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BUDGET POLICY UNDER THE COVID-19 PANDEMIC

The role of budget policy in ensuring financial and economic regulation of the country is determined. The institutional principles are revealed and the directions of budget policy in the conditions of the COVID-19 pandemic are substantiated. Revenues and expenditures of the State Budget of Ukraine for 2020 are compared in accordance with the Law of Ukraine "On the State Budget of Ukraine for 2020" of 15.09.2019 № 294-IX and the Law of Ukraine "On Amendments to the Law of Ukraine "On the State Budget of Ukraine for 2020" of 13.04.2020 № 553-IX.

Keywords: budget, budget system, budget policy, budget revenues, budget expenditures, budget regulation.

Background. In the context of the COVID-19 pandemic, the effectiveness of budget policy is an important prerequisite for stabilizing socio-economic processes. Decisions on the viability of the use of appropriate budgetary tools should be determined basing on the assessment of changes in the level of economic development of the country due to the deepening of the crisis processes caused by the pandemic. Timely consideration of the influence of exogenous and endogenous factors on the formation of budget revenues on the one hand, and on its expenditure part on the other, will contribute to the development of sound budget architectonics. Accordingly, in the conditions of the COVID-19 pandemic it is advisable to strengthen the regulatory function of budget policy. The tasks of finding alternative sources of budget revenues, choosing budget instruments and levers and optimizing the structure of budget expenditures became important. The level of impact of crisis processes exacerbated by the pandemic is much stronger in export-dependent countries. Negative factors in foreign markets significantly affect the imbalance of macroeconomic balance in these countries, respectively, violating budgetary constancy, stability and balance.

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Analysis of recent research and publications. Among the important studies of foreign scholars on the formation of budget policy as a tool for social development of labor are works by J. Keynes, P. Samuelson, W. Nordhaus, J. Stiglitz, V. Tanzi [1-5]. The works of domestic scientists T. Boholib, L. Lysyak, V. Oparin, V. Fedosov [6-8] and others are devoted to the formation and implementation of budget policy in the conditions of transformations. At the same time, in the conditions of the COVID-19 pandemic, it is important to justify institutional changes in budget policy in order to stabilize socio-economic processes.

The **aim** of the article is to reveal the institutional principles and substantiate the directions of budget policy in the context of the COVID-19 pandemic.

Materials and methods. The following methods were used in this study: systematic – in revealing the role of budget policy in the context of the COVID-19 pandemic; comparative – in the generalization and systematization of institutional support for the formation and implementation of budget policy; the factor method and scientific abstraction – in the disclosure of budget architectonics and justification of budget policy directions in the conditions of the COVID-19 pandemic.

Results. Ensuring a purposeful impact on the pace and quality of economic growth requires the formation and implementation of effective budget policy based on improving the system of institutional support for financial and budgetary transformations [9]. The effective use of budget policy instruments helps to reduce the variability of macroeconomic variables and the appropriate level of their formation. The difficulty of finding ways to qualitatively change the budget architectonics, the components of which are interrelated, necessitates a complex approach to the formation and implementation of budget policy which will be based on predicting trajectories of budget revenues and areas of public financial resources [10].

The application of moderate budget adjustments in the implementation of budget management for the formation of both budget revenues and expenditures in response to crisis processes in the context of the COVID-19 pandemic is an important condition for macroeconomic stability. An important task aiming at ensuring the stability of the budget system and increasing interregional factor mobility is to justify the optimal level of tax burden. In the process of determining the directions of budget policy, it is important that additional government spending does not replace private consumption and investment. The high level of tax burden hinders investment. At the same time, a significant level of tax burden partially offsets the expansionary effect of increasing government spending. In order to stimulate aggregate demand and reduce the negative impact of crisis processes in the COVID-19 pandemic it is appropriate to use budgetary policy instruments which are aimed at both increasing government spending and reducing taxes.

When substantiating the directions of budget policy regarding the formation of budget revenues, it is reasonable to take into account the Laffer Curve, which shows the relationship between tax rates and the level of

government revenues [11]. However, scientific views on the optimal level of taxation in different countries are not the same. In particular, scientists estimate that the peak of the Laffer curve in China is about 40%. Accordingly, public authorities should take into account changes that occur throughout the tax system, not just changes in direct taxes, while increasing their rates. It is determined that an important task of budget regulation in China is to reduce the level of taxation to 35% [12].

An important task in the context of the COVID-19 pandemic is to develop a risk management strategy, particularly in terms of the risks of not receiving the planned level of income, which will facilitate the increase in the country's budgetary stability and diversify the relevant risks. The use of risk diversification mechanisms is an important condition for making informed decisions on financing innovation and investment projects at the expense of public financial resources.

Among the risks of not reaching the planned level of budget revenues, particularly in the area of taxes, it is worth noting the risks caused by the slowdown in economic growth due to the intensification of financial crisis processes in the context of the COVID-19 pandemic. Adverse conditions in world markets have a directly proportional effect on the reduction of budget revenues. According to the normative legal documents of the European Financial Stability Facility, the criteria and indicators for assessing the level of impact of potential imbalances on budget revenues are substantiated. If they indicate the likelihood of imbalances, an in-depth assessment of macro-economic indicators is carried out and suggestions are made to address the identified problems. In addition, the risks of losses in the planned budget revenues are evaluated on the basis of budget projections: the dynamics of budget revenues is studied and their impact on the country's budget sustainability is assessed; the specifics of budget revenue formation are considered and the forecast of their share in GDP is developed.

According to the forecast of the Ministry of Finance of Ukraine for 2020, the following is envisaged: a decrease in gross domestic product by 3.9%; the inflation rate will be 8.7%, the average year hryvnia-dollar exchange rate – 29.5. While the previous forecast expected the economy to grow at 3.7%, inflation – 6%, hryvnia to dollar exchange rate on average for the year – 27 [13].

The intensification of crisis processes has reduced the level of budget revenues. According to the Law of Ukraine "On Amendments to the Law of Ukraine "On the State Budget of Ukraine for 2020" of 13.04.2020 № 553-IX, the tax revenues of the State Budget will be reduced by UAH 144.62 billion. Given the above, public administration have identified measures to increase non-tax revenues of the budget, respectively, they are expected to increase by UAH 42.26 billion (*table 1*).

Revenues of the State Budget of Ukraine for 2020, UAH billion

Revenues	Revenues in accordance with the Law of Ukraine:	
	"On the State Budget of Ukraine for 2020"	"On Amendments to the Law of Ukraine "On the State Budget of Ukraine for 2020"
Tax revenues	925.75	781.13
Income taxes, taxes on profits, capital gains taxes	239.27	209.04
Rent and payment for the use of other natural resources	58.15	32.53
Internal taxes on goods and services	591.95	507.71
Taxes on international trade and foreign transactions	32.86	28.62
Other taxes and fees	3.52	3.22
Non-tax revenues	141.08	183.33
Income from property and business activities	77.45	113.93
Administrative fees and charges, income from non-commercial economic activities	9.89	17.68
Other non-tax revenues	17.34	14.35
Own revenues of budgetary institutions	36.40	37.37
Income from capital transactions	0.65	0.66
Proceeds from the sale of fixed capital	0.03	0.05
Proceeds from the sale of land and intangible assets	0.01	0.004
Official transfers	3.06	1.76
Trust funds	0.19	–
Total income (excluding intergovernmental transfers)	1070.73	967.07
Total income	1079.49	975.83

Source: calculated by the authors on the basis of the Law of Ukraine "On the State Budget of Ukraine for 2020" of 15.09.2019 № 294-IX and the Law of Ukraine "On Amendments to the Law of Ukraine "On the State Budget of Ukraine for 2020 " of 13.04.2020 № 553-IX.

In order to optimize the expenditure side of the budget and free up funds for the costs associated with overcoming the pandemic, the level of funding for many ministries has been reduced. In particular, the Ministry of Education and Science of Ukraine – by UAH 1.75 billion, the Ministry of Economic Development, Trade and Agriculture of Ukraine – by UAH 0.88 billion, the Ministry of Infrastructure of Ukraine – by UAH 0.97 billion, the Ministry of Justice of Ukraine – by UAH 0.46 billion, the Ministry of Foreign Affairs of Ukraine – by UAH 0.14 billion. Subventions for the development of communities and territories, financing of Energy Efficiency Funds and partial loan guarantee have been abolished. Expenditures on local elections have been reduced. At the time of the quarantine, the level of salaries of heads of state-owned enterprises is limited to no more than 10 minimum wages (UAH 47,230). The level of funding was increased: the Ministry of Health of Ukraine – by UAH 16.37 billion, the Ministry of Social Policy of Ukraine – by UAH 19.50 billion, the Ministry of Finance of Ukraine – by UAH 0.99 billion, the Ministry of Internal Affairs of Ukraine – by UAH 0.20 billion, the Pension Fund. The reserve fund of the Cabinet of Ministers of Ukraine has been

increased to UAH 4 billion. In general, expenditures of the State Budget of Ukraine for 2020 in accordance with the amendments increased by 7.31% and amounted to UAH 1266.22 billion. The share of the budget deficit in the gross domestic product increased to 7% (table 2).

Table 2

Expenditures of the State Budget of Ukraine for 2020, UAH billion

Spending unit	Expenditures in accordance with the Law of Ukraine:	
	"On the State Budget of Ukraine for 2020"	"On Amendments to the Law of Ukraine "On the State Budget of Ukraine for 2020"
Ministry of Internal Affairs of Ukraine	92.97	93.16
Ministry of Economic Development, Trade and Agriculture of Ukraine	17.95	17.07
Ministry of Foreign Affairs of Ukraine	4.68	4.54
Ministry of Education and Science of Ukraine	44.51	42.76
Ministry of Health of Ukraine	98.18	114.55
Ministry of Social Policy of Ukraine	293.40	312.91
Ministry of Infrastructure of Ukraine	4.95	3.98
Ministry of Finance of Ukraine	18.89	19.88
Ministry of Justice of Ukraine	14.34	13.88
Total	1180.10	1266.42

Source: calculated by the authors on the basis of the Law of Ukraine "On the State Budget of Ukraine for 2020" of 15.09.2019 № 294-IX and the Law of Ukraine "On Amendments to the Law of Ukraine "On the State Budget of Ukraine for 2020" of 13.04.2020 № 553-IX.

The budget includes the Fund for Combating COVID-19. According to the Law of Ukraine "On the State Budget of Ukraine for 2020", the envisaged level of financing of the Fund is UAH 64.7 billion. The fund will be used to provide: "one-time financial assistance to family members of medical and other health care workers who died from COVID-19; financial assistance to citizens in connection with the negative consequences of the spread of COVID-19 in Ukraine. Besides the Fund resources will be directed to measures related to the prevention and spread, localization and elimination of outbreaks, epidemics and pandemics of COVID-19" [14].

Thus, the need to develop a multi-pronged strategy aimed at resolving the problematic issues caused by the COVID-19 pandemic – both directly in the field of health care and in relation to public financial support of economic activity – has become urgent. This strategy should combine short-, medium- and long-term goals, taking into account the impact of exogenous and endogenous factors on the economy and the interrelationships of the components of the financial system, including the public finance system. In particular, a number of financial and budget regulation measures are being implemented in the EU in connection with the COVID-19 pandemic.

With the onset of the COVID-19 pandemic crisis, EU Member States have stepped up their efforts to support the economy through coordinated and targeted budget stimulus. Significant state resources are aimed at streng-

thening the health care sector and civil protection mechanisms, supporting the development of leading sectors of the economy. At present, the share of discretionary budget measures of member states in GDP is about 3%. In addition, EU Member States have committed themselves to maintaining the liquidity of sectors of the economy by providing government guarantees and deferred tax payments, which are currently estimated at 16% of EU GDP. The need to implement a flexible budget policy to support the economy and respond to the impact of the COVID-19 pandemic in a coordinated manner is identified. General budget recommendations are provided in the framework of the European Semester.

Much attention is paid to the following issues: the provision of state aid to accelerate public support for businesses, while ensuring the necessary equal conditions in the Single Market, support for research to combat the COVID-19 pandemic. Starting from 1 April 2020, the EU budget has provided financial assistance to the most affected Member States in the amount of up to € 800 million to support liquidity and financing conditions for households, businesses and banks in order to provide uninterrupted lending to the economy.

Important tasks of the budget policy of the EU countries today include: improvement of budget tools; increasing the effectiveness of mechanisms for attracting tax revenues; improving the model of budget revenue generation, which provides for the optimization of their structure, reducing the share of capital taxes, increasing the effectiveness of risk management tools in this area; optimization of the expenditure part of the budget; ensuring coordination of public administration bodies in the process of revenue generation and budget expenditure planning; improving the system of information exchange between public administration bodies and business entities in the process of revenue forecasting; implementation of systematic monitoring of the uniformity and proportionality of the tax burden by region and assessment of vectors of changes in its level.

The ground of the use of budget instruments, the optimal structure of budget revenues and expenditures contributes to ensuring the effective impact of budget policy on macroeconomic stability. The choice of budget strategy in the context of the COVID-19 pandemic should be based on the assessment of development trends of national economies, which will contribute to their sustainable development; budget policy should be mutually consistent with the priorities of socio-economic development of countries and budget instruments should be aimed at solving them; budget projections of budget revenues should be used to anticipate the financial consequences of public finance reforms or decisions of public administration bodies on the implementation of budget policy; the development of budget policy in the context of the COVID-19 pandemic should be based on taking into account the risks of loss in the planned level of government revenue.

Considering the significant level of volatility in the economic situation, an important task is to adapt budget policy priorities to new global challenges, strengthening the role of endogenous factors in the process

of ensuring macroeconomic stability [15]. Despite the different trajectories of budget policy, countries mostly use a unified range of budget tools. To achieve the target values of primary balances, budget policy measures reflected in budget strategies are developed. However, as foreign experience shows, there are different conceptual approaches to optimal budget architectonics.

Conclusion. The results of the study show that in the financial and economic crisis intensified by the COVID-19 pandemic, an important task is to implement an adaptive budget policy to internal and external changes in the economic environment, aimed at ensuring optimal budget architectonics that will favor stabilization of socio-economic development. Disclosure of institutional principles and features of budget policy implementation in the context of the COVID-19 pandemic indicates the establishment of guidelines for its direction to change the structure of revenue and expenditure parts of the budget. There is a forced reduction in the level of funding for some budget items and redistribution of funds to others. An important task, given the significant level of Ukraine's export dependence, is to strengthen the role and conduct of discretionary budget policy in the context of the COVID-19 pandemic. Limited budgetary financial resources determine the need to update changes in the vectors of budget policy and budget management in terms of the possibility of implementing alternative ways of forming and ensuring the appropriate level of budget revenues, taking into account the peculiarities of public relations development.

At the same time, the model of ensuring the effective implementation of budget policy in the context of the COVID-19 pandemic is weak, due to the nature of the risks of loss in the planned level of income, particularly in terms of taxes. These risks, the main of which are caused by the slowdown in economic growth due to the intensification of financial and crisis processes, pose a threat of violating the fiscal stability of the budget system. The development of fiscal projections of budget revenues as a basis for continuous analysis and assessment of financial and budgetary security of the country will contribute to the goal of budget regulation. At the same time, fiscal design of budget revenues should be used to anticipate the financial consequences of decisions of public administration bodies on the implementation of budget policy.

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Чугунов І., Макогон В. Бюджетна політика в умовах пандемії COVID-19.

Постановка проблеми. В умовах пандемії COVID-19 результативність бюджетної політики є вагомим передумовою стабілізації соціально-економічних процесів. Прийняття рішень про доцільність застосування відповідного бюджетного інструментарію повинно визначатися, виходячи з оцінки зміни рівня економічного розвитку країни внаслідок поглиблення кризових процесів, зумовлених пандемією.

Мета статті – розкриття інституційних засад та обґрунтування напрямів бюджетної політики в умовах пандемії COVID-19.

Матеріали та методи. У дослідженні використано системний метод: при розкритті ролі бюджетної політики в умовах пандемії COVID-19. Порівняльний метод застосовано з метою узагальнення та систематизації інституційного забезпечення формування та реалізації бюджетної політики. Факторний та метод наукового абстрагування використано при розкритті бюджетної архітектури та обґрунтуванні напрямів бюджетної політики в умовах пандемії COVID-19.

Результати дослідження. Визначено роль бюджетної політики у забезпеченні фінансово-економічного регулювання країни. Розкрито інституційні засади та обґрунтовано напрями бюджетної політики в умовах пандемії COVID-19. Здійснено порівняння доходів та видатків Державного бюджету України на 2020 рік згідно із Законом України "Про державний бюджет України на 2020 рік" від 15.09.2019 № 294-IX та Законом України "Про внесення змін до Закону України "Про Державний бюджет України на 2020 рік" від 13.04.2020 № 553-IX.

Висновки. Проведене дослідження надає можливість визначити, що в умовах фінансово-економічних кризових процесів, посиленних пандемією COVID-19, вагомим завданням є реалізація адаптивної бюджетної політики до внутрішніх і зовнішніх змін економічного середовища, спрямованої на забезпечення оптимальної бюджетної архітектури, що сприятиме стабілізації соціально-економічного розвитку. Розкриття інституційних засад та особливостей реалізації бюджетної політики в умовах пандемії COVID-19 свідчить про установа орієнтирів її спрямування на зміну структури дохідної та видаткової частин бюджету. Здійснюється вимушене скорочення рівня фінансування одних статей бюджету та перерозподіл коштів на інші. Вагомим завданням, враховуючи значний рівень експортозалежності України, є посилення ролі та проведення в умовах пандемії COVID-19 дискреційної бюджетної політики.

Ключові слова: бюджет, бюджетна система, бюджетна політика, доходи бюджету, видатки бюджету, бюджетне регулювання.