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## ANALYSIS OF SOCIAL INFRASTRUCTURE EXPENDITURE AND ITS EFFECT ON SOCIAL FUNCTION OF THE STATE

*In the article the current system of state administration of the socio-economic development of the country is appreciated. The assessments of the main indicators of the socio-economic development of the state are made. It is shown that the current administration of the social sphere excludes all kinds of incentives for economic development and corresponding growth of revenues of the state and local budgets. The realities of implementation of the basic principles of social responsibility by business entities are reproduced. The situation with the budgetary decentralization is present which showed only a slight improvement in local budget revenues. It is mentioned that the effect of two budget codes and constant changes to the formula for calculating the equalization of local budgets deprive them of long-term development. The actual change in the structure of cash income of the population is analyzed. The estimates of the structure of the expenditures of the Consolidated Budget of Ukraine and their comparison with the main taxes (personal income tax, corporate income tax, value added tax) are made. This has shown a decrease in real own income of the population, especially hired workers. The situation with unreasonable growth of expenditures of the consolidated budget of Ukraine for economic activity and comparison with other expenditures of the consolidated budget of Ukraine, in particular, on health care is shown. The study of the pressure on the budget of ever-increasing expenditures on the external debt servicing is given attention. The existing methodology of budget expenditure planning is analyzed. It is based on the need to maintain existing objects and institutions, and not on objective social needs. It has been established that the current system of state management of socio-economic development of the country based on the present institutional basis does not stimulate economic budget growth in general in Ukraine and its territories. The need to change the principles and approaches of budgetary provision of social expenditures, taking into account the situation with constant restriction of financing of such expenditures, is highlighted.*

**Keywords:** social infrastructure, budget expenditures, taxes, incomes, social function, development.

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## АНАЛІЗ ВИДАТКІВ СОЦІАЛЬНОЇ ІНФРАСТРУКТУРИ ТА ЇХ ВПЛИВ НА ВИКОНАННЯ ДЕРЖАВОЮ СОЦІАЛЬНОЇ ФУНКЦІЇ

*Оцінена чинна система державного управління соціально-економічним розвитком країни, яка базується на наявній інституційній основі. Здійснено оцінювання основних показників соціально-економічного розвитку держави та їхнього впливу на потенціал соціалізації. Окреслено теперішній стан, коли адміністрування соціальної сфери виключає всілякі стимули економічного розвитку та відповідного зростання доходів державного та місцевих бюджетів. Відтворено реалії виконання бізнесовими структурами базових принципів соціальної відповідальності. Описано ситуацію з бюджетною децентралізацією, яка засвідчила лише незначне покращення доходів місцевих бюджетів. Відмічено, що дія двох бюджетних кодексів та постійні зміни формули розрахунку вирівнювання місцевих бюджетів позбавляють їх можливості перспективного розвитку. Проаналізовано фактичну зміну структури грошових доходів населення. Оцінено структуру виконання видатків Зведеного бюджету України та їх порівняння з основними податками: на доходи фізичних осіб, на прибуток підприємств, на додану вартість, на цій основі показано зменшення реальних власних доходів населення, особливо найманих працівників. Придільно увагу необґрунтованому зростанню видатків зведеного бюджету України на економічну діяльність та порівняння їх з іншими видатками зведеного бюджету України, зокрема на охорону здоров'я, а також дослідженню тиску на бюджет усе більших видатків на обслуговування зовнішнього боргу і зменшенню у зв'язку з цим соціалізаційного потенціалу країни.*

**Ключові слова:** соціалізаційний потенціал, видатки бюджету, податки, доходи населення, соціальна держава, розвиток.

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## АНАЛИЗ РАСХОДОВ СОЦИАЛЬНОЙ ИНФРАСТРУКТУРЫ И ИХ ВЛИЯНИЕ НА ВЫПОЛНЕНИЕ ГОСУДАРСТВОМ СОЦИАЛЬНОЙ ФУНКЦИИ

*Оценена действующая система государственного управления социально-экономическим развитием страны, базирующаяся на существующей ныне институциональной основе. Оценены основные показатели социально-экономического развития государства и их влияние на потенциал социализации. Описана сегодняшняя ситуация, в которой администрирование социальной сферы исключает все возможные стимулы экономического развития и соответствующего роста доходов государственного и местных бюджетов. Охарактеризованы реалии выполнения бизнес-структурами базовых принципов социальной ответственности. Изложено положение с бюджетной децентрализацией, показавшей лишь незначительное улучшение доходов местных бюджетов. Отмечено, что действие двух бюджетных кодексов и постоянные изменения формулы расчета выравнивания местных бюджетов лишают их перспективного развития. Проанализировано фактическое изменение структуры денежных доходов населения. Выполнена оценка структуры выполнения расходов Сводного бюджета Украины и их сравнение с основными налогами: на доходы физических лиц, на прибыль предприятий, на добавленную стоимость. Анализ показал уменьшение реальных собственных доходов населения, особенно наемных работников. Уделено внимание необоснованному росту расходов Сводного бюджета Украины на экономическую деятельность и сравнение их с другими его расходами, в частности, на здравоохранение, а также исследованию давления на бюджет все больших расходов на обслуживание внешнего долга и уменьшению в связи с этим социализационного потенциала страны.*

**Ключевые слова:** социальная инфраструктура, расходы бюджета, налоги, доходы населения, социальная функция, развитие.

**The formulation of the problem.** The development of social infrastructure should be recognized as one of the most important parts of the socio-economic policy of the state aimed at increasing social well-being. The effective functioning of social infrastructure, which is

expressed including in professional management, is a source of satisfaction of the vital needs of the population. At present, the discrepancy between many of the applied management paradigms, the conditions of the transition period of the Ukrainian society development and the social goals determined by the statistics of «the government governance indexes» conducted by the World Bank based on the estimates and statistics, is becoming obvious. Ukraine has the lowest rates on such indexes as «voice and accountability», «rule of law» and «Control of corruption».

Naturally, as a result, the problem of social progress in the context of providing or achieving the necessary sociality is a complex matter and has a history of development of theoretical and methodological concepts and practical attempts to solve it, based on the capabilities and specific conditions of the country. Despite a large number of relevant proposals and generalizations on various aspects of the social economy, there are still gaps in the theoretical and in the methodological context that prevent the development of the systematic approach to the mechanism for the development and functioning of a social state. This is especially true of the budget of the country, whose expenditures are not only perceived, but actually have become one of the main indicators of the direction and perfection of the social system.

Ukraine is constitutionally proclaimed as a social state requiring the introduction of a social function not only as an urgent civilized form of state formation, but as a mandatory condition for the achievement of constitutional norms. Therefore, the actual issue is the study of expenditures on social infrastructure and the implementation of the social function of the state.

**Analysis of recent research and publications.** The representatives of the Western scientific thought were included in the coverage of the theoretical content of social issues, in particular, J. Keynes, K. Marx, T. Marshall, V. Oyken, A. Saint-Simon, J. Stigler, J. Schumpeter, R. Titmuss [1] and many others.

Recently, in Ukraine, much attention is being paid to the development of theoretical and methodological issues of economic socialization, to the substantiation of social policy, to the provision of social orientation in the market economy, to the provision of public services, etc. The issues of increasing budget support for the state and local budgets and a wide range of these issues have been highlighted in recent years by leading scientists at the Ptoukha Institute for Demography and Social Studies, such as N. Dieieva, E. Libanova, O. Makarova, V. Novikov, and others [2–4]. The issues of the balance of social processes are very complicated, especially in our time, when there is an extremely high dynamics of the socio-economic processes in the country, so they are not well developed.

**Setting the objective.** The purpose of the article is to make an assessment of the main indicators of socio-economic development of the state regarding the financing of those areas directly related to social infrastructure and the relationship with the implementation of the social function of the state.

**Presentation of the main research material.** The current system of state management of the socio-economic development of the country based on the current institutional basis does not stimulate economic budget growth in general in Ukraine and its territories and does not allow overcoming the challenges and threats of the events in the Donbas.

In addition, the slow elimination of the traditional contradictions by the Ukrainian authorities between the market economy and, in fact, the Soviet principles of administration of the social sphere excluded the possibility of its transformation into a reliable stimulator of the economic development and corresponding growth of revenues of the state and local budgets. At present in Ukraine, the essence of the «social state» from citizens to politicians is reduced mainly to the words of Professor R. Titmuss: «A social state is established when all citizens are entitled to receive social services that the private sector can not provide» [1].

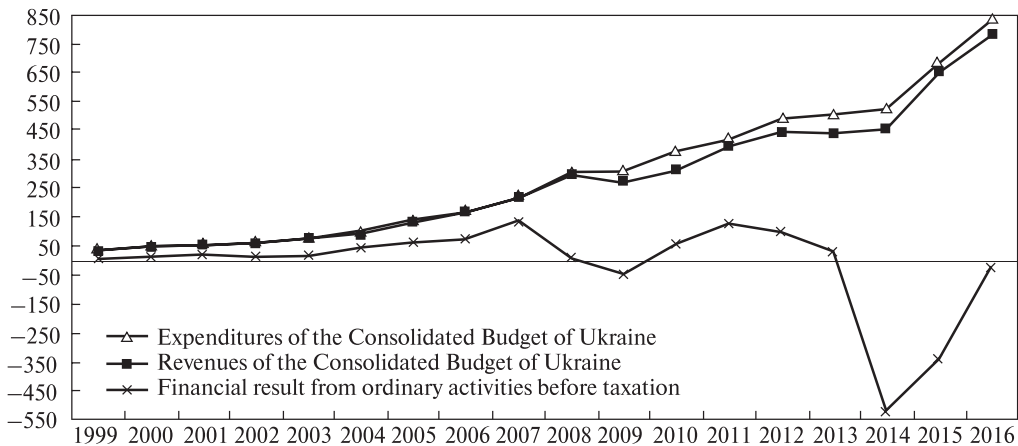


Fig. 1. Dynamics of changes in GDP, financial results, incomes and expenditures of the consolidated budget of Ukraine in 1999–2016, UAH billions

Source: compiled according to the Statistical collections «Budget of Ukraine» for 1999–2016 [6].

Figure 1 reproduces the realities of the implementation of the basic principles of social responsibility by business entities, based on maintaining sustainable financial results of the economy and increasing participation in the provision of incomes of the consolidated budget of the country, which clearly show that incomes of the consolidated budget of Ukraine in 1999–2016 were not provided by business, but the subject with regards to which it should have full social responsibility, that is, the population.

However, the criticality of the causes of the emergence of social problems in our country, due to the imperfection of the institutionalization of the implementation of the social function of the state, in our opinion, has two components.

Firstly, this is the lack of measures to neutralize the potentially destructive social nature of the market, despite the fact that for this purpose our state has full responsibilities and rights, as Ukraine, unlike many European countries, has been constitutionally proclaimed as a social state.

It is clear that this requires the introduction of a social function not only as an urgent civilized form of state building, but as a prerequisite for the achievement of constitutional norms.

Our estimates of the structure of the expenditures of the consolidated budget of Ukraine have been made, which compiled according to the indicators of the Ministry of Finance of Ukraine, in terms of achieving the effectiveness of the implementation of the social function of the state, show the following:

1. The tendencies of centralization of incomes in the state budget continue to grow, with the simultaneous significant increase of the burden of local self-government bodies through the delegation of additional powers by the state to the local level. The exception is 2016, in which the revenues of local budgets increased by 3.3 percentage points compared to 2015. This is the result of budget decentralization. Instead, expenditures increased by 0.7 percentage points. This suggests that the financial resources have become on the ground larger, but the powers transferred from the center to the regions have further increased.

Figure 2 shows that since 2010, the volume of local budget revenues and expenditures has started to polarize due to the growth of volumes of various types of intergovernmental transfers (grants, subventions, etc.).

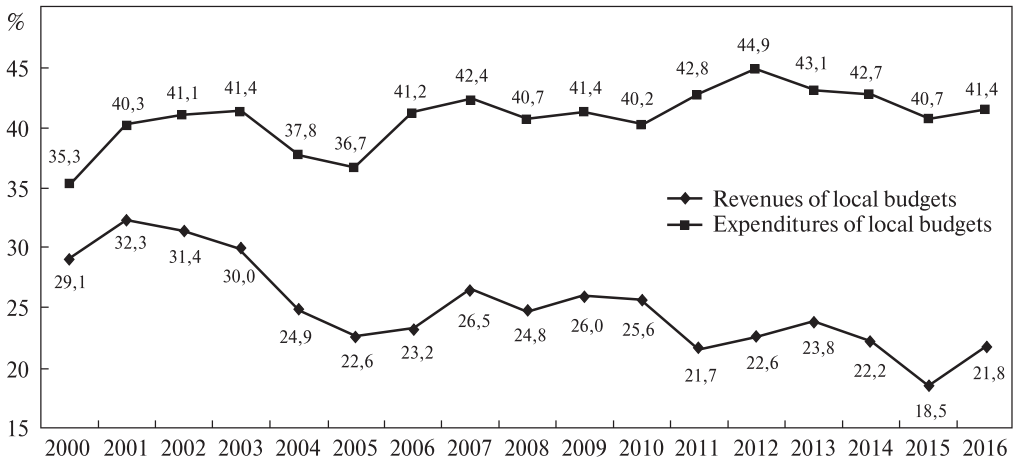


Fig. 2. Trends in changes in the structure of revenues and expenditures of local budgets in the consolidated budget of Ukraine for 2000–2016, %

Source: Compiled according to the State Statistics Service.

2. Constant changes in the formula for calculating the alignment of local budgets deprives them of long-term development. Current transfers to local budgets for 2002–2015, that is, for the period of the two Budget Codes [6–7], has show their total growth from 65.2 to 76.8 percent, including the share of wages and payrolls increased from 35.8 to 37.7 percent; the share of medicines and bandages, and food products decreased from 2.6 to 2.4 and from 3.4 to 2.7 percent, while the share of social security expenditures increased from 17.2 to 23.7 percent.

3. In the state, the concentration of all social mechanisms and opportunities for welfare of the population has been increasing. The confirmation of this assertion is the actual change in the structure of monetary incomes of the population in 1995-2016, which is shown in Figure 3.

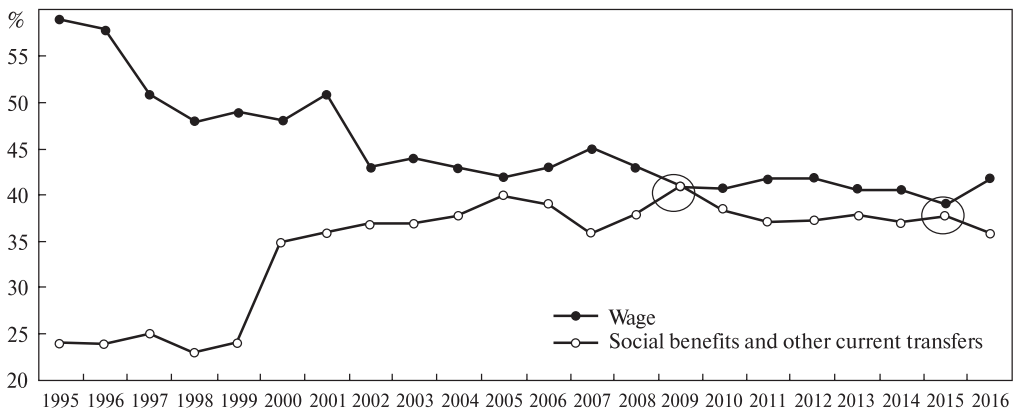


Fig. 3. Dynamics of the share of wages, social transfers in the monetary incomes of the population of Ukraine in 1995–2016, %

Source: Compiled according to the State Statistics Service.

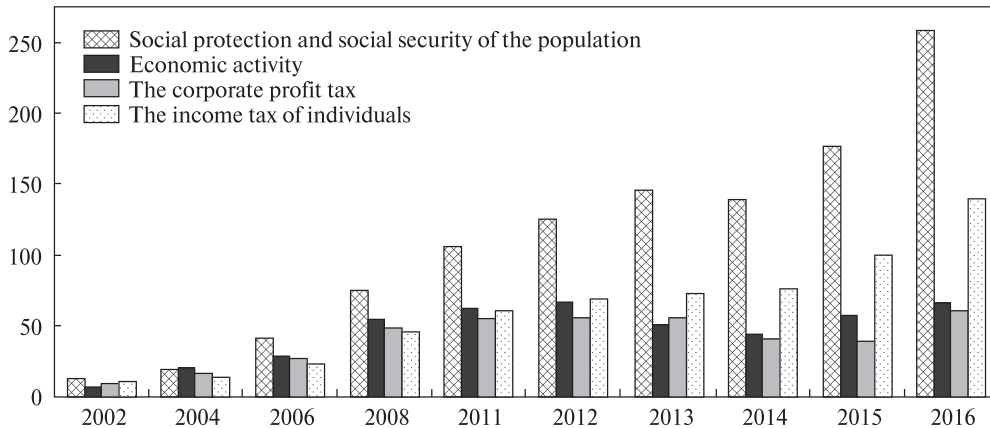


Fig. 4. Comparative analysis of separate expenditures and revenues of the consolidated budget of Ukraine for 2002–2016, UAH billions

Source: compiled according to the State Statistics Service of Ukraine.

4. The share of budget funds used for economic activity in 2002 was almost the level of health care expenditures for the entire population of Ukraine (11.9 and 12.5 percent respectively). In 2003–2009, expenditures on economic activity constantly exceed not only health care expenditures, but also the volume of paid taxes and salary fees paid by all economic actors (Fig. 4), but such changes did not contribute the growth of taxes from economic activity.

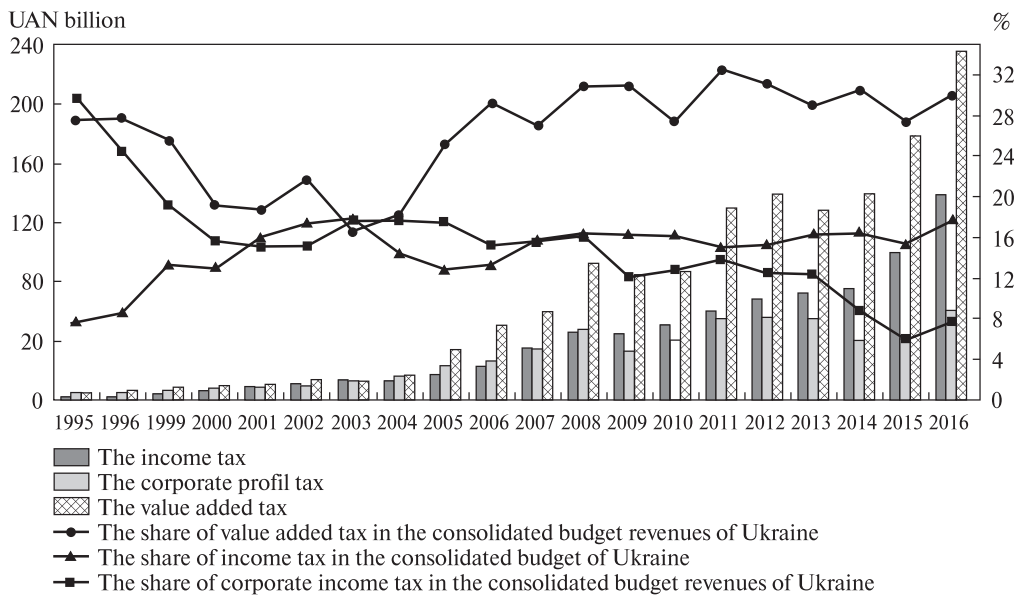


Fig. 5. Dynamics of changes in income tax, corporate profit tax and value added tax in 1995–2016, UAH billions

Source: compiled according to the State Statistics Service of Ukraine.

In recent years there has been a tendency for inadequate changes in the amount of the income tax and personal income tax, in which the amount of the income tax from 2011 is lower than the tax on personal incomes, include in 2014 less than 1.9 times (40.2 and 75.2), in 2015 – 2.6 times (39.1 and 100.0), in 2016 – 2.3 times (60.2 and 138.8), even less than the volume of expenditures of the consolidated budget of Ukraine, which was spent on economic activity in 2014 by almost 9 % (40.2 and 43.6), in 2015 by 30.5 % (39.1 and 56.3), in 2016 – again by 9 % (60.2 and 66.2).

The rates of taxes that reduce the real own income of the population especially the employees (Fig. 5) are growing at a faster pace: the personal income tax, internal taxes on goods and services (the value added tax, the excise tax on manufactured goods in Ukraine, etc.)

The most acute consequence of the ineffective implementation of the social function of the state in terms of its financial support is the sharp increase in the volume of state and state-guaranteed debt, which in 2016 amounted to 2.5 times higher than incomes of the consolidated budget of Ukraine, including only the external state debt of the country is already greater than all revenues of the consolidated Budget of Ukraine on 25 % and 197.5 billion UAH respectively (Fig. 6).

In the Analytical Report of the National Institute for Strategic Studies to the Annual Report of the President of Ukraine «On the Internal and External Situation in Ukraine in 2016», «the excessive debt burden» is classified as one of the most complex «challenges and threats to the financial system» of the state. It states that «...in relation to GDP, the state and guaranteed state debt in 2015 amounted to 79.4 % (69.4 % of GDP in 2014), which exceeds the marginal debt burden of 60 % of GDP, as foreseen by the Budget Code of Ukraine» [8, p. 64].

Each year, the volume of state budget expenditures for servicing the state's debt grows, which in the year 2015 increased from 49.4 % to UAH 86.2 billion, i.e. by 1.7 times and already exceeds 20 % of health care expenditures (Fig. 7) and in 1.7 times the expenditures of the consolidated budget for defense, 5.5 times the expenditures on housing and communal services.

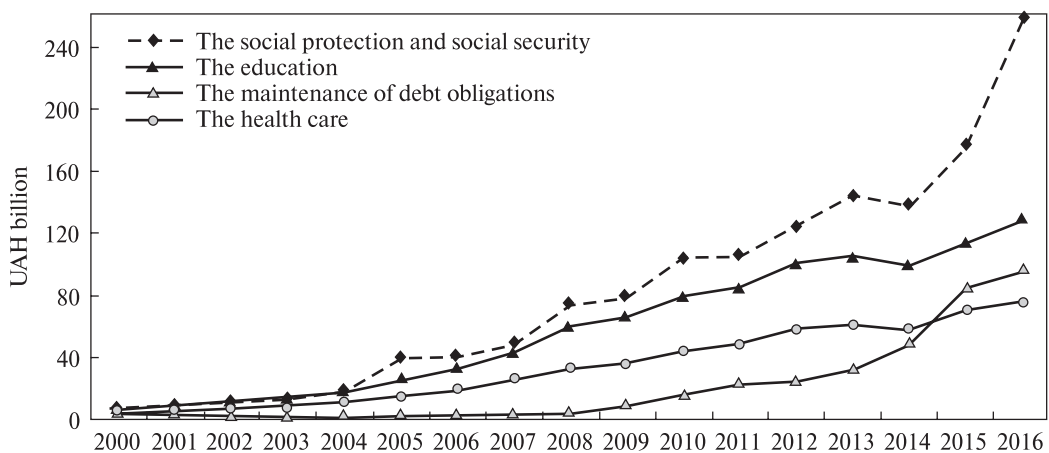


Fig. 6. Dynamics of changes in revenues of the consolidated budget of Ukraine, expenditures of the consolidated budget of Ukraine and the total amount of state and state-guaranteed debt, UAH billions

Source: compiled according to the State Statistics Service of Ukraine.

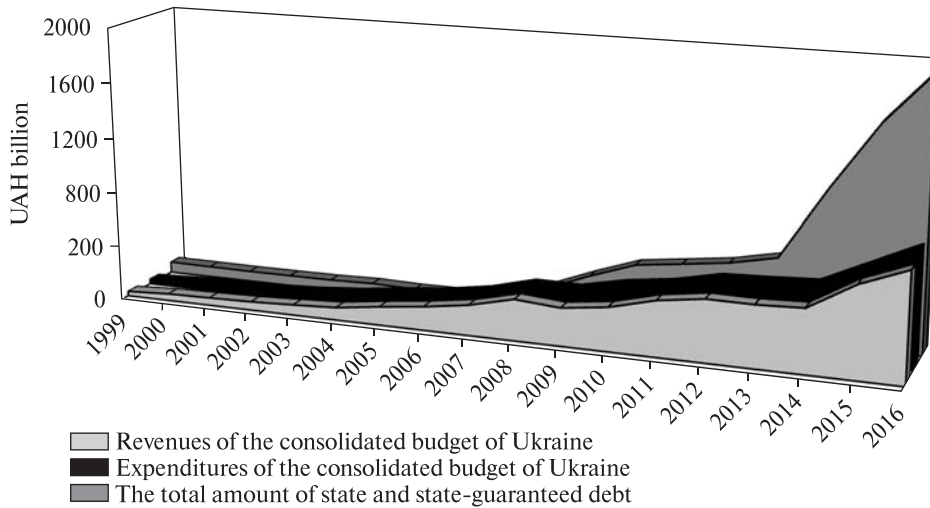


Fig. 7. Dynamics of changes in the volume of servicing of debt obligations of the state in comparison with expenditures on healthcare, education, social protection and social security in 2000–2016, UAH billions

Source: compiled according to the Ministry of Finance of Ukraine.

So, the evaluations of the main indicators of the socio-economic development of the state have shown a consistently low level of funding for those areas that directly concern the social infrastructure. The degree of provision of various groups of population in the regions does not match such criteria as the level of satisfaction with the material status, labor and occupation, housing conditions, health services, and the situation in the family.

A striking example of this state of affairs in the country is the situation in the Dnipropetrovsk region. Thus, one of the most powerful industrial development regions (2nd place by GRP per 1 resident in 2015), with the strongest and stable income base (2nd place by own income per 1 resident in 2015), the number of hired workers (2nd place in 2015) in terms of spending on the socio-cultural sphere per inhabitant occupies only 15th place in 2015. This is the highest rank in the previous 11 years (from 2003 to 2014, the region was in a stable position at the 22nd place). In particular, for expenditures for education per 1 resident in 2015, Dnipropetrovsk region occupied only 12th place, with expenditures on social protection and social security per 1 resident – 19. Only in the health and housing and communal services sectors there is a positive dynamic (3rd and 2nd rank in 2015, respectively).

Consequently, there is a paradoxical situation of discrepancy between what resource the region produces and what it spends. Dnipropetrovsk region is in unfair conditions and, in the first place, it suffers from its inhabitants who receive less social services than they should. Obviously, the adoption of the budget code in 2001 and 2010 has led to such a state of affairs.

**Conclusions.** The analysis of expenditures on social infrastructure has shown that the state does not fully fulfill the social function, which is its constitutional duty. Taking into account the situation with constant restriction of financing of social expenditures, which is repeated from year to year, it is necessary to change the principles and approaches of budget provision of such expenditures.



The existing methodology for planning budget expenditures, and thus ensuring their sources of financial revenues, is based on the need to hold active objects and institutions involved in socialization processes, rather than on objective social needs, determined in accordance with the assigned on those or other levels of function management. The focus is not on the needs of socialization, but on the conscious limited financial capabilities of the state does not and will not enable to bring the welfare of the population to the desired standards. The allocation of state resources between the «center» and the administrative territories of the unitary state, citizens, and economic entities is carried out according to conditional formulas that are constantly changing, instead of the uniform standards of social services guaranteed by the Constitution of Ukraine, regardless of the place of residence of the citizen.

The regional state administrations are invited to introduce the procedure for the annual compilation of the social budget of the region and its territories, depending on the demographic situation, the size of state standards, the level of economic development of territories and the need to achieve European social norms in the context of the respective territorial units. This will ensure a systematic approach to the formation and implementation of social measures and their relationship between economic indicators, demographic forecasts and the social sector.

Emphasis must be placed on finding ways to effectively use limited financial resources. Attention should be focused not on reducing the tax capacity, but on determining the timing of the exit of the Ukrainian tax system into the European level of taxation and, naturally, establishing a phased, annual, cost-effective tax policy dynamics in the context of budget filling and harmonious development of production facilities.

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