budget expenditures based on the macroeconomic situation in the country; improvement of regulatory and methodological support of the budget process. Areas of ensuring sustainability and strengthening the financial stability of the pension system have been determined. It is substantiated that in modern conditions, the need to use effective financial instruments of state management of pension provision, which will provide an opportunity to respond to changes in socio-demographic trends in the development of society and economic transformations while maintaining the parameters of stability and stability of pension fund activity, is becoming more urgent. The principles of implementation of institutional transformations of the pension system are disclosed: phased and systematic transformations taking

into account social and economic conditions while maintaining the balance of the state finance system as a whole; a differentiated approach to pension provision for different socio-demographic population groups depending on their contributions to pension funds; mutual coherence with the processes of reforming other components of the system of public finances and spheres of public administration; balanced distribution of responsibility for pension provision between the employee, the employer and the state; protection of citizens' rights to financial support in the form of pensions and determination of its level on the basis of well-founded social norms; publicity and transparency of the process of financial support for the functioning of the pension system; compliance of the forms and level of pension provision of the population with the degree of economic development of the countries. The priority directions of financial and budgetary policy in the conditions of institutional and transformational changes of the socio-economic system are determined. the strategic directions of the development of public finances in the conditions of macroeconomic instability are substantiated. *Practical implications* consist in determining the strategic directions of the development of public finances in conditions of macroeconomic instability. *Value/originality*. Determining strategic directions for the development of public finances in conditions of macroeconomic instability will contribute to ensuring social development and the adaptability of the public finance management mechanism to macroeconomic processes.

1. Introduction

The high-quality level of functioning of public finances is the fundamental basis for the diversification of social development. In the conditions of macroeconomic instability, the task of increasing the efficiency of the state financial instruments, which will lay the foundations for the sustainable development of public finances, create conditions for strengthening the financial potential, taking into account the institutional and transformational transformations of the socio-economic system, has become important. The success of this task directly depends on the quality level of the public finance management mechanism, taking into account economic transformations. At the same time, the reduction of asymmetry and imbalances in the redistribution of financial resources, taking into account socio-economic factors, became important directions for the development of public finances in conditions of macroeconomic instability. Accordingly, issues of optimization of the structure of financial provision of social development, substantiation of the strategy of development of public finances have been intensified. This indicates the relevance of this work and determined the definition of its goal, which consists in revealing the role of public finance as a tool for stabilizing macroeconomic processes and substantiating the strategic priorities of their development. Solving these tasks determines the logic of the presentation of the material in this work: a literature review of approaches to the development of public finance, the mechanism of public finance management; directions of public finance development; state financial support for the development of human capital; institutional transformations of the financial support of the pension system.

The work uses a set of methods and approaches, which made it possible to ensure the conceptual unity of the research. The methods of analysis and synthesis were used to reveal the role of public finance as a tool for stabilizing macroeconomic processes. With the help of methods of induction and deduction, the approaches to the principles of public finance management in the conditions of institutional transformations of the socio-economic system are generalized. The methods of observation and scientific abstraction are used in the justification of strategic priorities for the development of public finances.

2. Literary review of approaches to the development of public finances

Issues of the functioning and development of public finances receive considerable attention in scientific research by both practitioners and theorists. A significant contribution to the development of this issue was made by J. Buchanan. In his opinion, "the political aspect of the development of public finances, that is, the choice and adoption of certain decisions and directions of development, is based on the implementation of public choice [1]. An important place is occupied by the issue of improving the regulatory mechanism of the public finance management system, the principles of coordination of its components. The causal relationships between the tools of public finance development and economic stability, macroeconomic stability are revealed in the works of M. Eberhard and A. Presbitero. Scientists note that over the past twenty years, the sphere of public finance has undergone significant changes, the role of state regulation in stimulating economic processes has become relevant in both theoretical and methodological scientific works [2]. Andréasson, Shevchenko, Novikov believe that effective state financial regulation contributes to increasing labor productivity and accelerating the rate of economic growth, at the same time, state financial regulation does not contribute to economic growth if it exceeds a certain threshold level of state capital [3]. According to J. Keynes, in order to achieve effective demand, government intervention with the help of tools of the public finance system is necessary [4]. According to the study of Barro, Redlick, Charles, the stability of public finances depends on the soundness of fiscal rules. Currently, the applied fiscal rules in the EU countries contribute to the reduction of the structural primary deficit. At the same time, the level of efficiency of public administration increases. Countries with tighter fiscal rules have a higher level of fiscal balance (lower level of budget deficit, interest rates on government bonds, etc.). Fiscal rules serve as a reference point for state administration bodies, which contributes to the consistency of the formation and implementation of financial and budgetary policy. Fiscal rules contribute to reducing the pro-cyclicality of fiscal and fiscal policy, while effective public administration is insufficient to reduce the pro-cyclicality of fiscal and fiscal policy. However, effective public administration combined with sound fiscal rules is a powerful combination that promotes the responsiveness of countercyclical policies to changes in GDP [5].

It is determined that the budget and tax policy increases fluctuations in the economy or counteracts them [6–8]. In the vast majority of countries with developed economies, an anti-cyclical budget and tax policy is implemented, while in countries with a transformational economy, it is pro-cyclical. At the same time, the strategic plans of the budget and tax policy are more countercyclical than its results [7]. The qualitative level of state financial regulation is associated with low volatility of the budget and tax policy, but the growth of financial instability causes high volatility. At the same time, the impact of economic instability on the implementation of budget and tax policy increases in the conditions of expansion, recession and crisis processes [8].

The relationship between the budget and tax policy and the monetary and debt policies is revealed in the studies of such scientists as: I. Lozano-

Espitia, F. Arias-Rodriguez, J. Boulder, S. Delay. It is substantiated that the monetary and debt strategy is not just a prediction of the level of inflation and debt burden, but tools that provide an opportunity to ensure dynamic budget balance [9–10]. According to K. Checherit-Westphal and P. Rother, the share of public debt in GDP at the level of 90–100% negatively affects long-term economic growth [11]. At the same time, this indicator will be different for each country.

It has been established that a significant prerequisite for an effective financial and budgetary policy and its components is the possibility of a quick and early assessment of the current economic situation and the ability to ensure the relationship between the actions of state institutions and the impact of these actions on economic processes [12].

The effectiveness of the pension system is an important indicator of the quality of life of citizens. Approaches to the functioning of the pension system and its individual components are revealed in numerous scientific works. In particular, the impact of demographic trends on the level of pension provision is revealed in the works: Robert Fenge i François Peglow (2018); Osei K. Wiafe, Anup K. Basu, John Chen (2017); Johan G. Andréasson, Pavel V. Shevchenko, Alex Novikov (2017) [13–15].

Approaches to the direction of the pension reform, taking into account the cultural characteristics of the countries, are revealed J.A. Rivera-Rozo, M.E. García-Huitrón, O.W. Steenbeek, S.G. van der Lecq (2018) [16] та Basvan Groezen, Hannah Kiiver, Brigitte Unger (2009) [17].

The essence of pension provision is the implementation of a dynamic system of state measures aimed at supporting and protecting the population in the event of reaching the appropriate age, loss of breadwinner or disability; implementation of social relations regarding the redistribution of society's financial resources in order to meet the needs of citizens in the event of reaching the appropriate age, loss of a breadwinner or disability. Pension provision is the most important component of the social security system, which provides an opportunity to obtain the means for a person's existence in the event that it is impossible for him to independently obtain them due to a number of factors, the most important of which is reaching the appropriate age [18–19].

The features of the pension system include: the structure of state administration bodies, which are empowered to implement the state pension policy [20]; method of accumulation of financial resources, at the expense of which pension provision is made [21]; the range of citizens who are provided with appropriate financial resources [22]; forms of pension provision [23]; spectrum of social risks, as a result of which the right to receive pension benefits arises [24].

Considerable attention of scientists is paid to the issue of substantiation of the retirement age. It is determined that the difference in life expectancy between countries with a transition and developed economy is growing in the conditions of the development of social relations. At the same time, the internal rate of return of the pension system increases as lifetime earnings increase. Accordingly, the issue of ensuring the fairness of state regulation of pension insurance is updated [25].

Mathias Dolls, Philipp Doerrenberg, AndreasPeichl, Holger Stichnoth investigating changes in the level of pension savings in the context of the reform of the German pension system determine that the annual letters of the pension administration, which contain detailed information about the features of the development of the pension system and expected state pension payments, influenced the behavior of individuals and, accordingly, the increase of private pension savings subject to taxation [26]. At the same time, Barbara Engels, Johannes Geyer, and Peter Haan include: delaying retirement, increasing the level of employment, and reducing the unemployment rate of the population [27]. As noted by Elrud, Friberg, Alexanderson, Stigson, the development of the accumulative pension insurance system involves increasing the level of institutional capacity of pension provision, improving the infrastructure of the financial market and financial instruments of non-state pension provision [28].

Causal relationships between financial and budgetary policy instruments and economic stability, the level of human capital development are disclosed in works [29–30]. Scientists claim that at the current stage of development of the world economy, human capital plays an important role in ensuring economic success. The recovery of countries after the onset of crisis situations is carried out not only thanks to ensuring the optimal architecture of the public administration system, including in the financial and budgetary sphere, but also by increasing the quality level of human capital.

S. Marchenko's study "Strategic management of public finances: European integration course, international trends, national features" substantiates the importance of implementing strategic management of public finances, which provides an opportunity to ensure sufficient financial capacity of state institutions to respond in a timely and adequate manner to global challenges and threats [31]. There is a non-linear relationship between economic growth and the limits of its government regulation, which is usually analogous to an inverted U-shaped curve and is used to determine the optimal share of public spending. Effective state regulation, in particular in the field of public finance, helps to increase labor productivity and accelerate the rate of economic growth, however, state regulation does not contribute to economic growth if it exceeds a certain threshold level of state capital.

According to J. Keynes, the mechanism of public finance management can have a significant impact on aggregate demand and the volume of production in difficult economic conditions, its focus on comprehensive modernization of the domestic economy ensures improvement of the investment climate. However, an important task is a clear justification of the role of state authorities to ensure the effectiveness of the implementation of these measures [1]. I. Ya. Chugunov notes that the nature and degree of influence of tax and budget instruments on economic development depends not only on the amount of redistribution of gross domestic product through the public finance system, but also on the model of budget and tax architecture of the respective country [18].

The model of an effective public finance system depends on numerous factors and differs depending on the country. Public spending does not contribute to increasing the rate of GDP growth in the EU-28 member states, while the increase in tax revenues has a less harmful effect on economic growth; taxes on products and imports have a more significant positive impact on economic growth, while value added tax has a negative impact on the economy of the EU-28 countries; property taxes are neutral to economic growth, while personal income tax and social security contributions have a positive effect. A change in the level of the tax burden can affect GDP mainly through substitution effects rather than wealth effects. If a significant level of defense spending coincides with a significant level of federal income, then, accordingly, when determining the marginal tax rates, it is necessary to take into account a negative tax multiplier estimated at about 1.1 [33].

The level of the budget deficit reacts countercyclically to economic growth, which can positively affect the deficit. It is noted that the Great Recession in the US was atypical in that there was a weak countercyclical fiscal response. The share of public debt in GDP at the level of 90-100% negatively affects long-term economic growth. At the same time, the negative effect of the growth of public debt can begin already at the level of about 70-80% of GDP. Using nonlinear threshold models, Balázs Égert proves that finding a negative nonlinear relationship between public debt and economic growth is extremely difficult and sensitive to the choice of modeling and data coverage. Scientists have determined that a negative non-linear correlation occurs at very low levels of public debt (from 20% to 60% of GDP) [34].

Markus Eberhard and Andrea F. Presbitero determine that there is a certain negative impact of a significant level of public debt on long-term economic growth in different countries, however, in their opinion, the critical level is different for each country [35]. According to Tetsuo Onda and Yuki Uchida, the growth rate of debt financing is lower than that of tax financing, and that debt financing creates a trade-off between present and future generations. With debt financing, it is possible to achieve a higher level of economic growth than that which arises from the choice of social planning aimed at ensuring the well-being of all generations [36]. Along with this, Ugo Panizza and Andrea Presbitero point out that there is no evidence that an increase in public debt has a negative effect on economic growth, in light of the fact that a negative correlation between debt and growth is sometimes used to justify policies that assume that debt has a negative causal effect on economic growth.

In the study of M. Bobbaa, L. Flabbib, S. Levik, M. Tehadad "Labor market search, informality and accumulation of human capital at the workplace" it is determined that human capital affects the long-term growth of labor productivity, increasing the level of state funding for the development of human capital helps mitigate the consequences of depletion of natural resources [33]. I. Chugunov and L. Kozarezenko note "the need to use the mechanism of public finance management in the direction of creating favorable conditions for increasing the quality level of human capital. At the same time, the toolkit of state financial support for the development of human capital must be adapted to exogenous and endogenous economic factors" [30].

3. Mechanism of public finance management

The soundness of the public finance management mechanism is one of the most important factors in ensuring the country's financial security. Increasing the quality level of the public finance management mechanism requires a systematic approach in view of the importance of the development and adoption of mutually agreed decisions of financial and budgetary institutions. This emphasizes the importance of finding ways to ensure financial stability, taking into account the principles that determine the basic model of the mechanism, taking into account the factors that affect the change in the trend of the socio-economic development of the country. There is a need to develop tools for the formation and implementation of the state budget in order to ensure the appropriate level of funding for defense needs, social support measures for the population and critical infrastructure facilities. A meaningful discussion continues regarding the selection and application of financial and budgetary instruments with the aim of achieving macroeconomic stabilization, restoring economic balance, rethinking the role of the state budget and strengthening its regulatory influence on the socio-economic development of the country. Issues related to the development of basic principles, raising the quality level of the formation and implementation of the state budget were updated.

The driving force of the process of structural changes is the coordination of strategic management in the state sector of the economy with financial policy, ensuring its adaptability to economic and socio-political processes. The tasks of strengthening financial and budgetary discipline, increasing the level of predictability of budget revenues and reasonableness of budget expenditures, mutual coordination of the actions of the participants in the budget process have become important. There is a need to develop the conceptual foundations of the formation of the revenue part of the state budget, which will ensure the growth of tax revenues and minimize the risks of expanding the shadow sector of the economy.

Increasing the quality level of the public finance management mechanism is a strategic task of state institutions in conditions of limited financial resources. An important role is played by the institutional principles of implementation of the budget and tax policy, since their development is a significant prerequisite for ensuring the adaptability of the budget toolkit to socio-economic processes. The implementation of the budget and tax policy should be based on the following principles: comprehensiveness – application of a range of measures to overcome crisis situations in the financial and budget sphere; established system of interaction of state financial institutions – continuous exchange of financial information at all stages of the budget process; predictability – assessment of fiscal risks, timely identification of crisis situations in the financial and budgetary sphere; institutional capacity – development of action plans for responding to threats in the financial and budgetary sphere; mobility – the flexibility of the mechanism of state management of budget security and the ability to quickly attract additional sources of financing the budget deficit; adaptability – the ability of the budgetary system to adapt to crisis conditions and new circumstances in the financial and budgetary sphere; availability of reserves, which implies the availability of additional financial capacities in the budget system, as well as an alternative budget strategy.

At this stage of social development, in the vast majority of countries with developed economies, a system of key indicators for ensuring budget sustainability has been developed, which is the basis for forming the structure of public expenditures and determining the threshold values of budget indicators. Optimization of budget expenditures is carried out in the context of strengthening (weakening) the role of state authorities in regulating economic processes. There is a change in liberal and regulatory economic models, which differ in the degree and nature of the impact on the economy. The regulatory model is characterized by the leading role of state authorities in regulating production processes, while the liberal model is characterized by market self-regulation mechanisms. In the conditions of aggravation of crisis processes, the role of the regulatory model is strengthened. In the conditions of macroeconomic stability and stability, the transition to the liberal model is carried out.

The strategic goal of the budget and tax policy of the EU member states is to create conditions for innovation, in particular by increasing public investment in research and development. However, if the change in private investment occurs taking into account economic cyclicality, then the change in budget investment is countercyclical. At the same time, in accordance with the main objectives of the budget and tax policy, in conditions of uncertainty, it is advisable to optimize "unproductive" expenses and increase the share of "productive" ones. This provides for the strengthening of the regulatory component of the budget and tax policy and the development of new approaches to assessing the impact of this policy on the level of economic growth.

Financial and budgetary policy plays an important role in stimulating economic processes by directing state financial resources to modernize the economy and renew it innovatively. The cyclical nature of economic processes makes it necessary to ensure the coordination and adaptability of long-term regulatory measures of budget policy to internal and external changes in the economic environment. In this regard, it is important to assess the impact of financial and budgetary policy on ensuring macroeconomic stability and accelerating the pace of economic growth in a timely and balanced manner. At the same time, the financial and budgetary policy must be mutually coordinated with the strategic goals of socio-economic transformations, aimed at creating the proper conditions for deepening the interaction between the state and society, and increasing the level of well-being of citizens. The transition to an innovative model of economic development, expansion and deepening of integration can be successful only if it is based on the implementation of a sound budget policy, taking into account the dynamism and cyclicality of economic processes.

Financial and budgetary policy is a dynamic institutional process, which consists in the implementation of a set of appropriate forms of interdependencies and mutual influences of economic, legal, political, institutional components of the budget space and the institutional environment of society in the process of forming the budget and using budget funds to achieve strategic goals and the main tasks of the development of society.

At the same time, the financial and budgetary policy determines the possibilities of quantitative and qualitative impact of the budgetary regulation system on the economic environment. Quantitative influence is characterized by the volume and proportions of mobilized and redistributed budget funds. Depending on the volume and object of withdrawal of funds at the disposal of the state, the volume and structure of budget expenditures, opportunities for expanding production, etc., are formed. Qualitative influence is related to the possibilities of influence through specific types, the structure of budget revenues and expenses on the economic interests of business entities and households. The specified influence contributes to the transformation of budget revenues and expenses into incentives for the development of the economy, its diversification, and the qualitative renewal of the life support infrastructure. Targeted budgetary regulation allows to speed up or slow down socio-economic processes, to ensure the achievement of defined strategic goals and objectives.

It is necessary to distinguish two aspects of the formation of financial and budgetary policy in the system of financial regulation: first, the state uses financial and budgetary policy as a tool for managing the economy in order to influence the process of social production; secondly, the components of financial and budgetary policy are the object of management. Assessment of the impact of financial and budgetary policy on economic growth is an important component in the process of justifying the strategic tasks of the country's development. The insufficient level of efficiency of budget management does not allow to ensure the effectiveness and efficiency of the financial and budgetary policy as a component of the socio-economic development of the country.

Modern economic processes determine the need to use effective financial and budgetary policy tools regarding the revenue and expenditure part of the budget, budget deficit and public debt, inter-budgetary relations. At the same time, in order to make effective decisions regarding the formation of financial and budgetary policy, a forecast assessment of budget parameters is required, which is based on forecast macroeconomic indicators of the socio-economic development of the country, tools and levers of tax policy.

Many of the problems that countries with developed economies have to solve in connection with financial crisis processes that affect financial and budgetary stability and stability are similar to the problems that exist in countries with transformational economies. In particular, the important tasks of the financial and budgetary policy of the member states of the European Union define the need to implement measures to accelerate economic growth, stimulate innovation, and create a working environment more favorable for the development of small and medium-sized businesses.

Despite the differences in the structure of public revenues and expenditures between the countries of the European Union, the average deviation of the budget indicators has decreased, which indicates that the convergence process has a significant impact on the financial and budgetary policy. Along with this, an important task of the financial and budgetary policy of the countries of the European Union is to reduce the level of volatility of the economy by taking into account when justifying the priorities of the financial and budgetary policy in order to use it for countercyclical purposes, the concept of the gross domestic product gap. In the case of a negative gross domestic product gap, it is recommended to implement a stimulating financial and budgetary policy by reducing the level of the tax burden and increasing government spending, and in the case of a positive gap, it is recommended to implement a restraining financial and budgetary policy by increasing the level of the tax burden and reducing government spending.

In order to ensure financial and budgetary stability in the countries of the European Union, a mechanism for avoiding and correcting macroeconomic imbalances is used, according to which considerable attention is paid to the issue of maintaining the budget deficit and public debt at an economically justified level.

It should be noted that the use of budget policy as an effective tool for ensuring economic growth is hampered by its cyclical asymmetry, which increases due to changes in the economic situation. In this regard, the harmonization of budget systems remains an important task in this area. In general, at this stage, the specificity of the European model of budget policy formation is determined by the significant role of deep integration processes in ensuring its effectiveness and efficiency.

In Ukraine, according to data from the Ministry of Finance of Ukraine, the gross domestic product gap has been negative since 2011. Losses of the revenue part of the budget from the cyclical component are annually estimated at the level of 0.5 percentage points from the gross domestic product. Taking into account the level of the budget deficit, it is possible to assert the countercyclical nature of the budget policy, however, based on the primary balance of the consolidated budget (without taking into account the expenses for servicing the public debt), the budget policy is procyclical. Accordingly, a contradiction arises between the importance of implementing a restraining budget policy with the aim of reducing the level of public debt and the pro-cyclical nature of budget policy.

On average, the share of budget revenues and expenditures in the gross domestic product in Ukraine for 2009–2022 is 24.98% and 29.33%, respectively, including 22.31% and 26.06% for 2009–2011, 22.83% for 2012–2014 and 27.11%, for 2015–2017 – 26.44% and 28.71%, for

2018–2020 – 25.56% and 28.51%, for 2021–2022 – 29.12% and 39.75% (Table 1).

Table 1

The share of revenues, expenditures, deficit of the State Budget of Ukraine and the state debt in the gross domestic product, %

Years	share of income	share of expenses	deficit share	share of public debt
2009	22,14	25,89	-3,75	47,32
2010	21,47	27,21	-5,73	43,70
2011	23,32	25,07	-1,75	39,15
2009–2011	22,31	26,06	-3,74	43,39
2012	23,72	27,38	-3,66	41,46
2013	22,28	26,53	-4,25	75,64
2014	22,5	27,42	-4,92	100,35
2012–2014	22,83	27,11	-4,28	72,48
2015	26,89	29,16	-2,27	97,49
2016	25,84	28,78	-2,95	89,87
2017	26,59	28,19	-1,6	72,70
2015–2017	26,44	28,71	-2,27	86,69
2018	26,07	27,73	-1,66	56,15
2019	25,12	27,16	-1,96	59,25
2020	25,49	30,64	-5,15	60,44
2018–2020	25,56	28,51	-2,92	58,61
2021	23,79	27,44	-3,65	49,02
2022	34,44	52,06	-17,62	78,51
2021–2022	29,12	39,75	-10,64	63,77

Source: compiled from data URL: https://www.mof.gov.ua/uk

When the share of State Budget of Ukraine expenditures in the gross domestic product increases by one percentage point for the period 2009–2022, the real gross domestic product decreases by 1.13 percentage points. The linear regression equation has the form:

$$y = 130.29 - 1.13x \quad (1)$$

The above indicates the importance of strengthening the investment and innovation budget component, which involves improving the institutional environment for innovative development of budgets at different levels;

increasing the level of development of society's social infrastructure and communication tools, intensifying the efforts of state administration bodies to create innovative technologies, attracting additional resources for conducting research based on public-private partnership; improvement of institutional support for scientific, technological and innovative development of territories; coordination of state and regional innovation policy, which provides for the improvement of existing and the formation of new tools and levers for supporting the innovative development of territories; integration into the international innovation environment, which involves the use of mechanisms aimed at activating and increasing the efficiency of innovative activities of micro, meso and macro level systems; motivation of innovative activity for all participants of the budget process using financial and economic mechanisms.

When the share of revenues of the State Budget of Ukraine in the gross domestic product increases by one percentage point for the period 2009–2022, the real gross domestic product decreases by 1.85 percentage points. The linear regression equation has the form:

$$y = 143{,}38 - 1{,}85x \tag{2}$$

An important task of the financial and budgetary policy is to change the ratio between direct and indirect taxes in favor of the former. The level of growth of direct taxes is proportional to the level of solvency of consumers and provides an opportunity to fully take into account economic cyclicality. In particular, the highest level of tax revenue elasticity is observed in those countries in which government revenues are dominated by revenues from direct taxes.

Large-scale military actions on the territory of Ukraine and uncertainty in combination with a significant level of economic recession make the issue of developing new approaches to financial instruments relevant. In accordance with the National Security Strategy of Ukraine and the Concept of Ensuring a National System of Stability, the implementation of a national system of stability, including in the financial sphere, is one of the main directions of the state's foreign and domestic political activity to ensure its national interests. The expediency and importance of applying a systemic approach to financial security risk assessment has been determined, which will contribute to ensuring the ability of state institutions to identify threats in a timely manner, minimize their negative impact, respond effectively and in a timely manner, and quickly recover from crisis situations in the financial sphere. The above emphasizes the importance of assessing financial policy in conditions of limited financial resources, substantiating its strategic tasks, which will contribute to the proper response and prevention of threats by state institutions and rapid post-war recovery.

In the conditions of large-scale military operations on the territory of Ukraine, the issue of increasing the effectiveness of mechanisms for ensuring national stability, including the budgetary one at both the state and local levels, has gained importance. The budget and tax policy should be implemented in the context of ensuring the coordinated functioning and interaction of all participants in the budget process, determining the coordination mechanism of such activities, the clear distribution of revenue and expenditure powers, the responsibility of state authorities and local self-government, the formation of coordinated action plans in the conditions of prevention, response and overcoming consequences of military aggression against Ukraine.

It is appropriate to direct the budget and tax policy to ensure: the financial capacity of state authorities, local self-government, and their institutional stability; the appropriate level of financing of the security and defense sector, the health care system in conditions of increased burden on the budget; effective response to the uncontrolled movement of people and, accordingly, ensuring the appropriate level of financial capacity of the relevant territorial communities.

At the same time, the key challenges of financial policy in wartime include: a decrease in the economic activity of economic entities, the destruction of economic potential, which leads to the fall of the economy and, accordingly, a significant decrease in the level of tax revenues to the state budget; a change in the place of registration (residence) of a significant number of economic entities and households, which changed the needs of state authorities, local governments and their financial capabilities, increasing the need for additional financial resources; growing differentiation of incomes of local budgets of various administrative and territorial units; insufficient internal financial resources and the unpredictability of the economic situation, respectively, the impossibility of high-quality budget forecasting.

An important task today is to stimulate market demand for relevant securities. In particular, the National Bank of Ukraine: "allowed foreign investors to transfer funds abroad, which will be received in connection with the repayment or income payment of domestic state loan bonds; a new accounting model for non-resident securities was introduced; the approaches to assessing the value of domestic state loan bonds, which are accepted as collateral for refinancing loans, have been relaxed". Also, important tasks have become: strengthening the fiscal potential of taxes and improving the methodology for assessing fiscal risks; increasing the effectiveness of the tax administration mechanism, which minimally distorts the economic decisions of business entities; optimization of the expenditure part of the state budget, which involves reducing the level of funding of the part of costs that have the least impact on the provision of basic types of budget services; formation of budget programs for the reconstruction of the national economy in accordance with public priorities.

In the conditions of war, the financial policy must be implemented in accordance with the needs of the real economy, which determines the need to strengthen the connection between state funding and strategic plans for the socio-economic development of the country. In the medium-term perspective, it is important to optimize public spending as a whole, but the level of funding for important programs should be sufficient. In order to intensify the financial policy, it is important to develop the institutional foundations of state support for economic entities, which is a significant prerequisite for the post-war recovery of the domestic economy. At the same time, the need to find additional internal sources of funding is growing, which actualizes the issue of introducing extraordinary fiscal instruments to increase budget revenues. At the same time, in order to ensure the post-war recovery of Ukraine's economy, it is advisable to develop a strategy for the development of the financial sector, which will contribute to strengthening the targeted influence of financial policy on the rate of economic growth. An effective revenue mobilization mechanism is an important prerequisite not only for increasing budget revenues, but also for restoring economic balance in the country. At the same time, in the conditions of martial law, considerable attention should be paid not only to the tasks of ensuring an effective mechanism of revenue mobilization, but also to the observance of the principles of fairness of taxation, related to the rational redistribution of the level of the tax burden among taxpayers. Important tasks of budget policy are to increase the efficiency of budget expenditures and ensure a balance between financing the most critical items of the state budget and stimulating the recovery of the economy. At the same time, the achievement of the set tasks requires the search and justification of new approaches that would ensure their implementation. All this will be investigated in the future.

The share of expenditures of the State Budget of Ukraine in GDP in 2022 by 23.99 percent. higher than in 2018–2021. A significant share in the structure of expenditures of the State Budget of Ukraine is made up of expenditures on defense, public order, security, and the judiciary (in 2022, the share of relevant expenditures in GDP is 26.80 percentage points higher than for 2018–2021).

As a result of the increase in expenditures (by 81.53% in 2022 compared to 2021) and the simultaneous decrease in the level of tax revenues (14.21% in 2022 compared to 2021), the risks of the financial stability of the state budget increased and the deficit significantly increased (18.96% of GDP). It should be noted that the level of centralization of state financial resources of Ukraine is low compared to EU countries (Project of the Recovery Plan of Ukraine "Functioning of the financial system, its reform and development", 2022). At the same time, based on foreign experience, high rates of economic growth are observed with significantly lower values of the share of public expenditures in GDP. This confirms the assumption that long-term fiscal sustainability should be evaluated based on the analysis of both the expenditure part of the budget and the revenue part.

In 2022, the growth of the share of revenues of the State Budget of Ukraine in GDP is due to the growth of official transfers (in 2022, the share of relevant revenues in GDP is 9.27 percentage points higher than in 2018–2021) and non-tax revenues (in 2022 the share of relevant revenues in GDP is 2.79 percentage points higher than in 2018–2021). In the structure of the revenue part of the State Budget of Ukraine in 2022, the share of official transfers was more than a quarter, while in 2018–2021 it averaged 0.12%; the share of non-tax revenues is 19.37%, while for 2018–2021 it is 17.44%. At the same time, the share of tax revenues in 2022 significantly decreased compared to 2018–2021, the average value of which for this period was 81.45%.

In 2022, the share of the main budget-forming taxes in the revenue part of the state budget decreased by: 1.67% compared to 2018–2021 p. –

value added tax on goods (works, services) produced in Ukraine, taking into account budget compensation; 14.76 in p. – value added tax on goods imported into the customs territory of Ukraine; 2:30 p.m. p. – tax and levy on the income of individuals; 4.12 c. p. – tax and profit of enterprises; 3.73 in. item – excise tax on excise goods (products) produced in Ukraine.

Despite the significant volumes of receipts of official transfers from the European Union, foreign governments, international organizations, and donor institutions, a significant share of the state budget deficit was financed at the expense of the issue. The above-mentioned led to increased risks of budget security violations and revitalization of inflationary processes.

Therefore, increasing the validity of the budget and tax policy involves strengthening its adaptability to socio-economic processes. At the same time, the implementation of a prudent budget and tax policy in conditions of limited financial resources will contribute to increasing the quality level of budget architecture in accordance with the goals of sustainable development. In today's conditions, the budget and tax policy of Ukraine is aimed at: ensuring budget stability, stability and dynamic balance; increasing the effectiveness of the use of budget funds; development of methodological principles for increasing the effectiveness of the budget deficit and public debt management mechanism in the financial regulation system; introduction of principles of transparency of subjects of tax relations.

Analysis and assessment of revenues and expenditures of the State Budget of Ukraine in recent years proves the need to optimize the expenditure part of the budget, change its structure in favor of productive ones. At the same time, it is a strategic task to ensure an adequate level of funding for the security and defense sector. The limitation of state financial resources recognizes the need to develop an effective budget and tax policy from the point of view of the possibility of implementing alternative ways of ensuring the proper implementation of the constitutional rights and freedoms of citizens. It is expedient to improve the mechanism for mobilizing own budget revenues, mutual coordination of budget and tax planning tools, which will contribute to ensuring an optimal balance between own and loan resources.

The implementation of a prudent budget and tax policy and the strengthening of the adaptability of the budget architecture to socio-economic processes will provide an opportunity to direct the managers of budget funds to the reasonable definition of goals and objectives and the achievement of specific results; to develop long-term guidelines for budget architecture, to establish a balance between current expenditures and financing of capital investments, which will contribute to the achievement of macroeconomic stability in conditions of limited financial resources. The validity of the budget and tax policy is a significant prerequisite for the restoration of economic balance in Ukraine. Among the strategic tasks of the budget and tax policy in the conditions of limited financial resources, it is expedient to include: improvement of the mechanism of mobilization of the budget's own revenues; increasing the efficiency of budget expenditures; ensuring a balance between financing the most critical items of the state budget and stimulating the recovery of the economy. At the same time, the achievement of the set tasks requires the search and justification of new approaches that would ensure a high-quality level of their implementation.

4. Directions of public finance development

The public finance system plays an important role in ensuring macroeconomic stability and regulating economic processes. Effective management of state financial resources is a basic condition for raising the level and quality of life of the population, achieving the strategic goals of the socio-economic development of the country. Institutional transformations lead to the need to improve the quality of public finance management, their transparency and accountability, and ensure stability, stability and balance of the budget system. The above actualizes the issue of: improvement of the state strategic planning system based on dynamic modeling of socio-economic processes in order to determine effective directions of development and make reasonable management decisions in this area; increasing the efficiency of the distribution of state financial resources, in particular in terms of state investments; full implementation of the medium-term planning system in the budget process; improving the quality of state financial control and audit; changing approaches to budget architecture in terms of costs; implementation of measures aimed at minimizing fiscal risks, in particular with regard to economic entities of the state sector of the economy, state guarantees. The components of the public finance system must be mutually coordinated and aimed at creating appropriate conditions for deepening the interaction between the state and society.

The development of the public finance system is a dynamic institutional process, which consists in the implementation of structural transformations of its components in order to ensure the effective accumulation and distribution of state financial resources in accordance with the priorities of the country's socio-economic development. Important components of the public finance system in both countries with developed and transformational economies are: the budget system, which consists of budgets of different levels; state trust funds; finances of economic entities of the state sector of the economy; state and communal debt; state financial institutions. Along with this, it is appropriate to note that in different countries the share of the public sector in the economy ranges from 5% to 60% of the gross domestic product.

State financial control and audit are important tools affecting the effectiveness of the public finance system. According to the Lima Declaration of Guiding Principles of Public Finance Audit, "the introduction of control is an integral component of the management of public financial resources, which ensures the responsible and accountable nature of this management. In addition to checking the legality and correctness of financial management, the submission of financial statements, the highest state financial control body must conduct an audit of the effectiveness of spending public funds, which is aimed at checking the efficiency, economy and effectiveness of public administration".

At present, both countries with developed and transformational economies have adopted a number of legal acts that determine the mechanism of internal and external state financial control and audit. Along with this, in countries with a transformational economy, many elements of state audit need development. Important tasks are the development of new approaches to the prevention of violations of compliance with the financial and budgetary legislation, increasing the level of validity of the assessment of the effectiveness of the use of state financial resources. Accordingly, the level of effectiveness of the public finance management system in the conditions of institutional transformation depends first of all on the efficiency of the distribution and use of state financial resources, which actualizes the issue of applying qualitatively new approaches to the organization of state financial control and audit, specifying their forms, objects, methods and tools.

It is important to change approaches to state forecasting in order to ensure timely implementation of adequate financial and budgetary measures and response to the socio-economic situation in the country. The need to strengthen the strategic nature of state financial and budgetary forecasts is ripe. The effectiveness of the process of improving the management mechanisms of the components of the state finance system, the development of the state strategic planning system, and the full implementation of medium-term planning focused on achieving concrete results in the budget process depends on their realism.

It should be noted that medium-term budget planning is currently successfully applied both in countries with a developed economy and in some countries with a transformational economy, which provides an opportunity to stimulate the rate of economic growth and increase the effectiveness of the public debt management mechanism. In the case of medium-term budget planning, the budget for the next budget period is a component of the annually updated budget and is shifted by one year of the multi-year budget plan, which contributes to ensuring the consistency of fiscal policy implementation and the predictability of the distribution of state financial resources, allows for the application of a clearly defined and transparent procedure for adjusting budget parameters in accordance to the tasks of the socio-economic development of the country, contributes to a more accurate prediction of the likely amount of state financial resources.

For the full implementation of medium-term planning in the budgetary process, important tasks are: development of realistic macroeconomic and budgetary forecasts; legislative legitimacy of financial and budgetary rules, in accordance with which medium-term budget plans will be developed and implemented; substantiation of approaches to monitoring and assessing the volume of spending obligations for the medium term. The development of realistic macroeconomic and budgetary forecasts based on a set of reasonable and agreed assumptions will provide a solid basis for medium-term budget planning, both in terms of revenues and expenditures. When developing medium-term plans, it is important to determine the procedure for developing scenario conditions for the development of the budget system based on clearly justified forecast indicators, as well as the mechanisms for their clarification and adjustment. To this end, there is an objective need to implement effective automation tools that will provide an opportunity to improve modern processes of financial and budgetary forecasting and planning, to ensure informational interaction of state administration and local self-government bodies with subjects of administration of the state and private sectors of the economy, citizens; development of an economic-mathematical model of financial and budget planning, which takes into account the indicators and trends of the socio-economic development of the country, changes in the legislation in the field of public finances and allows for factor analysis of the deviation of the actual indicators from the planned ones.

At the same time, in the conditions of institutional transformations, the formation of budget indicators and their architecture should be carried out based on the necessity of: optimizing the expenditure part of budgets at different levels and increasing the efficiency of the use of state financial resources; acceptance of new spending obligations is possible only if the comparative assessment of their effectiveness is higher than current obligations, taking into account the terms and level of available financial resources for their implementation; constant analysis and assessment of spending obligations in order to determine inefficient spending; substantiation of marginal indicators both in relation to the expenditure part of the budget in terms of economic and functional classification, and in relation to the budget deficit and public debt; ensuring a sufficient level of flexibility of budget expenditures based on the macroeconomic situation in the country; substantiating the criteria for the distribution of state financial resources when clarifying the tasks of fiscal policy or in the case of optimizing the expenditure part of budgets of different levels with unfavorable dynamics of budget revenues; improvement of regulatory and methodological support of the budget process; carrying out a constant assessment of fiscal risks to ensure stability, stability and balance of the budget system and their use in the process of budget planning.

Considering the transformational transformations, it is expedient to pay significant attention to capital investments to ensure the economic development of the country, for this purpose it is expedient to develop the institutional environment of public-private partnership, increase the level of effectiveness of investment policy and improve the decision-making mechanism regarding state capital investments and guarantees. In particular, in countries with a transformational economy, currently, for the most part, costs for the implementation of state capital investments are determined separately from current costs, which does not provide an opportunity to concentrate budget funds at a sufficient level on the priority tasks of the country's socio-economic development. Based on the fact that capital investments are of a strategic nature, investment and innovation programs will be more justified if they are integrated into medium-term budget planning. Along with this, important tasks are the improvement of the capital expenditure management mechanism, the review of criteria for the preliminary identification of investment projects and their subsequent selection, based on the investment opportunities of the budget, taking into account the goals and objectives of the socio-economic development programs of the territories.

Ensuring the development of the institutional environment of public-private partnership involves: determining a unified approach to the development of a mechanism for effective interaction between state administration bodies, the private sector and institutions of civil society; substantiation of the priority areas of application of this partnership and its features in certain sectors of the economy; implementing a clear division of powers between state administration bodies and increasing their institutional capacity for public-private partnership.

In order to ensure macroeconomic stability and create conditions for dynamic economic development in the conditions of institutional transformations, it is advisable to improve the tools for managing the public debt, its structure, repayment and maintenance payments, and substantiating indicators of financial and economic security. In particular, under the conditions of institutional transformations, the share of public debt in GDP is growing both in countries with developed and transformational economies. Among the studied countries, the lowest share of public debt in GDP is observed in Estonia, Luxembourg, Bulgaria, Romania, Latvia and Lithuania. The largest in Greece, Italy, Belgium, Portugal, France.

In order to reduce the share of the state debt in the gross domestic product, to establish its volume at an economically safe level, it is advisable to revise the decision-making algorithm regarding the attraction of new state loans and justify the procedure of their comprehensive examination, which will include an assessment of the cost of borrowing, the risks of impact on the parameters of the financial and economic security; development of a risk matrix regarding the management of state and guaranteed state debt; improvement of the existing institutional structure of state and communal debt management.

Institutional transformations of the public finance system in recession conditions involve the adaptation of a set of financial and budgetary regulation mechanisms to the conditions of the development of the financial and economic environment, taking into account economic cyclicality, which will provide an opportunity to ensure the optimization of the composition and structure of state financial resources, strengthen the effective influence of state finances on the dynamics of socio-economic indicators development of countries. At the same time, institutional transformations of the state finance system should take place in stages, taking into account economic and socio-political factors, with the implementation of a prudent financial and budgetary policy.

Increasing the effectiveness of the public finance system in the conditions of institutional transformations necessitates the mutual coordination of its components based on the development of state strategic planning and the full introduction into the budget process of medium-term planning, transparency and realism of the formation of state financial resources, their justified distribution. The development of the state finance system should be based on the principles of a systematic study of financial and economic phenomena and processes. At the same time, the realism of the estimated macroeconomic parameters, which are the basis of state planning, is important. Decision-making regarding the management of state financial resources should be carried out based on the results of monitoring and evaluation of the efficiency and effectiveness of state programs, investment and innovation projects, as well as based on strategic modeling of socio-economic processes. The importance of capital investments to ensure the socio-economic development of the country and the limitation of state financial resources actualize the issue of developing new approaches to planning state investments, establishing clear criteria for the preliminary identification of investment and innovation projects and their subsequent selection, which will contribute to the concentration of resources on programs and projects with significant level of economic return.

The implementation of an effective financial and budgetary policy plays an important role in the process of regulating the socio-economic development of society. At this stage of the country's economic development, it is important to rethink the system of financial and budgetary knowledge and views that have developed in countries with a transformational economy, to carry out an in-depth analysis and assessment of factors that affect the components of financial policy. This will provide an opportunity to deepen the understanding of the essence of finance as an important regulator of socio-economic processes and make informed decisions regarding the development of financial and budgetary relations.

Financial and budgetary policy to a large extent embodies the place and role of the state in regulating social and economic processes and ensuring economic growth. Therefore, first of all, the success of the implementation of the state's management functions depends on the mutual coordination of its components. The effectiveness and efficiency of the financial component of the socio-economic development of society depends on the successful solution to the issue of building its architecture. The financial and budgetary policy should be based on a scientifically based concept of the development of financial relations, aimed at the financial regulation of socio-economic processes and creating favorable conditions for the development of the economy in the direction of an innovative model.

Increasing the level of efficiency and effectiveness of financial and budgetary policy depends on the further development of appropriate measures for its implementation. The prerequisite for the development of the financial component should be the formation of the main priorities, the determination of quantitative and qualitative criteria that indicate the achievement of certain results, and the improvement of the financial policy implementation mechanism. The choice of the development model of the financial component of the socio-economic development of society is determined by a number of factors, in particular, the level of economic development of the country, national characteristics. The effectiveness of financial policy is determined by the level of institutional development of the financial environment, trends in the development of society.

Solving the problems of improving the components of financial policy, in particular budgetary, tax, and monetary policy, is possible under the condition of significant improvement in the directions and methods of interaction of public administration bodies that ensure the formation and implementation of financial policy, which will provide an opportunity for effective transformations of the economy.

The success of implementing reforms aimed at restoring progressive economic growth, modernizing the economy, and improving the welfare of citizens is largely determined by the coherence and effectiveness of the budget and tax mechanism. The excessive level of the tax burden on taxpayers has a negative impact on the investment climate in the country and complicates processes aimed at ensuring economic development. The transformation of the budget mechanism into an effective tool of socio-economic strategy is an important task for improving the budget policy.

In the conditions of economic recession, the role of the state in regulating socio-economic dynamics must increase, it is necessary to increase capital expenditures in order to solve the priority tasks of stabilizing the economy. The main tasks for ensuring the effectiveness of budget expenditures are to increase the effectiveness of existing tools of program-target management and budgeting; creation of conditions for strengthening the quality level of the provision of public services; improvement of public procurement and control procedures in the system of financial and budgetary relations.

The financial component of the socio-economic development of society needs institutional transformations, increasing its efficiency is possible by introducing an effective mechanism for managing state finances, including the state debt, defining the strategic goals of state development taking into account the medium- and long-term budget possibilities, ensuring transparency, predictability and consistency budget, tax and monetary policy.

An important task in modern conditions is the activation of investment policy, which characterizes the innovative potential, economic climate and investment attractiveness of administrative-territorial units and the country as a whole. The development of the domestic economy should be based on innovative potential and positive dynamics of investment processes, since a sufficient level of renewal of fixed assets leads to an increase in the technological level of production.

The tasks of stabilization financial policy are the implementation of processes related to the smoothing of economic fluctuations, which are caused by the dynamics of the foreign economic situation. There is a need to expand the boundaries of financial policy, which should be aimed not only at increasing the level of sustainability of the country's economic development, but also at influencing social development.

Priority areas of financial policy include improvement of the institutional environment of the functioning of the state finance system; establishment of fiscal and monetary policy coordination; modernization of tax and fee administration processes; formation of the optimal structure of the expenditure part of the budget; increasing transparency in the management of state finances and the efficiency of their distribution and use, the effectiveness of state financial control.

Solving the tasks of financial policy depends on the choice and application of methods and tools of financial regulation, in particular, in the formation of budget and tax policy. It is important to make appropriate institutional changes to improve relations between the participants of the budget process. Based on the strategy of ensuring the sustainable economic development of the country, the introduction of relevant international standards is a weighty task of carrying out relevant transformations in the financial system in order to increase the transparency and efficiency of the distribution and spending of public finances.

Monetary and credit policy reflects a complex system of macroeconomic relationships and socio-economic institutions and is directly aimed at ensuring the stable functioning of the country's financial and banking system. At the same time, the monetary policy is considered as the most important direction of the economic policy of the state and is a set of measures developed by the central bank together with the government in the field of organization of monetary and credit relations. With the help of these measures, its influence on the reproductive process is ensured in order to regulate economic growth, increase the efficiency of production, ensure the employment of the population, the stability of foreign economic relations and solve the strategic tasks facing the country's economy.

Money and credit (monetary) levers are one of the main tools of the state's economic policy. The essence of state regulation of the economy with the help of monetary instruments is to influence the money supply and the price of credit. The Law of Ukraine "On the National Bank of Ukraine" defines that monetary policy is a set of measures in the sphere of monetary circulation and credit aimed at regulating economic growth, curbing inflation and ensuring the stability of the monetary unit of Ukraine, ensuring employment of the population and equalizing the balance of payments.

The subject of monetary policy is the state, which regulates this sphere through its representative bodies – the central bank and relevant government structures – the Ministry of Finance or the Treasury, bodies that supervise the activities of banks and control money circulation, deposit insurance institutions and other institutions. The decisive role in the implementation of monetary regulation belongs to the central bank. The choice of objects of monetary regulation depends on the economic situation of the country and means that the central bank can, depending on the situation, focus on one of the objects listed above or even several at the same time. The objects to which regulatory measures are most often directed are the following variables of the money market: supply (mass) of money; interest rate; exchange rate; speed of money circulation etc.

In the conditions of the economic crisis, the monetary policy plays an extremely important role, since the further economic development of the country largely depends on its effectiveness. In turn, the banking system is the basis of the monetary and credit system, so its deterioration immediately affects the stability of the economy's financial services. The effectiveness of monetary policy implementation largely depends on the coordination of activities of state authorities. The consistent implementation of monetary policy aimed at ensuring the long-term stability of the monetary system will contribute to the maintenance of financial and general macroeconomic stability.

Monetary and credit policy can be implemented using administrative, market and mixed methods of economic regulation. Important features of administrative methods are the direct intervention of the state in economic processes by establishing the ratio of national and foreign currencies, regulating prices for certain groups of goods. Market methods include the regulation of the money market using market mechanisms of the central bank. In modern conditions, in connection with the insufficient level of development of financial markets and the effectiveness of market mechanisms, mixed methods of regulating the economy are operating, which involve a simultaneous combination of the mentioned methods of regulation.

According to theoretical concepts, which are the basis of monetary policy, the main object of monetary regulation is the aggregate money supply, the size of which depends on the dynamics of the main indicators of economic development. Today, almost all over the world, the formation of the money supply has become a tool for conducting monetary policy by central banks, the main tools of which are the reserve ratio, the discount rate, and open market operations.

The modern monetary approach is based on the fact that changes in the money supply are extremely important for stimulating business activity due to the application of a certain scheme of monetary transfer (transmission) mechanisms from the process of implementing the main principles of monetary policy to specific areas of investment stimulation, accumulation and expanded reproduction.

The strengthening of the national monetary unit contributes to the increase in the efficiency of imports, the development of investment processes, primarily at the expense of foreign investments. As a result of the depreciation of the dollar, the attractiveness of investment projects increases, it increases the interest and hopes of foreign investors for obtaining higher profits. At the same time, the increase in the flow of foreign investments does not occur in proportions corresponding to the devaluation of the dollar, so this factor alone is not enough to increase Ukraine's investment attractiveness.

The state creates the conditions for the implementation of these measures, forming the legislative framework, determining the general organization of the functioning of credit structures and the legislative basis for the implementation of monetary emission and securities. The monetary and credit policy developed on this basis, from the side of its practical implementation, is ensured by the central bank of the country, which, while carrying out the developed and approved policy in the field of development of credit and monetary relations, at the same time is quite independent and self-sufficient in its actions.

Implementation of a well-thought-out monetary policy by the state requires the differentiation of its strategic, intermediate and tactical goals. Strategic goals are the main ones in the general economic policy of the state and are aimed at ensuring the possibilities of effective functioning of social production, achieving economic growth, improving the welfare of the population, and curbing inflation. Intermediate goals are manifested in changes in economic processes to achieve strategic goals (revitalization of market conditions). The tactical goals of monetary policy are the operational tasks of the banking system in relation to the regulation of the main economic indicators (changes in the money supply, changes in the interest rate).

A characteristic feature of intermediate goals is that they are set for long time intervals during which they can be realized. Thus, the revitalization of the market situation in connection with the growth of the money supply or the reduction of interest rates in the short term can cause an increase in demand and prices. Only if these measures stimulate investment, production growth will be ensured by an increase in supply, which will stop the rise in prices and stabilize them. However, this requires a long period of time.

Characteristic features of tactical goals are short-term, their implementation by operational measures exclusively of the central bank, multifacetedness, unity and certain contradiction. These features significantly complicate the choice and mechanisms for the implementation of tactical goals. So, if a change in the money supply affects a change in aggregate demand and affects the entire macroeconomics, then changes in the interest rate and exchange rate can affect not only aggregate demand, but also the interests of certain groups of economic entities and lead to structural changes in the economy. Therefore, the success of solving many regulatory tasks depends on the correct combination of the specified tactical goals: changes in the interest rate or exchange rate can localize the inflationary effect of the increase in the mass of money in circulation. When determining the tactical and operational goals of monetary policy, it is necessary to take into account the need to differentiate it depending on the specific macroeconomic situation.

According to Article 25 of the Law of Ukraine "On the National Bank of Ukraine", the main economic means and methods of monetary policy are the regulation of the volume of money supply through: definition and regulation of mandatory reserve norms for commercial banks; interest rate policy; refinancing of commercial banks; management of gold and foreign exchange reserves; transactions with securities (except for securities confirming corporate rights), including treasury obligations, on the open market; regulation of import and export of capital; issuance of own debt obligations and transactions with them.

The determination of mandatory reserve norms consists in the fact that the National Bank of Ukraine sets commercial banks and other credit institutions norms of mandatory reserve of borrowed funds. The amount of required reserves is set as a percentage of the total amount of funds raised by the bank. This tool is characterized by a significant speed of action and uniformity of influence on the subjects of the money market, as well as the power achieved by the multiplication effect and bilateral influence on the money supply. But it should be noted that the disadvantages of using such a tool are the impossibility of accurately forecasting changes in the money supply, a decrease in the competitiveness and profitability of banks in connection with the growth of reserves. If the National Bank of Ukraine pursues a restrictive policy, it increases the reserve requirement ratio. To the same extent, the amount of required reserves increases and the resource potential of each commercial bank decreases. Interest rate policy as an instrument of monetary and credit regulation of the economy consists in the fact that the National Bank of Ukraine determines the level of interest rates for pawnshop and accounting loans, which it provides to commercial banks in order to refinance their active operations.

Refinancing of commercial banks is closely related to interest rate policy, but it also has certain characteristics of its own. This instrument is based on the function of the National Bank of Ukraine as a "lender of last resort". Commercial banks turn to him for a loan most often in the event of a temporary deficit of primary reserves (funds on a correspondent account at the National Bank of Ukraine). Banks require such loans, as a rule, for a short period of time and receive them in the order of conversion of commercial promissory notes or as collateral for securities, including commercial promissory notes. These loans are called accounting and pawnbroking, respectively. Operations with securities on the open market consist of changes in the volume of purchases and sales of treasury bonds (certificates of deposit) and other securities by the National Bank of Ukraine.

Currency regulation is a powerful instrument of monetary and credit influence of the state on economic processes at the monetary level, which is used to support the exchange rate of the national currency through the purchase and sale of foreign currency on the interbank foreign exchange market, which in turn affects the reserves of the banking system and, accordingly, through multiplier effect on the money supply.

In Ukraine, currency regulation is carried out by the National Bank, which is aimed at protecting and ensuring the necessary degree of convertibility of the national monetary unit, organizing the exchange rate formation system, streamlining operations using currency capital, establishing the regime and restrictions on the export and import of foreign currency values, regulation of the activities of entities currency market and current operations of the balance of payments, ensuring stable sources of foreign currency inflows to the national currency market.

Regulation of import and export of capital is an instrument of influence on the money supply in circulation, which is used by the National Bank of Ukraine through: registration of import and export of capital; establishment of maximum and minimum interest rates for foreign deposits in Ukrainian banks; establishment of mandatory interest-free deposit of a certain part of the amount of these debt obligations in authorized banks of Ukraine for persons who have debts to non-residents.

The influence of monetary policy instruments on macroeconomic indicators occurs through various channels of the transmission mechanism, the functioning of which in different countries depends on the level of economic development.

There are four channels in the structure of the domestic monetary transmission mechanism: interest – characterizes the influence of the central bank on the economy due to changes in interest policy; credit (narrow channel of bank lending) – reflects the impact of monetary policy on aggregate demand and supply due to changes in the volume of bank lending; exchange rate (as part of the asset value channel) – reflects the impact of monetary policy on aggregate demand and supply due to changes in the national currency rate; expectations of economic subjects – characterizes the impact of changes in monetary policy on the expectations of economic agents regarding future prices and the macroeconomic situation, and accordingly on their decisions regarding consumption, investment and production.

The main role in the structure of the monetary transmission mechanism of the domestic economy is played by the exchange rate channel, which is reflected in its significant dependence on the behavior of foreign currency. Accordingly, an important element of modernization of the transmission mechanism of Ukraine's economy at the current stage of its development is the improvement of the exchange rate regime. In particular, ensuring greater flexibility of the exchange rate by determining it on the basis of balancing supply and demand in the foreign exchange market will have a number of positive consequences. This will lead to a decrease in the level of dollarization of the economy, which will provide more leverage to the National Bank for the implementation of monetary policy. Accordingly, the hypertrophied role of the exchange rate channel in the transmission mechanism will decrease and the share of impulse redistribution through the interest rate channel will increase.

Based on the priority goal of ensuring price stability in the medium-term perspective and taking into account the peculiarities of the state of the economy, the main task of monetary policy is to reduce the rate of inflation to a level that will contribute to the restoration of public trust in the national currency and the reduction of inflationary expectations. To fulfill the main task, effective measures will be taken to stabilize the situation on the foreign exchange market, return to the legal plane the entire array of currency exchange transactions and ensure stable limits of exchange rate fluctuations due to the optimization of monetary policy, banking regulation and supervision, loosening of currency restrictions, as well as the introduction of stimulating measures for return of foreign exchange earnings of exporters to the country. If devaluation pressure remains – to stabilize currency expectations and maintain stable exchange rate dynamics – it is possible to use the regimes of soft exchange rate pegs or managed exchange rates.

A necessary condition for ensuring the balance of the money market is an increase in confidence in the National Bank and the banking system, as well as the restoration of the interbank credit market as an effective institution of liquidity redistribution. This will be facilitated by measures to recapitalize banks, balanced actions in the field of banking supervision, moderation in decision-making regarding declaring banks insolvent and ensuring equal access of banks to the resources of the National Bank according to transparent criteria.

The main objectives of the interest rate policy are to create incentives to restore the positive dynamics of deposits in the banking system, to promote the balancing of currency and interbank credit markets, to reduce inflation and to prevent a decrease in the motivation of banks to lend to the real sector due to the high profitability of operations based on deposit certificates of the National Bank.

In order to increase the effectiveness and transparency of monetary policy, the National Bank, in preparation for the introduction of the inflation targeting regime, changed the operational approaches to conducting monetary policy, in particular, canceled the practice of holding daily currency auctions and announcing the indicative rate of the hryvnia. Currently, the hryvnia exchange rate is set based on the objective parameters of market demand and supply; the effectiveness of the discount rate as a base rate of monetary policy was also strengthened.

Interest rates on liquidity regulation instruments will be determined depending on the level of the discount rate. At the same time, in order to ensure the predicted and controlled development of the market situation, the National Bank applied stricter approaches to monetary policy. It is important to note that the conduct of monetary policy is influenced by a number of factors, which include: problematic interaction between the central bank and the government; lack of sufficient conditions for the normal operation of alternative currency channels of monetary transmission; the contradictory ideology of supporting the banking system in crisis conditions; an unfavorable institutional and legal environment in the state, which reduces the effectiveness of special targeted anti-crisis instruments of monetary policy (insufficient transparency in the selection of recipients of refinancing loans, insufficiently strict requirements for the collateral base); uncontrolled overflow of a part of the refinancing loans provided to the foreign exchange market (inefficiency of foreign exchange interventions in terms of impact on the exchange rate due to their availability to a limited range of financial institutions); institutional obstacles to the recapitalization of the banking system at the expense of private capital, which increases the burden on monetary policy and the budget; significant deficit of the financial account of the balance of payments; legal unsettlement of many aspects of credit relations; imperfection of mechanisms for attracting long-term hryvnia resources.

To solve these problems and improve the state of the financial market of Ukraine, it seems appropriate to change the monetary policy to a more rigid and consistent one, using such methods as: lowering the refinancing rate of commercial banks; introduction of administrative regulation of interest rates in order to prevent corruption and abuses, establishment of bank margin for credit transactions; implementation of nationalization of assets of problem banks; the use of a managed floating rate with a gradual transition to a regime of free exchange floating rate; the implementation of certain restrictive measures to increase the supply of foreign currency on the domestic currency market and reduce the demand for it in order to prevent the rapid depletion of official gold and currency reserves; decrease in the level of dollarization of the domestic economy, because confidence in the national currency is undermined, and, therefore, to the banking system, caused primarily by the performance of monetary functions on the territory of our country with foreign currency. In order to optimize the monetary policy, it is also possible to propose, among other areas, the stabilization of the banking system in general, as well as control over the targeted use of refinancing loans.

In today's conditions, it is important to form a monetary policy based on the forecast of economic development. At the same time, financial stability is considered a necessary condition for the implementation of monetary policy. The financial system must ensure the preservation of savings and their transformation into investments, the optimal distribution of risks, as well as the stable functioning of the payment system. In the medium term, an important task is to further reduce the growth rate of consumer prices. At the same time, the target trajectory of inflation should be determined taking into account the prospects of economic growth, as well as tasks aimed at ensuring the stable functioning of the banking sector and financial markets. The mechanism for determining the discount rate must take into account the peculiarities of the transmission mechanism of monetary policy.

It is important to implement measures to optimize the system of monetary policy instruments in order to strengthen the effectiveness of the interest channel of the transmission mechanism, ensure the development of the infrastructure of financial markets, and increase their depth. At the same time, increasing the level of effectiveness of the transmission mechanism will be ensured as a result of strengthening the banking sector, including due to the implementation of Basel III standards.

Given the increase in administratively regulated prices and tariffs, monetary policy should be based on the need to level possible monetary risks to price stability. When assessing the possible impact of administrative factors, it is necessary to take into account that bringing prices and tariffs in line with market-based levels, although it may lead to an increase in the inflation rate in the short term, but in the medium term, on the contrary, will contribute to price stability by eliminating disparities and improving the work of the relevant branches of the economy.

The interest rate policy should be aimed at promoting the formation of conditions for reducing the real cost of credit resources. At the same time, the dynamics of interest rates on loans and deposits will significantly depend on the level of market expectations, overcoming structural disparities in development. This will require the adoption of measures coordinated with all branches of government in the direction of macroeconomic stabilization, improvement of legislation on the protection of the rights of creditors and consumers of financial services, improvement of the investment climate.

The gradual increase in the exchange rate flexibility of the monetary unit must be coordinated with the rates of economic growth, the level of competitiveness of domestic products, the reduction of the dollarization of economic relations, and the strengthening of the stability of the financial system.

In order to increase the ability of the financial system to accumulate resources to meet the needs of economic growth, it is important to improve the system of non-cash payments. In particular, it is necessary to take measures to spread non-cash payments using special means of payment, introduce modern technologies to ensure reliable and efficient service to payment participants, create a unified infrastructure and implement related projects in the social sphere.

An important task is the mutual coordination of monetary and fiscal policy, including in terms of the impact on the state of the monetary market of the issuance of domestic obligations, active cooperation in matters of ensuring the stability of the financial system, determining the priorities for directing financial resources through fiscal mechanisms and tools.

The main goal of monetary policy at the moment is to ensure price stability, which involves achieving and maintaining low growth rates of consumer prices and is one of the important conditions for the formation of balanced and sustainable economic growth. Effective instruments of monetary policy implementation, which are simultaneously levers of the mechanism of state regulation of the economy, include: operations of the National Bank on the open market of government securities, regulation of the discount rate, regulation of the mandatory reserve requirements for deposits. By carrying out operations on the purchase and sale of state loan bonds on the market of state securities, the National Bank increases the money supply, which in turn affects the level of investment and lending, while ensuring financing of the budget deficit.

By changing the value of the discount rate, the financial regulator exerts a corresponding influence on credit activity and the level of liquidity of banking institutions. An increase in the discount rate affects the increase in interest rates on loans, because in fact the discount rate is the "price" at which the National Bank sells loans to banking institutions. By analogy, a decrease in the discount rate affects the decrease in bank lending rates. Thus, using this financial instrument, the state influences the level of business activity to some extent. It is important to note that in the conditions of transformative transformations, it is advisable to intensify lending, stimulate economic activity with the aim of restoring and revitalizing economic growth. Instead, in the conditions of economic development, in order to prevent "overheating" of the economy and to regulate the structure of the credit portfolio, the financial regulator should increase the level of the discount rate.

One of the reasons for the insufficient level of correlation between the reduction of the discount rate of the National Bank of Ukraine and bank interest rates on loans is the high level of credit risks and the insufficient level of liquidity. Thus, although the discount rate of the National Bank of Ukraine serves as a weighty aggregate indicator of the indicative monetary policy plan, it is necessary to intensify the work of state financial bodies to increase the level of liquidity of the banking system and expand the volume of targeted bank loans in order to develop the real sector of the economy. A significant share of consumer loans in the structure of the credit portfolio of banking institutions increases the level of credit risks, which can negatively affect the country's financial system.

At the current stage of the development of the domestic economy, the urgent tasks of monetary policy, which determine the expediency of its use as a tool for managing socio-economic processes, are the gradual increase in the exchange rate flexibility of the monetary unit, its mutual coordination with the rates of economic growth, the level of competitiveness of domestic products, and the reduction of dollarization of economic relations and strengthening the stability of the financial system.

One of the important instruments of influence of monetary policy on economic processes is the regulation by the National Bank of the amount of required reserves formed by banking institutions on its accounts. The norm of required reserves is aimed at ensuring the stability of the banking system, a sufficient and necessary level of liquidity. At the same time, the development and implementation of an effective monetary policy at the current stage of economic transformations requires balanced regulation of the monetary and credit system. By regulating the required reserve ratio, the National Bank influences the credit capabilities of banks and relevant credit institutions. When the required reserve ratio increases, the reserves of commercial banks decrease, which affects the decrease in the volume of lending and, in turn, leads to a decrease in the money supply in circulation. The use of this instrument of financial regulation contributes to the reduction of inflation rates in the conditions of "overheating" of the economy, on the other hand, in the conditions of the need to stimulate economic growth and intensify the credit activity of banking institutions, it is advisable to reduce the norm of mandatory reserve requirements.

It should be noted that in recent years, the mechanism for regulating the mandatory reserve ratio has been improved, while at the same time, the size of these standards has changed. At the current stage of development, the policy of the National Bank is aimed at stimulating the credit activity of the real sector of the economy. By reducing the value of the indicator of mandatory reserve standards for deposits in hryvnia to zero, the financial regulator promotes the activation of the attraction and use of credit resources in the national currency.

In modern conditions, there is a decrease in the demand for cash money, in turn, the specific weight of aggregates M1 and M2 in the structure of the money supply is increasing, which causes a decrease in the speed of its rotation. It is important for the financial regulator to ensure proper conditions for attracting time deposits in the national currency, development of financial intermediation institutions, strengthening the effectiveness of long-term savings instruments, and improving the effectiveness of the investor rights protection mechanism. In addition, in the conditions of insufficient income level of the population, there will be a redistribution of financial resources to the consumer sector of the economy and an increase in the share of M0 in the structure of monetary aggregates, which will increase inflationary pressure on the economy.

In order to increase the level of effectiveness of the development and implementation of monetary policy at the current stage of economic transformation, it is important and necessary to analyze the balance of indicators of the money supply with measures of financial stabilization and stimulation of the country's economic growth. The level and structure of the money supply significantly affect the reproductive processes in the economy, indicators of the economic situation and the volume of domestic aggregate demand. It is important to analyze the indicator of monetization of the economy, which provides grounds for determining the degree of provision of the economy with monetary aggregates in the amount necessary for making calculations, payments, etc.

Studies conducted in recent years show that in countries with a high level of monetization (over 70 percent) there are more favorable conditions for economic growth, which is due to stable and powerful cash flows that are redistributed in the economy and directed to a large extent to finance its real development. In addition, the change in money supply should be appropriately coordinated with the dynamics of inflationary processes. After all, the insufficient level of validity of the monetization indicator can influence the increase in inflation rates, the deepening of the stagnation of the financial market, and the barterization of commodity circulation. A sufficient level of saturation of the economy with monetary aggregates contributes to the formation of a sufficient level of savings, which are transformed into a significant investment resource in order to stimulate economic growth.

Despite a certain decrease in the values of the share of cash in the gross domestic product, it remains quite significant compared to this indicator in the developed countries of the world. An important component of state regulation of the economy is currency regulation, which is carried out by the National Bank of Ukraine and is aimed at protecting and ensuring the necessary degree of convertibility of the national monetary unit, organizing the exchange rate formation system, streamlining operations using foreign currency capital, establishing the regime and restrictions on the export and import of currency values abroad, regulation of the activity of foreign exchange market subjects and current operations of the balance of payments, provision of stable sources of foreign currency inflows to the national currency market.

Thus, the main goal of monetary policy at the moment is to ensure price stability, which involves achieving and maintaining low growth rates of consumer prices and is one of the important foundations for the formation of balanced and sustainable economic growth. The urgent task at the current stage is the formation of monetary policy based on the forecast of economic development. At the same time, financial stability is considered a necessary condition for the implementation of monetary policy. The financial system should ensure the preservation of savings and their transformation into investments, the optimal distribution of risks, as well as the stable functioning of the payment system. In the medium term, it is important to further reduce the rate of growth of consumer prices. At the same time, the target trajectory of inflation should be determined taking into account the prospects of economic growth, as well as tasks aimed at ensuring the stable functioning of the banking sector and financial markets. The mechanism for determining the discount rate must take into account the peculiarities of the transmission mechanism of monetary policy.

Gradual and justified growth of the monetization indicator of the economy is one of the necessary measures to intensify business activity; on promoting the development of the domestic financial market and strengthening its liquidity level; creating conditions for attracting investments on a medium and long-term basis. It should be taken into account the fact that in the conditions of transformational changes in the international financial capital markets and the modern dynamics of bank deposits, the role of refinancing operations in the formation of liabilities of the banking system is increasing. Considering the above, it is expedient and possible to increase the money supply on the part of the authorized state financial institution, which carries out monetary regulation by increasing the amount of refinancing to banks. At the same time, it seems logical to implement a monetary policy aimed at reducing the discount rate, which will reduce the cost of bank refinancing and promote economic activity.

The effectiveness of monetary policy implementation largely depends on the coordination of activities of state authorities. The consistent implementation of monetary policy aimed at ensuring the long-term stability of the monetary system will contribute to the maintenance of financial and general macroeconomic stability. In the modern world, the monetary policy of any state is one of the most powerful levers of macroeconomic regulation of the national economy. Historically, it is one of the first forms of economic regulation. Conducting a coordinated and balanced monetary policy is the most important aspect of economic management, on which the sustainable development of the economic system largely depends.

5. State financial support for the development of human capital

For society, the strengthening of financial support for the development of human capital is expressed in an increase in the level and quality of life. At this stage of social development, the processes of depopulation caused by the decrease in the birth rate and accelerated aging of the population intensified, the issue of increasing the level of financial support for the development of human capital became more active, taking into account the limitation of state financial resources and the need to optimize them in conditions of reduced economic activity. According to the definition of the World Bank, "human capital is the knowledge, skills and health that people accumulate during their lives, which allows them to realize their potential in the process of social development". At the same time, in countries with a transformational economy, the human development index, the real GDP per capita, is lower than the average for developed countries. In particular, in Ukraine, the human development index in 2020 was 0.799, while in EU countries this index ranges from 0.816 to 0.955.

The volatility of economic dynamics and the level of social development at this stage determines the importance of increasing the effectiveness of state financial support for the development of human capital, ensuring the appropriate level of funding for education and health care. The system of state financial support for the development of human capital should create appropriate conditions for ensuring the availability of quality services in the field of education and health care. The appropriate degree of development of the institutional component of the system of state financial support for the development of human capital is a necessary prerequisite for social progress.

Currently, in the vast majority of countries, there is an increase in the diversification of funding sources for human capital development programs, in particular in the fields of education and health care, considerable attention is paid to creating conditions for the development of the accumulative level of pensions. Financing of human capital development programs is mainly carried out at the expense of the state budget and state social insurance special funds with a change in the structure of their expenditure part.

Along with this, responding to exogenous and endogenous challenges in countries with a transformational economy requires additional public financial resources, more effective management of the public finance system, the implementation of a balanced financial and budgetary policy and increasing the efficiency of spending on education and health care. In the vast majority of countries with a transformational economy, there is no integrated system and insufficient institutional accountability of state financial support for the development of human capital, an inadequate and high-quality level of budgetary planning of expenditures on education and health care, which leads to the inefficiency of their use. At the same time, ensuring the provision of quality education and services in the field of health care requires an appropriate level of state funding.

Despite the impact of negative factors on the system of public finances, the financing of education and health care has received considerable attention in recent years. However, these indicators currently do not meet the European level and established standards. In particular, the share of expenditures of the consolidated budget on education in GDP has not yet reached the indicator of 7%, which is defined in the Law of Ukraine "On Education". Challenges of martial law had a profound effect on the stability of the state finance system, changes in the volume and structure of the expenditure part of the budget. Opportunities to increase or at least maintain the current level of public funding for human capital development have deteriorated.

According to the draft Law "On the State Budget of Ukraine for 2024", it is planned to allocate UAH 114.9 billion to the expenses of education and health care institutions, which is 21.1% more than approved by the law for the previous year. It is also proposed to allocate UAH 102.9 billion to the educational subvention for the payment of wages and accruals for teaching staff of individual state and municipally owned educational institutions, which is UAH 15.4 billion, or 17.6%, more than approved for the current year. At the same time, there is no distribution of this subvention between local budgets. In the explanatory note to the draft law, it is stated that the Ministry of Education and Science of Ukraine is currently unable to distribute this subvention, since it is impossible to reliably predict the number of students in the new academic year due to the significant forced migration of students both within the country and abroad, associated with military actions. Taking into account the level of implementation of individual budget programs in the previous year, there are risks of non-implementation of the expenditures and loans proposed for 2024, in particular for the improvement of higher education in Ukraine for the sake of results – it is proposed to allocate UAH 1.8 billion, while in the current year expenditures are made in the amount of less UAH 0.1 billion, or 3.7% of the plan for January-August.

According to the Resolution of the Cabinet of Ministers of Ukraine "Some issues of the use of funds from the account to meet health care needs", it is determined that "funds are primarily directed to medical care for regions where hostilities are taking place and health care facilities involved in providing medical assistance to victims and wounded as a result of hostilities, resumption of work of state and communal health care institutions that suffered as a result of hostilities; recipients of funds, in particular, are military administrations, executive bodies of village, settlement, city, district councils in cities, state and communal health care institutions; the distribution of funds is carried out by a commission formed by the Ministry of Health".

At the same time, the problem of state financing of human capital development lies not only in the ability of state authorities to mobilize resources, but also in improving the quality of relevant financial and budgetary instruments. Improving the efficiency of the use of state financial resources aimed at the development of human capital remains an important task. The system of state financial support for the development of human capital should be based on the principles of systematicity, efficiency and effectiveness, taking into account the influence of exogenous and endogenous factors on the system of state finances. It is important to ensure the adaptability of the system of state financial support for the development of human capital to socio-political and socio-economic processes. When evaluating the effectiveness of the system of state financial support for the development of human capital, in particular in terms of spending on education and health care, it is advisable to pay close attention to the comparison of the planned and achieved social effect.

In order to increase the effectiveness of the system of state financial support for the development of human capital, synergy between its institutional components, and an increase in the level of coordination between state administration bodies, state and non-state sectors of the economy, are important. The strategic tasks of the financial and budgetary policy are to increase the level of effectiveness of spending on education and health care in the context of strengthening decentralization processes. Changing the architecture of government spending and optimizing it is an important task. It is expedient to increase the efficiency of the use of state financial resources aimed at the development of human capital, in particular in terms of spending on education and health care. The adoption of rational management decisions regarding changes in the structure of state financial resources aimed at the development of human capital should be based not only on the assessment of trends and dynamics of their use, but also on the degree of their validity, taking into account the importance of ensuring the adaptability of financial and budgetary policy to social processes.

6. Institutional transformations of financial support of the pension system

The pension system is an important institution of state regulation of social development, as it lays the foundations of social security of the population in the form of pensions. The strengthening of the influence of endogenous and exogenous factors on the financial and economic environment of the state, negative demographic trends on the development of society necessitate the development of new approaches to the financial support of the functioning of the pension system, ensuring its financial stability and rethinking the role in the regulation of changing social processes. The increase in the level of the pension burden on the working population in both developed and transition economy countries, low wages in transition economy countries cause an imbalance in the solidarity system of mandatory state pension insurance. The development of mechanisms that, based on demographic trends and the real capabilities of the economy, will ensure compliance with state guarantees regarding the realization of citizens' rights to financial support in the event of reaching retirement age, temporary or permanent disability, loss of a breadwinner, will contribute to the development of society.

The main feature of this stage of institutional transformations of the financial support of financing the pension system is a decrease in the degree of participation of state pension funds. Along with this, in modern conditions, in countries with a transformational economy, the issue of ensuring the stability of the sources of own income of state pension funds and creating conditions for increasing the interest of the relevant state administration bodies in increasing the efficiency of their administration is becoming important.

In the conditions of the strengthening of globalization processes, it is an important task to develop mechanisms that, based on the country's real economic capabilities and demographic trends, will ensure compliance with state social standards and pension guarantees.

Economic transformations create a fundamentally new socio-economic situation and make it necessary to develop an adequate mechanism of financial support for the functioning of the pension system, which must be built based on the level of macroeconomic development and not weaken the effectiveness of motives and incentives to work, but create conditions for their fullest manifestation.

Important tasks based on economic transformations are to ensure sustainability and strengthen the financial stability of the state pension funds, optimizing their administrative expenses; creation of appropriate conditions for the functioning of multi-level pension systems, based on a combination of the distributive and accumulative model of pension provision; improvement of mechanisms of state regulation of the pension insurance system, financial risk management in this area.

In order to effectively solve the set tasks, institutional transformations of the pension system should be based on the following principles: phased and systematic transformations taking into account social and economic conditions while maintaining the balance of the state finance system as a whole; a differentiated approach to pension provision for different socio-demographic population groups depending on their contributions to pension funds; mutual coherence with the processes of reforming other components of the public finance system and spheres of public administration; balanced distribution of responsibility for pension provision between the employee, the employer and the state; protection of citizens' rights to financial support in the form of pensions and determination of its level on the basis of well-founded social norms; publicity and transparency of the process of financial support for the functioning of the pension system; compliance of the forms and level of pension provision of the population with the degree of economic development of the countries.

It should be noted that in countries with a transformational economy, financial support for the functioning of pension systems is mainly based on the state management system. Whereas in countries with a developed economy, non-state pension funds play an important role. The organization of the activities of state pension funds in countries with a transformational economy requires: increasing the level of public trust in them; improvement of the mechanism of management of financial resources of state pension funds; increasing the efficiency and coherence of the components of the state pension management system, modernizing its information resources; optimization of the ratio between the average pension and the average monthly nominal salary; strengthening the own income of state pension funds and creating conditions for increasing the interest of the relevant state administration bodies in increasing the efficiency of their administration. Increasing the level of public trust in the activities of state pension funds involves establishing interaction between society and the state, involving the public in the discussion of draft laws in this area.

Achieving a social effect in the field of pension provision of the population is possible thanks to an effective and efficient financial mechanism of pension provision, which represents a complex system of influence on the pension system, ensuring the formation of appropriate financial resources taking into account the current trends of the country's economic development. The level of development of the pension system as a component of financial-budgetary and socio-economic regulation, especially in the conditions of transformative transformations, is influenced by a number of factors, including financial-economic, socio-demographic, taking into account which makes it possible to ensure timely adaptation of the current pension system to changes in economy.

It is expedient to improve the mechanism of managing financial resources of state pension funds by implementing uniform standards and effective measures in this area; creation of an electronic register of pension cases; reducing the level of wage shadowing on the basis of improving the system of monitoring and evaluating data on wages, comparing it with indicative indicators and data on the financial and economic activity of employers.

Increasing the efficiency and coherence of the components of the state pension management system involves: creating a unified centralized system of financial resources management in this area; improvement of control over the formation of pension income and the implementation of pension payments; introduction of electronic document flow in the pension system.

Optimizing the ratio between the average pension and the average monthly nominal salary will contribute to maintaining the adequacy of pension provision to the level of economic development of countries and the implementation of its minimum guarantees provided by international standards. Important tasks are optimization of the ratio between the average pension and the average monthly nominal salary (at the same time, it is important to take into account the purchasing power, the amount of goods and services that can be purchased with the appropriate funds); reducing the ratio of the number of pensioners to the employed population, which involves the creation of conditions for stimulating the population of retirement age to economic activity and promoting their financial literacy.

It is appropriate to take into account the coefficient of elasticity of the growth of the average pension and the average monthly nominal wage to the real gross domestic product.

Elasticity is possible in the following forms: positive, in which the corresponding indicator of the growth of the average pension or the average monthly nominal wage increases with the growth of the real gross domestic product (the coefficient of elasticity is positive); negative, in which there is a decrease in the corresponding indicator of the growth of the average pension or the average monthly nominal wage with the growth of the real gross domestic product (the coefficient of elasticity is negative); zero, when the change in real gross domestic product does not affect the change in indicators. If the elasticity coefficient is less than zero, the corresponding indicators decrease proportionally with the growth of the real gross domestic product ($Ke<0$); the elasticity coefficient is greater than one, indicators grow faster than the real gross domestic product ($Ke>1$); the coefficient of elasticity is greater than zero, but less than one, the rate of growth of indicators is slower than the real gross domestic product ($1>Ke>0$).

On average, during the studied period, a proportional decrease in growth rates with the growth of real gross domestic product is observed ($Ke<0$): average monthly nominal wages in Kazakhstan, Moldova and Kyrgyzstan; slower growth rates ($1>Ke>0$): average pension in Kyrgyzstan; faster growth rates ($Ke>1$): average pension in Azerbaijan, Kazakhstan, Ukraine and Armenia; average monthly nominal salary in Azerbaijan, Ukraine and Armenia.

Optimizing the ratio of the average pension to the average monthly nominal wage and ensuring their compatibility with the level of economic growth is an important task for most of the studied countries. Taking into account the current economic conditions of the countries' development, the coefficient of elasticity of the average pension to the real gross domestic product should be – ($1>Ke>0$).

Issues of ensuring the stability of the sources of own income of state pension funds are becoming important. In particular, in recent years, in Ukraine, the specific weight of the Pension Fund's own budget revenues has almost halved, which has become one of the reasons for the difficulty of ensuring the balance of the state budget and the stability of the budget system as a whole. At the same time, the population aging index continues to grow.

In order to improve the efficiency of the administration of the own revenues of state pension funds, it is advisable to improve the methodology of managing the process of contributions to the state pension insurance, in particular, the mechanisms for collecting and accounting for insurance contributions, the methodology for accounting operations for the formation and investment of pension savings, the use of high-quality financial and economic forecasts in budget planning state pension funds.

Strengthening the financial support for the functioning of the pension system will provide an opportunity to raise the level and quality of life of the population, create conditions for effective modernization of the social sphere. The well-founded provisions on strengthening the financial support for the functioning of the pension system provide for the development of state financial policy in the field of pension support on the basis of increasing the quality level of the dynamic system of social development goals, coordination and adaptability of regulatory measures of state administration bodies to internal and external changes in the internal and external environment, taking into account the changes caused by the strengthening processes of globalization.

7. Conclusions

In modern conditions, the need to use effective financial instruments of public administration, which will provide an opportunity to respond to changes in socio-demographic trends in the development of society, economic transformations while maintaining the parameters of sustainability and stability of public finances, is becoming more urgent. With the help of the public finance management mechanism, the state has the opportunity to influence the formation and use of financial resources in order to meet public needs. The main prerequisites for achieving a high-quality level of financial regulation are the effectiveness of approaches to the use of state financial resources that will contribute to the realization of the main priorities of the country's socio-economic development. It is expedient to form state programs that correspond to the strategic priorities of the country's development, are the most efficient and effective, and are capable of ensuring economic stability in the long term.

The institutional approach to the mechanism of public finance management involves considering it as a dynamic process that is constantly being improved and adapted to the main tasks of social and economic development of society. The introduction of an institutional approach to the study of the public finance system is important and includes the determination of the features of the institution of state financial regulation, the institutional environment that ensures its functioning. One of the main prerequisites for achieving a high-quality level of formation and implementation of financial and budgetary policy is balanced approaches to state financial regulation of economic processes, taking into account the cyclical nature of the development of social relations.

At this stage, it is important to carry out effective transformations through the use of justified financial and budgetary policy tools in order to improve the system of strategic financial planning at the level of the main managers of budget funds. In the process of strategic financial planning, conditions are created for solving the most important problems of state influence on the socio-economic development of the country. It is expedient to improve the system for assessing macroeconomic conditions, risks and trends in the budgetary, tax and monetary spheres with the help of qualitative and quantitative indicators, taking into account in financial policy the peculiarities of the institutional environment, the functioning of financial and economic relations, the dynamics of social development.

The foreign experience of the public finance management mechanism proves that the reform of this sphere should be carried out taking into account the institutional environment, the level of development and the structure of the economy. A significant trend in developed countries at the moment is the policy of financial consolidation, which involves the implementation of a well-founded, balanced fiscal and monetary policy with the aim of containing inflationary processes, optimizing the expenditure part of the budget, improving the system for evaluating the efficiency and effectiveness of the use of public financial resources.

An important condition for increasing the efficiency of the financial component of social and economic development of society is the development and introduction of reasonable mechanisms for the formation and use of state financial resources. Monitoring and assessing the financial capacity of state-owned enterprises provides an opportunity to obtain an integral assessment of the level of development of the public sector, which is the basis for making effective management decisions regarding state financial planning. The development of the public finance system is largely related to the change in the institutional environment of society. The components of financial regulation are improved with the development of the socio-economic sphere, economic strategy and are characterized by the adaptive capabilities of the public finance management system. Considering that the financial and budgetary policy is an important tool for the socio-economic development of society, its balance and stability are one of the main conditions for ensuring economic growth, the system of financial regulation should be built on the basis of a well-founded concept of the development of financial relations as a component of economic policy aimed at creating conditions for macroeconomic stability.

Based on the country's sustainable development strategy, which is related to increasing the transparency and efficiency of the distribution and spending of state financial resources, strengthening the processes of decentralization, appropriate institutional changes in the budget and tax system are necessary. Solving the tasks of the budget and tax policy depends on compliance with a number of macroeconomic conditions, extending the horizon of budget planning, choosing and implementing methods and tools of budget regulation and taxation.

Increasing the effectiveness of the financial and budgetary policy should be ensured by achieving the appropriate institutional balance of its components, which will contribute to the balancing of the budget and create a basis for the implementation of budgetary and tax reforms. The basis for sustainable economic growth should be appropriate measures of state financial regulation, which will be implemented through the use of economic and institutional levers. Prudence in the implementation of financial policy will allow to achieve further stabilization of the system of public finances, which will create conditions for ensuring the effective development of society and improving the quality of life of the population.

The institutional environment largely creates the conditions under which the level of influence of the financial system on economic growth is determined. Financial regulation, depending on the change in the level of influence of exogenous and endogenous factors on the development of economic relations, is characterized by adaptive mechanisms affecting the effectiveness of economic transformations. Determining the main tasks of financial policy and the ways of their implementation, taking into account macroeconomic dynamics, will contribute to increasing the level of socio-economic development of society.

Budget forecasting, which determines the prospects for the formation and, accordingly, use of state financial resources, is the basis of a sound financial and budgetary policy. Achieving the strategic goals of the country's economic development depends on the degree of consideration of the cyclicality of economic processes in the management of public finances. With a negative gap in the gross domestic product, it is advisable to conduct a stimulating financial and budgetary policy, while in the conditions of economic transformations, the rate of growth of public expenditures should not exceed the rate of economic growth. With a positive gap in the gross domestic product, it is advisable to conduct a restraining financial and budgetary policy, while the coefficient of elasticity of indirect taxes should be equal to one, direct taxes should be more than one. Important tasks at the moment are: maintaining the state debt and budget deficit at a safe level; improving the quality of public debt management and defining strategic guidelines for the structure of the debt portfolio; optimization of the ratio of the average pension and the average monthly nominal salary (at the same time, it is important to take into account the purchasing power, the amount of goods and services that can be purchased with the appropriate funds) and ensure their compatibility with the level of economic growth; ensuring stability of sources of own income of state pension funds; reducing the ratio of the number of pensioners to the employed population, which involves the creation of conditions for stimulating the population of retirement age to economic activity and promoting their financial literacy. Taking into account the growth dynamics of the population aging index, important tasks are: creation of conditions for the development of the accumulative model of pension provision. The use of high-quality financial and economic forecasts when planning the budgets of state pension funds will contribute to increasing the level of transparency of the functioning of the pension system and improving the mechanism of its financial support.

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