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## STATE WARTIME BUDGET: 2022

**Introduction.** Increasing the quality level of implementation of the State Budget of Ukraine requires a systematic approach in view of the importance of the development and adoption of mutually agreed decisions of financial and budgetary institutions under martial law.

**Problem.** It is important to ensure dynamic budget balance, take into account the principles that determine the basic model of the budget regulation mechanism in the conditions of large-scale military operations, which significantly influenced the change in the trend of economic development.

**The aim** of the paper is to identify the main principles of implementation of the State Budget of Ukraine under martial law.

**Methods.** Complex analysis, scientific generalization, comparison and analogy; specification, generalization of theoretical and practical material, sampling; scientific abstraction, induction, deduction and dialectical, abstract-logical, economic and statistical methods were used in the paper.

**Results.** The role of the State Budget of Ukraine in ensuring the financial and budgetary security of the country was defined. The peculiarities of the budget toolkit were revealed. An analysis and assessment of revenues and expenditures

## ДЕРЖАВНИЙ БЮДЖЕТ ВОЄННОГО ЧАСУ: 2022

**Вступ.** За воєнного стану підвищення якісного рівня виконання Державного бюджету України потребує системного підходу з огляду на важливість розвитку та прийняття взаємоузгоджених рішень фінансово-бюджетних інституцій.

**Проблема.** Важливим є забезпечення динамічної бюджетної збалансованості з врахуванням принципів, які визначають базисну модель механізму бюджетного регулювання в умовах широкомасштабних військових дій, які значно вплинули на зміну тренду економічного розвитку.

**Мета.** Розкриття основних засад виконання Державного бюджету України в умовах воєнного стану.

**Методи.** Використано загальнонаукові та спеціальні методи, засновані на системному вивченні економічних явищ і процесів, а саме: діалектичний, абстрактно-логічний, комплексного аналізу, наукового узагальнення, порівняння та аналогії; конкретизації, узагальнення теоретичного та практичного матеріалу, вибірки; наукової абстракції, індукції та дедукції; економіко-статистичний.

**Результати дослідження.** Визначено роль Державного бюджету України в забезпеченні фінансово-бюджетної безпеки країни. Розкрито



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of the State Budget of Ukraine was carried out. The author developed approaches to the use of financial and budgetary tools and substantiated strategic directions of the budget policy of Ukraine under martial law.

**Conclusions.** 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, under martial law, considerable attention should be paid not only to the task 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 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.

**Keywords:** budget policy, budget regulation, budget mechanism, budget, budget revenues, budget expenditures.

**JEL Classification:** E62, G28, H 61.

особливості бюджетного інструментарію. Проаналізовано та оцінено доходи і видатки Державного бюджету України. Розвинуто підходи до застосування фінансово-бюджетного інструментарію та обґрунтовано стратегічні напрями бюджетної політики України в умовах воєнного стану.

**Висновки.** Ефективний механізм мобілізації доходів є важливою передумовою не лише для збільшення бюджетних надходжень, але й відновлення економічної рівноваги в країні. Водночас, в умовах воєнного стану велика увага має приділятися не лише завданням забезпечення ефективного механізму мобілізації доходів, а й дотриманню принципів справедливості оподаткування, пов'язаних із раціональним перерозподілом рівня податкового навантаження між платниками податків. Вагомими завданнями бюджетної політики є підвищення ефективності бюджетних видатків та забезпечення балансу між фінансуванням найбільш критичних статей державного бюджету та стимулюванням відновлення економіки.

**Ключові слова:** бюджетна політика, бюджетне регулювання, бюджетний механізм, бюджет, доходи бюджету, видатки бюджету.

**Introduction.** Validity of the budget policy is one of the most important factors in ensuring financial and budgetary security of the country. Increasing the quality level of implementation of the State Budget of Ukraine requires a systematic approach, considering the fact that the development and adoption of mutually agreed decisions by financial and budgetary institutions under martial law are very important. All the above-mentioned facts emphasize the significance of finding ways to ensure dynamic budget balance, taking into account the principles that determine the basic model of the budget regulation mechanism in the conditions of large-scale military operations on the territory of Ukraine, which influenced the change in country's trend of socio-economic development.

**Problem.** It is important to develop tools for the formation and implementation of the state budget 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 in order to achieve macro-economic stabilization, restore economic balance, rethink the role of the state budget and strengthen its regulatory influence on the socio-economic development of Ukraine under martial law. Development of basic principles and improvement of the quality level of implementation of the State Budget of Ukraine became urgent.

**Analysis of recent research and publications.** The issues of improving the regulatory mechanism of budget policy in the sphere of formation and implementation of the state budget have been studied by scientists domestic and foreign scientists. J. Buchanan has made a significant contribution to the development of this issue. He has emphasized that "the political aspect of budget policy in the area of formation and implementation of the budget (the choice and adoption of certain decisions and development directions) is based on the implementation of public choice" [1]. E. Abbott, F. Jones, B. Lin and J. Zhu have studied cause and effect relationships between the system of formation and implementation of the state budget [2; 3].

The issues of improving regulatory mechanism of the budget policy in the field of income and expenditure, the basis of its coordination with other components of the financial policy of the state are very important; S. Kachula, L. Lysiak, I. Chugunov have studied these issues [4; 5]. I. Chugunov, M. Pasichnyi and A. Nikitishin emphasized that "the state should strengthen the quality of formation and execution system of the state budget and its coordination with monetary policy in order to maintain macroeconomic stability under martial law" [6].

The issue of increasing the fiscal significance of tax and non-tax revenues of the state budget has been studied by such scientists as N. Bak, V. Pritchard, P. Salardi, P. Sigal, K. Sefa-Nyarko, I. Okafor-Yarvuda, E. Boadu, B. Davis, M. Arkayi, D. Williams, N. Krieger, K. Lahir, K. Yan [7–11].

While acknowledging the achievements of scientists in the field of formation and implementation of the state budget, it should be noted the insufficient level of research and validity of the specified issues under martial law. There is a need for a qualitative assessment of the implementation system of the State Budget of Ukraine, fiscal risks related to changes in the macroeconomic environment, and taking measures to minimize their impact on the formation of budget revenues, finding additional sources of financing the needs of the Armed Forces of Ukraine, social protection of the population, critical infrastructure facilities.

**The aim** of the article is to reveal the basic principles of implementing the State Budget of Ukraine under martial law.

**Methods.** General scientific and special methods (dialectical, abstract-logical, complex analysis, scientific generalization, comparison and analogy) based on the systematic study of economic phenomena and processes were used in the paper to examine the works of domestic and foreign scientists on the implementation of state budget, highlight its role in ensuring country's financial and budgetary security. Concretization, generalization of theoretical and practical material, sampling methods were applied to solve the tasks of displaying the peculiarities of the implementation of the budgetary policy of Ukraine under martial law. Methods of scientific abstraction, induction and deduction were used for substantiating the strategic priorities of the budget policy of Ukraine

under martial law. Economic and statistical methods were used to assess the revenue and expenditure part of the State Budget of Ukraine and increasing efficiency of the financial and budgetary tools.

**Results.** Validity of the implementation of the state budget in the process of realization of the budget policy provides an opportunity for effective harmonization of the financial and budgetary tools, orienting the participants of the budget process to achieve specific results. The driving force of structural changes is the coordination of strategic management in the state sector of the economy with budget policy, ensuring its adaptability to economic and socio-political processes in the conditions of large-scale military operations on the territory of Ukraine. 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. The conceptual foundations of the formation of the revenue part of the state budget should be developed as they ensure an increase in the level of tax revenues and minimize the risks of expanding the shadow sector of the economy.

The *key challenges of budgetary policy under martial law* are: a) a decrease in the economic activity of economic entities, the destruction of economic potential (which causes economic decline and a significant decrease in the level of tax revenues to the state budget); b) 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 and increased the need for additional financial resources; c) growing differentiation of incomes of local budgets of various administrative and territorial units; d) insufficient internal financial resources, unpredictability of the economic situation and impossibility of high-quality budget forecasting [12].

The revenues of the State Budget of Ukraine in 2022 compared to the previous year increased by 37.82% through the increase of official transfers from the European Union, foreign governments, international organizations, donor institutions of 370 times; value added tax on goods (works, services) produced in Ukraine, taking into account budget compensation by 37.29%; personal income tax by 7.85%; part of the net income of state or communal unitary enterprises and dividends accrued on shares of economic companies, in the authorized capital of which state or communal ownership is 64.56% (*Table 1*). Tax revenues of the State Budget of Ukraine decreased by 14.21%, including revenues from value added tax on goods imported into the customs territory of Ukraine by 33.52%, revenues from corporate income tax by 20.77%, revenues from excise tax on manufactured goods of excise goods in Ukraine by 26.78%, revenues from excise tax from excise goods imported into the customs territory of Ukraine by 47.61%.

Table 1

**Revenues of the State Budget of Ukraine in 2020–2022, billion UAH**

| Revenues   | 2020   | 2021   | 2022   | 2022 to 2021, % |
|--|--------|--------|--------|-----------------|
| Total  | 1076.0 | 1296.9 | 1787.4 | 137.82          |
| <i>Tax revenues</i>  | 851.1  | 1107.1 | 949.8  | 85.79           |
| Value added tax on goods (works, services) produced in Ukraine, taking into account budget compensation  | 126.5  | 155.8  | 213.9  | 137.29          |
| Value added tax on goods imported into the customs territory of Ukraine  | 274.1  | 380.7  | 253.1  | 66.48           |
| Personal income tax  | 117.3  | 137.6  | 148.4  | 107.85          |
| Corporate income tax   | 108.7  | 147.8  | 117.1  | 79.23           |
| Rent and fees for the use of other natural resources   | 52.5   | 80.7   | 83.4   | 103.35          |
| Excise tax on excise goods produced in Ukraine   | 80.5   | 82.9   | 60.7   | 73.22           |
| Excise tax on excise goods imported into the customs territory of Ukraine  | 57.8   | 79.6   | 41.7   | 52.39           |
| <i>Non-tax revenues</i>  | 212.9  | 175.3  | 346.3  | 197.55          |
| Part of the net profit of state or communal unitary enterprises and dividends accrued on shares of economic companies, the authorized capital of which includes state or communal property | 70.7   | 28.5   | 46.9   | 164.56          |
| Income from capital transactions   | 79.4   | 0.3    | 0.6    | 200.00          |
| Official transfers from state administration bodies  | 10.7   | 12.6   | 9.5    | 75.40           |
| Official transfers from the European Union, foreign governments, international organizations, donor institutions   | 1.0    | 1.3    | 481.1  | by 370 times    |

Source: calculated by the author based on data [13–15].

Expenditures of the State Budget of Ukraine increased significantly in 2022 compared to the previous year (*Table 2*). Increase in expenditures of the State Budget of Ukraine exceeded by almost 8 times the increase in the total amount of its revenues in the first half of 2022. Decrease in the level of tax revenues affected the reduction of their role in financing state budget expenditures. Tax revenues in 2022 covered only 35.11% of state budget expenditures (63.73% in 2021, 66.08% in 2020).

Table 2

**Expenditures of the State Budget of Ukraine in 2020–2022, billion UAH**

| Expenditure article                   | 2020   | 2021   | 2022   | 2022 to 2021, % |
|---------------------------------------|--------|--------|--------|-----------------|
| State functions                       | 163.8  | 206.6  | 202.0  | 97.77           |
| Defense                               | 120.4  | 127.5  | 1142.9 | by 9 times      |
| Public order, security and judiciary  | 157.7  | 174.4  | 443.3  | by 2.5 times    |
| Economic activity                     | 168.9  | 181.0  | 95.4   | 52.71           |
| Environment protection                | 6.6    | 8.2    | 4.7    | 57.32           |
| Utilities                             | 0.9    | 0.2    | 0.5    | by 2.5 times    |
| Health care                           | 124.9  | 170.5  | 184.3  | 108.09          |
| Spiritual and physical development    | 9.8    | 16.0   | 11.1   | 69.38           |
| Education                             | 52.9   | 63.8   | 58.5   | 91.69           |
| Social protection and social security | 322.7  | 339.3  | 425.9  | 125.52          |
| <i>Total</i>                          | 1288.0 | 1490.3 | 2705.4 | 181.53          |

Source: calculated by the author based on data [13–15].

As a result of the increase in expenditures of the State Budget of Ukraine and simultaneous decrease in the level of tax revenues, the deficit of the state budget in 2022 increased more than four times compared to the previous year, and the state and guaranteed state debt doubled (*Table 3*).

**Deficit of the State Budget of Ukraine, state and guaranteed state debt  
in 2014–2022**

| Year | Deficit     |          | Debt        |          |
|------|-------------|----------|-------------|----------|
|      | billion UAH | % to GDP | billion UAH | % to GDP |
| 2014 | 78.1        | 4.92     | 1 100.8     | 69.4     |
| 2015 | 45.2        | 2.27     | 1 572.2     | 79.1     |
| 2016 | 70.3        | 2.95     | 1 929.8     | 80.9     |
| 2017 | 47.9        | 1.61     | 2 141.7     | 71.8     |
| 2018 | 59.3        | 1.66     | 2 168.4     | 60.9     |
| 2019 | 81.0        | 2.04     | 1 998.3     | 50.2     |
| 2020 | 217.6       | 5.15     | 2 551.9     | 60.4     |
| 2021 | 198.8       | 3.65     | 2 672.1     | 49.0     |
| 2022 | 914.9       | 18.96    | 4 071.7     | 84.39    |

*Source:* calculated by the author based on data [13–15].

*Support of the State Budget of Ukraine by the National Bank* is a necessary measure under martial law considering significant needs for financial resources of the security and defense sector, social needs. In 2022, a significant share of financing of the State Budget of Ukraine was carried out at the expense of the issue through the purchase of military bonds by the National Bank of Ukraine from the government. However, this support from the regulator cannot be the main source of financing budget expenditures, as it causes a rapid increase in the level of inflation (the consumer price index was 126.6% in 2022, 110% in 2021; 105% in 2020; 104.1% in 2019; 109.8% in 2018) [10].

In view of the above, *stimulation of market demand for relevant securities* is an important task today. The National Bank of Ukraine "allows 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 has been introduced; the approaches to assessing the value of domestic state loan bonds, which are accepted as collateral for refinancing loans, have been softened" [16].

Strengthening of the fiscal potential of taxes and improving 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 have become extremely important tasks.

The budget policy should be implemented in accordance with the needs of the real economy, which determines strengthening of the connection between budget financing and strategic plans for the socio-economic development of the country under martial law. It is important to optimize public spending in general, but the level of funding for important programs should be sufficient in the medium term. In order to intensify the budgetary policy, it is necessary to develop the institutional foundations of state support for

business entities, which is a significant prerequisite for the post-war recovery of the national economy. The need to find additional internal sources of financing budget expenditures is growing, it actualizes the issue of introducing extraordinary fiscal instruments to increase budget revenues.

It is advisable to develop a budget strategy that will contribute to the strengthening of the purposeful influence of the formation system and implementation of the state budget on the economic growth rates in order to ensure the post-war recovery of Ukraine's economy. The substantiation of the adaptive toolkit of the formation system and implementation of the state budget will contribute to increasing the level of financial and budgetary security of the country [17].

**Conclusions.** The state budget execution system is a powerful tool for influencing socio-economic processes in countries with developed and transformational economies. In the conditions of large-scale military operations on the territory of Ukraine, the own revenues of the state budget have significantly decreased, while expenditures have increased for defense, public order, security and judiciary.

An effective revenue mobilization mechanism is an important prerequisite not only for increasing budget revenues, but also for restoring economic balance in the country. Considerable attention should be paid not only to the task of ensuring an effective revenue mobilization mechanism, 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 under martial law. Efficiency increasing of the budget expenditures and ensuring a balance between financing the most critical items of the state budget and stimulating the recovery of the economy are important tasks of the budget policy.

Our further research will be aimed at achieving the set tasks and substantiation of new approaches that would ensure their implementation.

**Conflict of interest.** The author certifies that they haven't financial or non-financial interest in the subject matter or materials discussed in this manuscript; the author has no association with state bodies, any organizations or commercial entities having a financial interest in or financial conflict with the subject matter or research presented in the manuscript. Given that an author is affiliated with the institution that publishes this journal, which may cause potential conflict or suspicion of bias and therefore the final decision to publish this article (including the reviewers and editors) is made by the members of the Editorial Board who are not the employees of this institution.

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