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IMPROVEMENT OF THE FISCAL POLICY OF UKRAINE UNDER THE CONDITIONS OF THE FORMATION OF A DIGITAL ECONOMY

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УДОСКОНАЛЕННЯ ФІСКАЛЬНОЇ ПОЛІТИКИ УКРАЇНИ ЗА УМОВ ФОРМУВАННЯ ЦИФРОВОЇ ЕКОНОМІКИ

Formulation of the problem. February 2022 completely changed the history of our country, as a full-scale war began, many strategic objects, structures, industrial complexes, residential buildings, and institutions of social and cultural infrastructure were destroyed. The economy of Ukraine began to work in the conditions of a special period, which is characterized by the formation of a military economy and the announcement of general mobilization. However, it is worth remembering that it is impossible to ensure the territorial integrity and future of the country if one does not think about its restoration, which will require the accumulation of a significant amount of financial resources from external and internal sources.

In the context of the recovery of the national economic system, the government's fiscal policy is a key means of financial stimulation of economic growth, and its instruments have a decisive influence on all spheres of social life. The historical development of the economic systems of many countries proves that mandatory payments and government expenses have long been used in the sphere of regulating the circulation of financial resources to stimulate the investment activity of the population and business entities. The use of budgetary and tax policies helps the governments of the countries of the world to ensure the financial stability of the economy, to strengthen the development of priority types of activities, and to increase the number of financial resources in strategic sectors of the economy system.

The fiscal policy of the state plays an important role in the formation of financial resources by all subjects of the economy and helps to solve most problems in the field of public finances. With the help of an effective tax policy, the government creates prerequisites for the activation of entrepreneurial activity and, thus, increases the tax potential of the country, which, in turn, also affects the completeness of the financial support of the budgetary sector of the economy in the long-term period. This requires the authorities to constantly coordinate between budget and tax policies, since, on the one hand, it is necessary to increase tax capacity to gain competitive advantages in the fight for international investment resources, and on the other hand, to ensure a stable flow of income to the budgets of different levels.

The formation of the budget and tax policy is influenced by many factors that reduce its effectiveness and generate a lack of financial resources in the state and, as a result, a budget deficit, the need for new government borrowing and, therefore, an increase in the level of the debt burden on the domestic economic system. Such a situation actualizes the use of modern approaches to the formation of fiscal policy using the achievements of global scientific and technological progress and the use of digital technologies to increase its effectiveness and influence in creating prerequisites for ensuring high rates of socio-cultural and economic development of Ukraine.

Analysis of recent research and publications. Fundamental research in the field of improving the state budget and tax policy with the help of innovative technologies was carried out by the following Ukrainian scientists: V. Banton, V. Taranhul [1], Yu. Hlushchenko [2], T. Dudorova [3], O. Lahovska, S. Lehenchuk, S. Svirko [4], V. Makohon, I. Adamenko [5; 6], N. Matsedonska, V. Kovalenko, L. Shtefan [7], A. Nechyporenko, I. Panchenko, L. Moroz [8], H. Onishchenko [9], N. Syniutka, O. Kurylo, T. Vasyliuk [13], M. Slatvinska [14], K. Shaposhnikov, D. Krylov, I. Yakushko [15] and other.

Taking into account the deep analysis of scientific works devoted to the determination of directions for increasing the efficiency of the domestic fiscal policy, today in the conditions of a high degree of digitalization of the world economy, several problems require an urgent solution and additional justification. In particular, this concerns the implementation of blockchain technology in the budget and tax sphere, the improvement of the «electronic customs» system, the increase of the fiscal role of VAT through the automation of its processing, and the use of innovative digital technologies in the state management system to overcome corruption in Ukraine, etc.

Setting objectives. The purpose of the article is to determine directions for improving the state's fiscal policy in the context of the digitalization of the financial system and the strengthening of European integration processes in Ukraine.

Presentation of the main research material. Today, in the scientific literature, there are many definitions of the essence of the fiscal policy of the state, which is a generalized form that can be presented as a set of financial actions of the government to ensure the possibility of financing a certain amount and structure of budget expenditures, the organization of an optimal system of inter-budgetary relations, and the creation of an effective mechanism of taxation of economic entities and the population countries.

It is worth noting that the fiscal policy of the government is characterized by a dual nature, which is determined, first of all, by the economic essence of the budget system, and requires constant coordination of both its components – budgetary and tax. The formation of such a policy is always accompanied by a conflicting situation: on the one hand, it is necessary to defend the interests of business entities and citizens working in the private sector of the economic system, and on the other hand, the need to ensure the effective functioning of the non-profit budget sector, which requires the mobilization of a sufficient amount of financial state resources. This requires a permanent comparison of budgetary and tax policies and a constant effort to optimize these components. Therefore, the government should stimulate the development of the business sector and monitor the level of the tax burden on taxpayers, which will not encourage them to partially or completely move to the shadow sector or (in the worst case) to stop their activities. The state must also mobilize budget revenues with the help of tax payments (in most countries, they make up more than 80% of revenues), which will become the basis for spending. Today, the budget is considered an effective tool for the socio-economic development of the economy, and the state is an important investment that helps implement strategic programs and projects that cannot find financial interest from private investors.

Modern scientists consider a fiscal policy from the point of view of social science as a special type of government activity at various levels of the country's financial system. The essence of fiscal policy is also interpreted from the point of view of management in the sphere of state revenues and expenditures, and since taxes form the lion's share of budget revenues, this increases the importance of tax policy in its

composition. Scientists usually highlight the latter from several points of view: the government's activities in the field of making mandatory payments; a set of interconnected elements that form the country's taxation system; a system of defined measures designed to regulate activities in the field of taxation.

All views on the interpretation of the economic content of the state's tax policy should be summed up in a common denominator – the government's activities aimed at mobilizing tax revenues of the budget system. At the same time, we note that this definition is not entirely perfect, as it does not take into account the tax pressure, at a high level of which state revenues may decrease significantly in the future.

As for the definition of the essence of budget policy, it is usually revealed from the point of view of carrying out budget expenditures, that is, the use of forms and methods of formation of budget funds and directing them to the financial support of the state's performance of the functions and tasks entrusted to it. Domestic scientists also note that budget policy should create prerequisites for the socio-economic development of the country and increase the quality of life of the population. This requires government officials to build up the financial base to finance a larger amount of planned government spending.

The above confirms that both components of fiscal policy are closely interrelated and help each other achieve their goals, that is, they function as a single whole.

An important factor in ensuring the stable development of the national economy is the implementation of an effective financial policy by the government, which involves the correct selection of it with the use of effective tools. Financial regulation today also provides for the implementation of an effective fiscal policy, which is a component of the financial policy and uses its tools, making it possible to redistribute the gross domestic product, finance strategically important activities, projects, and programs, and mobilize planned amounts of financial resources to the budget system.

In modern economic literature today, it is difficult to find a universal definition of fiscal policy instruments, which is connected with their large number and various spheres of application by the government for state regulation of the economy. These tools are used to achieve a balance between aggregate demand and supply in the market, balance the economic system, increase the productive forces in the country, combat unemployment and restrain the growth of the general level of prices, etc. Fiscal instruments help to create prerequisites for the activation of entrepreneurial activities, the development of the non-commercial sector of the economy and ensure an average level of well-being for persons who, due to objective circumstances, are unable to support themselves independently.

Fiscal policy instruments should be defined as a set of means used in the process of withdrawing part of the funds from business entities and the population to ensure the mobilization of a sufficient amount of financial resources in the country's budget system. They are an integral element of the financial mechanism and help it easily adapt to the changing conditions of today. The fiscal mechanism includes the tax and budget components, which interact with each other, help to redistribute GDP, and have the appropriate tools. In general, it is intended to mobilize sufficient financial resources in the budget system to fulfil the functions and tasks assigned to it by the state.

In modern economic studies, it is often emphasized that the fiscal policy of the government is accompanied by stimulating or restraining economic effects. They determine with what force and direction financial instruments influence the development of the economy.

The government's implementation of a tough budget and tax policy can provoke an aggravation of social contradictions and slow down the growth of the economic system. This requires a clear justification for the use of fiscal instruments in the process of carrying out a specific type of policy. Today, the policy of fiscal consolidation is gaining significant popularity in the world – as an effective way to overcome the uncontrolled growth of public expenditures and avoid the debt crisis. Its essence is to constantly limit the deficit level of the budget system and reduce the debt burden on the country's economy, that is, state borrowing only in case of extreme necessity. In addition, the developed countries of the world today, are trying to achieve an optimal structure of public spending by avoiding the financing of inefficient budget programs and transferring financial resources to projects that are of strategic importance to society. Although such a fiscal policy is quite strict, it helps the government to overcome crisis phenomena in the economy and achieve stable development.

It is worth noting that the correlation between the specific weight of government expenditures in the gross domestic product and the growth rate of the economy does not have a linear relationship, since not all expenditures are of a capital nature and affect the growth of production. Although the growth of the economic system determines the level of budget expenditures, it is also influenced by the taxation system, the state of which may be far from ideal. The experience of the developed countries of the world convinces us that positive changes in the economy will be observed when the share of budget expenditures in the gross domestic product is at the level of one-third. In a situation where this indicator exceeds two-thirds of GDP in the country, negative effects will be traced, which were the result of excessive centralization of finances in the hands of the state.

The level of economic growth rates of the state determines the degree of effectiveness of financial regulation of the development of the economic system, that is, the formation of a favourable environment for the functioning of authorities, business entities, and the population, the effectiveness of which is an indicator of the progress of the country's economy. A key parameter of such progress is the development of the public sector, with the help of which the government achieves defined socio-cultural and economic goals and affects the level of well-being of the population.

It should be emphasized that the tax policy of the government exerts a significant influence on the formation of a favourable investment climate in the country and determines its position in the international arena in the struggle for investment resources. Thanks to the successful use of tax instruments in state regulation of the economy, the government can create incentives for foreign investors that will encourage them to invest in the Ukrainian economy. Conducting a loyal and fair tax policy is a determining factor in attracting foreign direct investment to Ukraine.

To evaluate the effectiveness of the domestic tax policy, we will analyze the dynamics of tax revenues to the budget during 2010-2021. During this period, the structure of revenues of the consolidated budget of Ukraine was consistently dominated by tax revenues (their share varied from 63.8% to 87.46%), and second place was occupied by non-tax revenues, the specific weight of which ranged from 12.18 to 29.9 %. According to the results of 2021, the tax component in the revenue structure of the consolidated budget increased by almost 5 percentage points. In 2021, the share of non-tax revenues decreased by -4.85 percentage points [10; 11; 12]. The dynamics of the structure of revenues to the consolidated budget of Ukraine are presented in fig. 1.

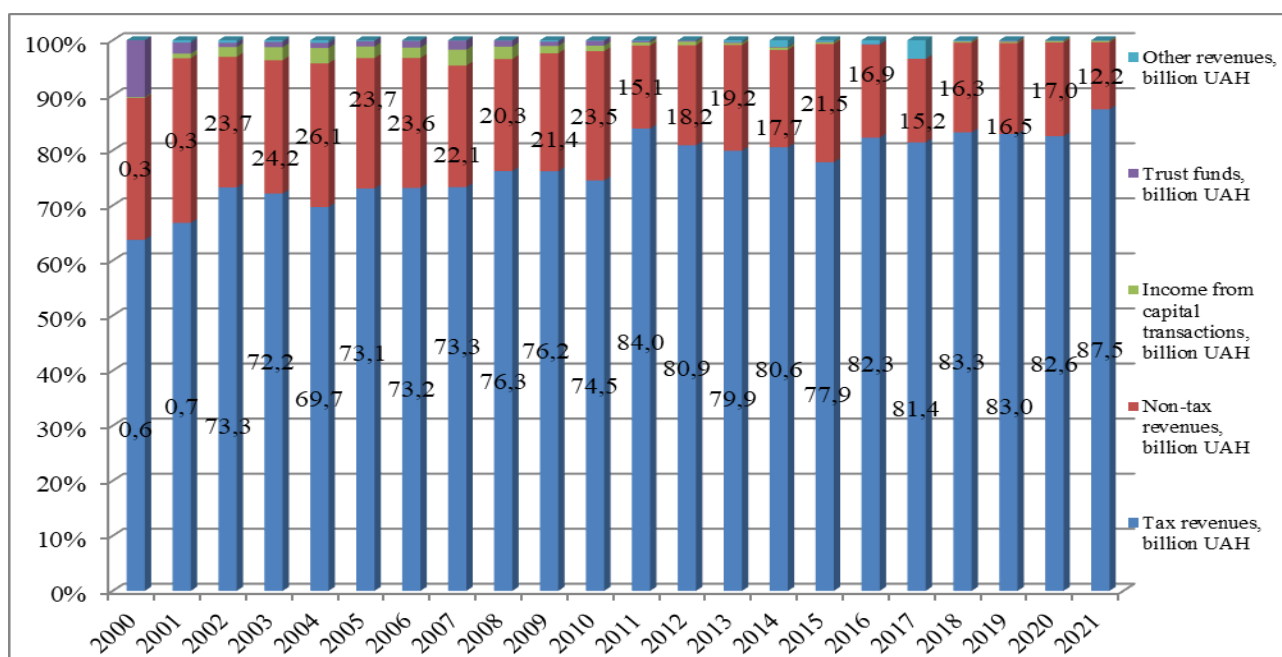


Fig. 1. Dynamics of the structure of revenues to the consolidated budget of Ukraine in 2000-2021, %

Source: based on [10; 11; 12]

Based on the analytical assessment of tax revenues to the Consolidated Budget of Ukraine during the years 2000-2021, the tendency of indirect taxation to prevail over direct taxation can be traced, which indicates the fiscal orientation of the domestic tax policy and insufficient orientation of the regulatory function on economic growth (Fig. 2). In 2009, during the global financial and economic crisis, the specific weight of taxes remained at the level of the previous year along with a decrease in their absolute amount in the structure of budget resources. In 2010, in the post-crisis period, there was a slight increase in the volume of taxes as part of consolidated budget revenues and a decrease in their share compared to the previous year [10; 11; 12].

After the adoption of the Tax Code in 2011, tax revenues in the structure of budget resources increased significantly (by 9.5 %) compared to 2010. Such indicators are related, first of all, to the assignment of rent and fees for fuel and energy resources to the "Tax revenues" section in the budget classification. Since 2011, there has been a tendency to decrease the share of direct taxes in the revenues of the consolidated budget (only in 2013 – growth), which is a consequence of the reduction of the tax burden on business. Since 2010, the share of indirect taxes has remained at the level of 52.7–52.8 % (49.4 % – in 2013) of the volume of state budget resources, which makes it possible to solve the problems of financial support for the public expenditures [10; 11; 12].

It is worth noting that during the analysed period, the development of the economic system of Ukraine in general and the formation of budgetary resources were negatively affected by the following factors in particular: the conduct of military operations in the east of the country, the far from the optimal situation of the national market of goods and services, the drop in household incomes, the imbalance of the economy, etc. The effect of these factors was significantly reflected in the dynamics of changes in the financial results of the business sector, which forms the salary of the population and which is the main payer of mandatory payments to the budget.

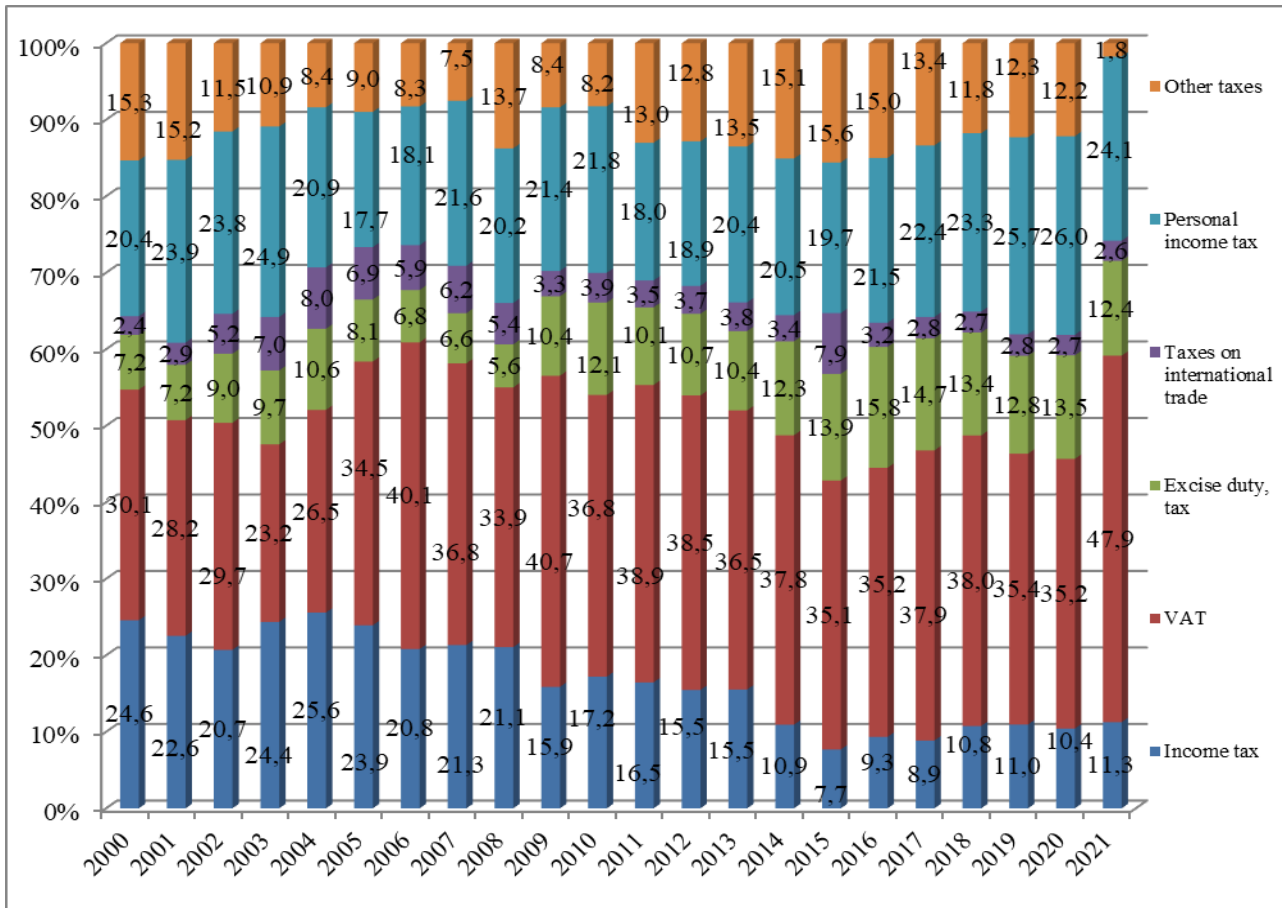


Fig. 2. Dynamics of tax revenues to the consolidated budget of Ukraine in 2000-2021, %

Source: based on [10; 11; 12]

Tax revenues have a decisive influence on the mobilization of resources at all levels of the budget system, which proves the effectiveness of tax instruments in attracting funds to state funds to finance social programs, the medical field, education and science, culture, etc. The determining negative factors of the low competitiveness of the domestic tax policy at the international level are frequent changes, double interpretation, and inconsistency of regulatory and legal acts in the field of tax administration; significant tax pressure on business entities and the population; unfair distribution of the financial burden between taxpayers; low effectiveness of the tax administration mechanism in the country.

The above-mentioned factors have provoked several structural problems that have acquired a systemic nature and concern the taxation system, in particular: large volumes of accumulated tax debts by business structures; significant dimensions of the shadow sector of the economy, and massive violations of tax legislation; the critical value of the budget VAT refund as a result of the use of criminal schemes to evade the payment of this tax and withdraw funds from the state budget of Ukraine.

In the context of the course adopted by the government of Ukraine for European integration to prevent the exacerbation of social contradictions in the state, it is expedient to build an innovative concept of domestic tax policy that would contribute to the harmonious development of all subjects of the economic system. Such a fiscal policy should increase the level of trust of citizens in the activities of tax authorities, form a high level of tax culture, and promote fair taxation of enterprises of various types of economic activity and social groups of the population. An effective tax policy will help the government to avoid a decrease in budget revenues in the event of a crisis in the economy and maintain the high business activity of the entrepreneurial sector, which will enable the full financing of planned social programs and projects.

The key factor in improving the tax policy of the state is the formation of the appropriate personnel potential, which will be able to implement the outlined measures and will contribute to the implementation of innovative changes. This creates the need to finance advanced training of employees of fiscal bodies in relevant institutions of higher education and will contribute to increasing their work productivity and making rational decisions.

It is advisable to improve the domestic tax policy in the following directions: formation of a predictable and balanced fiscal policy by using tax instruments to achieve the goals of strategic development; carrying out the declared reforms, in particular, increasing the information transparency of the functioning of the taxation system and strengthening public control over the activities of fiscal bodies; increase in the quality of

services guaranteed by the government in the field of taxation; improvement of the mechanism of implementation of state financial control over the spending of state funds; ensuring transparency in the process of drawing up, approving, implementing and reporting on budgets at all levels; modernization of the government debt management mechanism; prevention of significant risks in the budget and tax sphere.

In the conditions of limited financial resources of the state, the optimal distribution of expenses, which would correspond to the basic principles of socio-economic development and act as a tool for implementing the government's investment policy, is of great importance in the process of implementing the budget policy. Therefore, the gradual introduction of a program-target method into the budget process is relevant today, which will help to rationally distribute budget funds and increase the efficiency of the functioning of state finances in general. The application of this method will contribute to the emergence of a number of positive changes in the budget system of Ukraine, in particular: it will increase the information transparency of all stages of budget design and implementation; will help evaluate the effectiveness of the functioning of the subjects of the budget process and realistically compare the number of completed tasks with the amount of spent financial resources; to analyse the factors that influenced the inefficient use of budget funds under specific programs or projects; will make it possible to systematize the activities of budgetary organizations and institutions for the purpose of creating and implementing programs and to clearly divide responsibility between them for the implementation of specific projects; will create prerequisites for increasing the level of responsibility of heads of budgetary institutions for the implementation of specified programs, the targeted use of funds under them, the fulfilment of assigned tasks and the achievement of the main goal; will contribute to the growth of the quality of the implemented budget policy and the effectiveness of directing the state's financial resources into the country's economic system.

Next, it is advisable to consider the structure of the expenditure part of the state budget in terms of functional (Fig. 3) and economic (Fig. 4) classifications of expenses and budget lending.

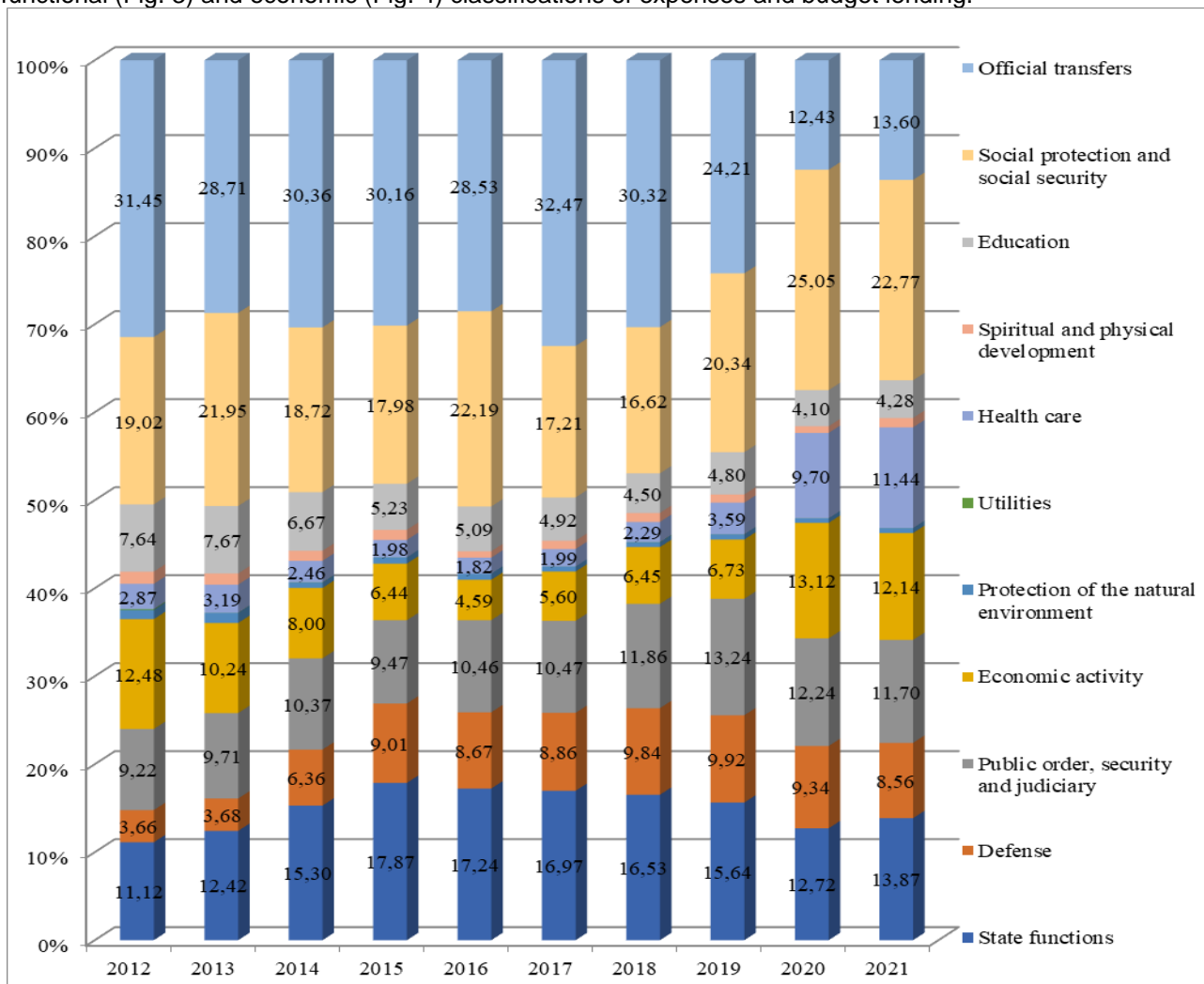


Fig. 3. Dynamics of the structure of expenditures and crediting of the state budget by functional classification, %

Source: based on [10; 11; 12]

According to Fig. 3-4, we observe that according to the functional and economic classification of budget expenditures for 2021, the largest share is the following expenditures: expenditures on interbudgetary transfers (13.6%, or UAH 202.7 billion); social protection and social security (22.77%, or UAH 339.3 billion); debt service (10.27%, or UAH 153.1 billion); public order, security, and judiciary (11.7%, or UAH 174.4 billion); use of goods and services – 25.67% [10; 11; 12].

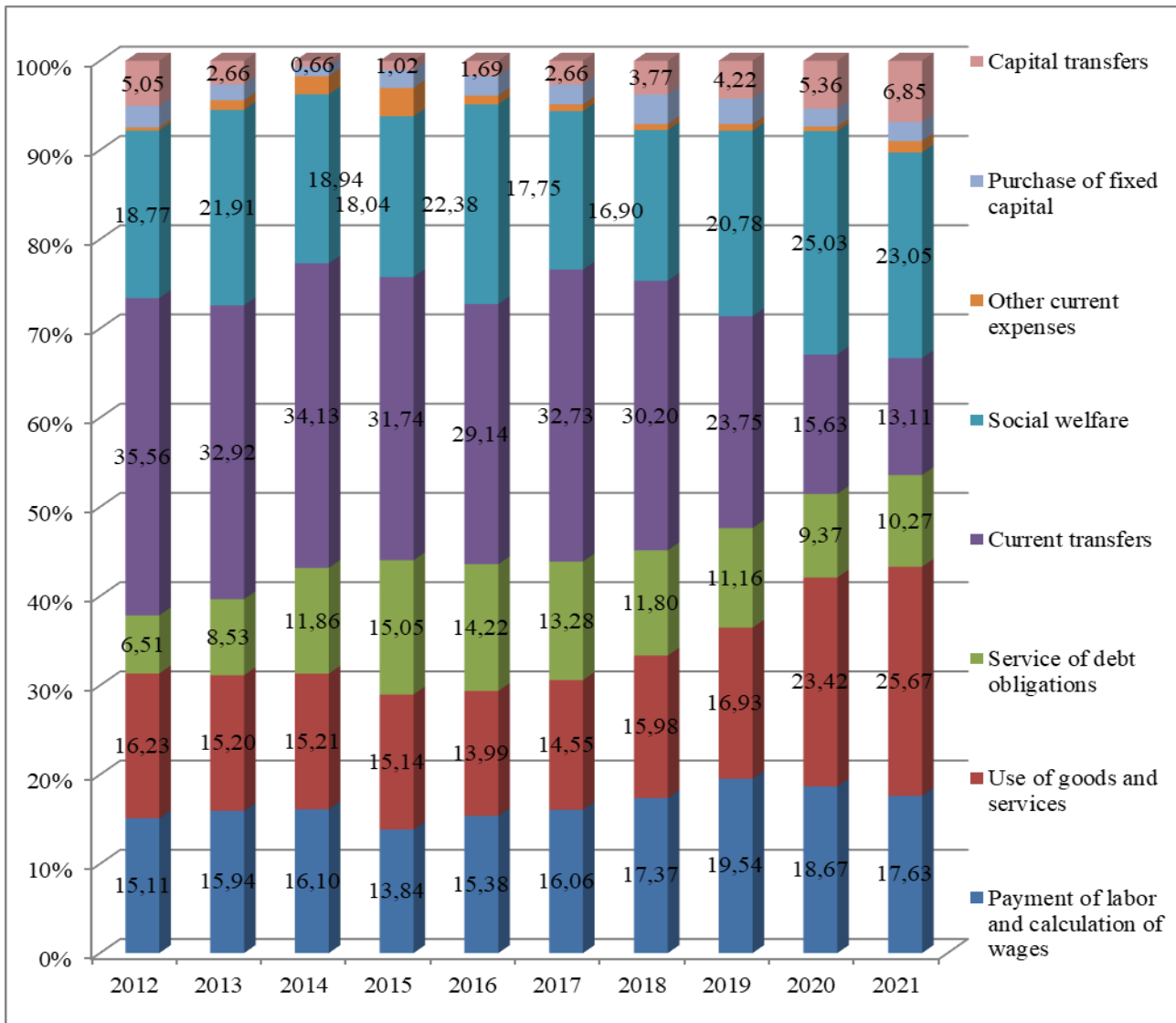


Fig. 4. Dynamics of the structure of state budget expenditures by economic classification, %
 Source: based on [10; 11; 12]

The volume of local budget expenditures (excluding transfers from the state budget) in 2021 amounted to UAH 549.4 billion, which is 7.51% more than the corresponding indicator of 2020. In 2021, the majority of local budget expenditures are traditionally directed to the socio-cultural sphere (education, health care, social protection, social security, culture and art, physical culture, and sports). It is worth noting that the lion's share of local self-government budget expenditures in 2021 will be spent on social protection and provision, economic activity, and education [12].

From the analysis of the implementation of local budgets in Ukraine, it can be stated that local self-government bodies do not have a significant impact on accelerating the processes of social and economic development of regions. To change this situation, it is necessary to provide them with a sufficient amount of financial resources for the full implementation of their own and delegated powers [12].

In the context of the completion of the financial decentralization reform in Ukraine, an important direction for increasing the effectiveness of budget policy is the modernization of the mechanism for implementing inter-budgetary relations to provide local authorities with sufficient financial resources to fulfill delegated powers, increasing their financial autonomy, and intensifying interest in increasing the tax potential of united territorial communities. The budget policy should also be aimed at equalizing the development of individual territories, providing financial support to regions with low financial capacity, and providing the same quality of services guaranteed by the state throughout the territory of Ukraine.

The improvement of the system of organization of state financial control will also significantly affect the quality of the formed budget policy, as it will increase the level of targeted use of centralized funds, promote compliance with the principle of saving financial resources and help to effectively implement budget programs. It is important in this direction to use the achievements of science and technology, in particular, innovative blockchain technology, in improving the quality of financial control. The reliability of this technology, which is verified by cryptocurrencies, will create a basis for overcoming corruption in authorities and among managers of budget funds, will help increase information transparency of the results of control procedures, and will make it impossible to manipulate the source data to cover up budget crimes.

An actual way to improve the budget policy is to improve the institutional foundations of the effectiveness of the budget system, which will contribute to the successful implementation of reforms in the financial sphere. Increasing the effectiveness of the budget mechanism and strengthening its coordination with institutions of the financial sphere actualizes the need to study budget architecture and build a strategic model of its institutionalization with the help of a rational ratio in the fiscal policy of its tax, budget-social, and debt parameters. The development of an adequate structure of the budget system will make it possible to identify the influence of external and internal factors promptly, to identify the dynamics of macroeconomic parameters of the world and national markets, which will make it possible to achieve the planned budget indicators and ensure financial stability in the development of the domestic economy. In addition, in Ukraine, it is necessary to deepen the factor analysis of the impact of budget expenditures on the pace of development of the economic system to assess their effectiveness and find hidden reserves of positive changes in their structure.

To strengthen the influence of budget policy on the rate of economic growth in the country, it is necessary to intensify the use of public expenditures as investment tools for the development of strategic types of activities and the implementation of socially important projects. To finance important infrastructure facilities, it is expedient for the state to involve the private sector by providing it with certain motivation. State investment in the country's economy will help increase the confidence of foreign investors in the country and improve the investment climate.

Therefore, budget policy should become an important tool for stimulating economic growth through effective investment of the state's financial resources in the national economy, achieving a rational structure of budget expenditures, and building a society with high social guarantees for the population and constant improvement of the quality of life in the country.

Debt policy is a consequence of fiscal policy, as the need for its implementation is caused by the constant deficit of the state budget and the need for state borrowing. As a result of the influence of subjective and objective factors, Ukraine today cannot do without attracting credit resources, therefore it is necessary to concentrate attention on the effective use of mobilized funds and the formation of an effective policy for the repayment of already existing debts. In addition, it is worth optimizing the ratio between external and internal borrowing, giving preference to the latter, which will contribute to weakening the influence of foreign creditors on strategic decision-making and increase Ukraine's financial autonomy. On the other hand, the low level of trust in business structures and the population in state institutions prevents the government from realizing the internal credit potential of our country today, so at the end of 2021, the lack of financial resources had to be covered again at the expense of loans from the International Monetary Fund.

It is worth noting that the implementation of the state's debt policy today pursues the following tasks: to mobilize loans on good terms, which will facilitate the repayment of obligations in the future; abstinence from the implementation of discretionary fiscal policy in the country.

Management of the dynamics and structure of government debt during the implementation of the budget and tax policy intersects only in the interest service sector: in the period of economic growth, it is not advisable to attract government loans for a long period, because then they will be a heavy burden on the economic system due to high-interest rates. During the recession phase, during the restructuring of public liabilities, it is necessary to mobilize credits on a long-term basis to reduce the interest burden in the future.

The implementation of the state's credit policy to stimulate economic growth involves an institutional division of loans: those mobilized to cover previously issued state obligations, and loans that have an investment direction. This will also be facilitated by the separation of state investment costs into a separate component, the financing of which must be attributed to the competence of the National Investment Bank. This bank will invest investment resources in objects of strategic state importance by issuing bonds and guaranteeing loans. The proposed institutional mechanism will make it possible to: transfer a significant amount of capital budget expenditures to loan financing; to form the necessary amount of capital investments in strategic government programs; to improve the quality of control over compliance with the principles of savings and targeted use in the processes of using credit funds raised under state guarantees; to monitor the progress of implementation of state investment programs, which are credited at the expense of the capital fund.

The key problems of the implementation of the national debt policy are negative trends, which consist of the growth of the absolute amount of government debt and its share in the gross domestic product; negative structure of state debt obligations, dominated by the external component; significant amounts of

guaranteed debt, which may result in unforeseen expenses in the event of a deterioration in the debtors' financial condition; large volumes of obligations to the IMF, the World Bank, and other international financial institutions, which significantly reduce the level of a debt security of our state; an incompletely formed financial market and the low quality of its instruments, which significantly worsens the conditions for issuing state securities; imperfection of regulatory and legal acts and institutional support for the formation of Ukraine's debt policy.

In order to overcome the highlighted negative phenomena in the field of public debt management, it is advisable to carry out the following reforms: to focus efforts on the domestic market of government debt securities by stimulating the interest of business structures and households in purchasing government bonds; apply the state guarantee mechanism only in certain situations that relate to the achievement of the country's strategic goals; gradually reduce the volume of loan mobilization from international financial institutions, which impose unfavourable conditions on the country and threaten to reduce financial security; to lower the limit of government debt relative to the gross domestic product to 35 % in view of the pace of development of the national securities market; to form a Fund that would be responsible for the development and implementation of the state's debt policy; to establish the Government Bank of Capital Investments for the purpose of forming the policy of management of capital state loans.

In the conditions of a difficult economic situation in Ukraine, a significant amount of the state budget deficit in 2020, high inflation rates in 2021, and the constant need for payments to repay existing debts, it is expedient for the Ukrainian government to concentrate its credit policy on the domestic market for public borrowing. This will help reduce Ukraine's dependence on external creditors, reduce the impact of currency instability on the size of the debt, and stimulate the population's investment activity. However, the low level of trust in the state as a borrower, the underdevelopment of the state securities market, the unstable political situation in the country, and other negative factors stand in the way of this.

In the conditions of reforming the domestic economy, the main direction of improving the fiscal policy of the state is to increase the transparency of the budget process and involve the public in it, which will enable the consideration of the opinion of the population of the specified territory during the formation of the budget expenditure structure. The population's participation in budget processes is ensured with the help of participatory budgeting, which helps them influence the distribution of part of the financial resources of local self-government bodies.

Involvement of citizens in the formation of budgets takes place in the following areas: their attendance at presentations organized by territorial communities; submission of proposals for the distribution of budget funds; organizations monitoring the implementation of local budgets; assistance in determining the effectiveness of budget programs; organization of public hearings and formation of a territorial initiative.

Participatory budgeting is highlighted from the point of view of initiating discussion and making decisions, in which citizens determine how to use part of the budget of the territorial community. It has the following features: the reasoned amount of budget funds, which is subject to distribution at the discretion of the community; implementation of the planned projects are carried out throughout the year; it is possible to form offers only from a specific natural person; there is an opportunity to vote for projects submitted by citizens; the ability to monitor the implementation of selected ideas; implementation of projects only in the territories of local communities.

Participatory budgeting can be real only in case of mobilization of a sufficient amount of budget funds; discussion of projects concerning the entire territorial community of the city or district; the formation of budgets must take place permanently; ensure citizens' access to the discussion of projects or programs. The stages of formation and adoption of the participatory budget are highlighted in fig. 5.

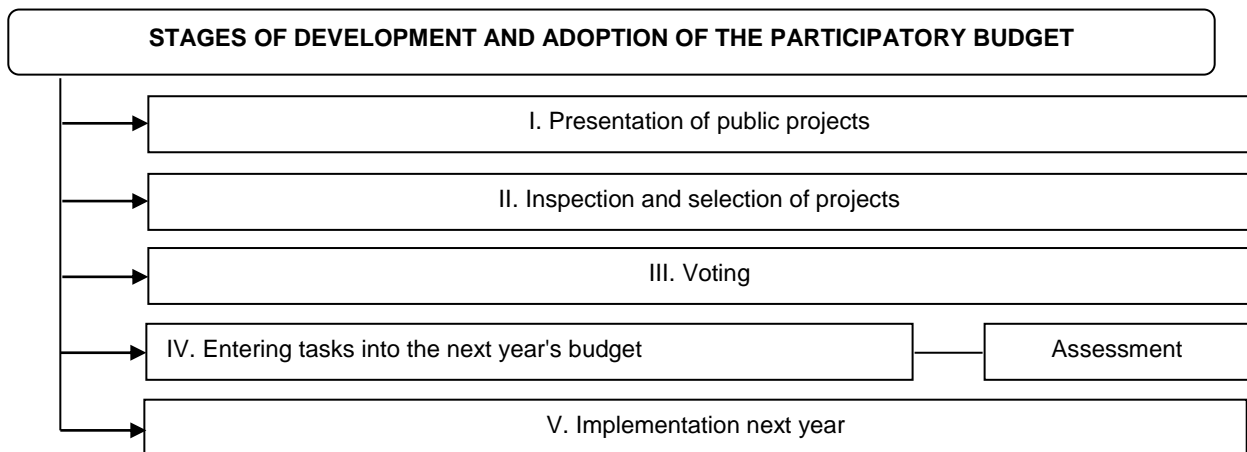


Fig. 5. Stages of formation and adoption of the public budget

Source: based on [3, p. 140]

In many settlements of our country, where the experiment of public budgeting has been implemented, citizens have the opportunity to propose a project that will reflect the needs of the entire population of the territory or its separate part. Submitted projects may relate to several problems, in particular: improvement of landscaping, capital repair of roads of territorial importance, streets, construction of children's play and sports areas, solving important social problems of the city, etc.

After developing appropriate documentation and collecting signatures of citizens, projects can be submitted for competitive selection. The submitted project must necessarily include the cost of implementation based on the municipal price list approved by the local authority. He also undergoes appropriate identification and admission to the competition. The city community is notified of information on the projects participating in the selection and residents choose the best options in their opinion during direct electronic voting. Only those projects that received the required number of votes will be implemented.

Today, public budgeting has proven itself well in Ukraine already at the initial stage of implementation. However, today it is necessary to improve it in the following directions: to improve the technological component of the implementation of the budgetary process to increase the level of information transparency; awareness of citizens about existing budget projects and the state of implementation of already approved programs is not sufficient today, therefore it is necessary to develop new mechanisms to involve a greater number of residents of the territories to express their own opinion regarding the distribution of funds. It is also necessary to implement medium-term planning, implement a program-target method of managing the budgets of united territorial communities, improve the quality of normative legal acts that regulate the budget process at the local level, etc. This will contribute to the increase in the degree of information transparency of the budget process at all stages and will help establish the relationship between the community and the local authorities elected by it.

Another way to increase the efficiency of the budget policy is to improve the mechanism of implementation of government purchases with the help of the introduction of innovative digital technologies. To rationalize budget expenditures, overcome corruption in authorities, and increase the transparency of the process of spending public resources, in 2016, the electronic public procurement system "Prozorro" was introduced, which received wide support and positive feedback from the public.

The introduction of the electronic procurement system "Prozorro" into the budget expenditure management mechanism is an important first step in the application of modern digital technologies in the budget and tax policy. This system works effectively and helps to automate public work related to the formation of a package of orders for goods and services by the state. It made it possible to establish close relationships between authorities (as customers) and producers of products and services necessary for the state to fully perform its functions. This system gave a serious challenge to corruption and formed a competitive selection among suppliers, which significantly increased the quality of the offer and currently contributes to the observance of the principle of saving the financial resources of the state.

The "Prozorro" platform streamlines the course of government procurement by speeding up transactions, reducing the administrative burden, and using modern, innovative computer systems. Despite the significant positive aspects of this platform, it also has its shortcomings, which require finding ways to improve it at the technological level. It is necessary to solve the problem of the lack of relevant experience among the employees of territorial communities, to minimize the probability of conflicts between tender subjects, to prevent the increase in the period of the execution of operations in some cases, to improve the algorithm for analysing complaints and proposals, and others. The indicated shortcomings only indicate significant prospects in the application of the "Prozorro" system and potential opportunities for its improvement to increase the efficiency of managing budget expenditures using digital technologies.

An important direction of increasing its efficiency is the use of innovative digital technologies in the formation of the fiscal policy of the state. Today, there is a shortage of financial resources in the state, therefore the implementation of digital services for making mandatory payments in the work of the State Tax Service of Ukraine is expedient since such innovative technologies can significantly simplify the payment of taxes and fees, improve the quality of accounting and reduce the time of calculations with the budget.

The fact that new technologies make it possible to significantly reduce the costs of their implementation and meet the desire of business entities to communicate with tax authorities online is also in favor of the digitalization of operations for the administration of mandatory payments. To create favourable conditions for cooperation with taxpayers and reduce the time for their service, the State Tax Service has connected several services that enable the processes of electronic formation, monitoring and sending of reports, conducting remote checks of the status of tax obligations, informing about payment deadlines mandatory payments and provide answers to other frequently asked questions.

We note that the introduction of digital services into the mechanisms for making mandatory payments helps fiscal authorities to increase the effectiveness of tax payment control, and the cooperation of the latter with the Ministry of Digital Information ensured the provision of the necessary information services to taxpayers and significantly increased the tax competitiveness of our country.

Conclusions from the conducted research. Therefore, to improve the domestic fiscal policy, it is expedient to carry out reforms in the following directions: the formation of a predictable and balanced fiscal

policy by using tax instruments in order to achieve the goals of strategic development; carrying out the declared reforms, increasing information transparency of the functioning of the taxation system and strengthening public control over the activities of tax authorities; increase in the quality of services guaranteed by the government in the field of taxation; improvement of the mechanism of implementation of state financial control over spending of state funds; ensuring transparency in the process of drawing up, approving, implementing and reporting on budgets at all levels; modernization of the government debt management mechanism; prevention of significant risks in the budget and tax sphere; rationalization of the budget expenditure structure at all levels; strengthening the impact of the expenditure part of the budget on the development of the economy by increasing the share of capital expenditures; apply the state guarantee mechanism only in certain situations that relate to the achievement of the country's strategic goals; gradually reduce the volume of loan mobilization from international financial institutions, which impose unfavourable conditions on the country and threaten to reduce financial security, etc.

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