

DO IMPERFECT BUDGET POLICIES LEAD TO UNEVEN YEAR-END SPENDING? THE COMPARISON OF UKRAINE & CANADA**Vitaliy Panteleev**Candidate of Economic Sciences, Associate Professor,
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Kharkiv, Ukraine**ЧИ Є НЕРІВНОМІРНІ ВИТРАТИ В КІНЦІ РОКУ СВДЧЕННЯМ НЕДОСКОНАЛОЇ БЮДЖЕТНОЇ ПОЛІТИКИ? ПОРІВНЯННЯ УКРАЇНИ І КАНАДИ****Пантелєєв Віталій Павлович,***к. е. н., доцент**Харківський Національний університет імені В. Н. Каразіна,
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Many organizations have budgets that expire at the end of the year and they may face incentives to rush to spend resources on projects at the year-end. We are testing this hypothesis using data from Ukraine's and Canada's state budgets for 2013-2017. Budget expenditures for the last quarter of the fiscal year exceed the average and for the first quarter they are lower than they should be on average. It is known that in Ukraine a budget policy became a state policy only in the 90s. Until that it was a part of the centralized budget policy of the USSR.

After the declaration of independence, Ukraine started to introduce the scientific substantiation and practical implementation of decisions and measures aimed at improving the performance of a budget policy, so it is important to study the nature of this policy in order to use the positive experience of the developed countries.

In the researches on the functioning of the Ukrainian budget policy based on the example of foreign countries, the significant role is assigned to such scholars as Makarenko J. [3], Grady P. [2], Liebman J., Mahoney N. [12], McPherson M. [16], Maksimova O. I. [1], Dlugopolsky O.V. [4], Artus M.M. [6], Frolov S.M., Sklyar I. D. [7] et al.

However, the complexity and ever-growing importance of the budget policy implementation have determined the purpose of this article that is to produce the general comparative characteristics of the budget policy activities of the two countries concerning the state budget spending. The important issue in the implementation of budget policy measures is the problem of the equal distribution of the budget spending during the budget year, including those at the end of the budget year.

The budget year in Ukraine coincides with the calendar year and lasts from January 1st to December 31st, in Canada the budget year lasts from April 1st to March 31st, in the United States the budget year lasts from October 1st to September 30th. Many factors in

Ukraine and Canada, as well as in other countries, affect the uneven distribution of the state budget spending during the year and the lower spending in the first quarter and the increased spending in the fourth quarter of the budget year and especially, in December, the last month of the budget year.

Various factors influence the situation of uneven distribution of state budget spending throughout the year - the legal and regulatory framework for the execution of budget spending; connection with other parts of the budget system and other financial funds (local budgets, pension, insurance and other funds); the capabilities and functions of budget execution agencies — banks, treasuries, etc.; budget planning; organization of accounting and reporting on the budget spending; public and departmental control over budget execution; transparency of the budget process for budget execution and the ability of the public to check and evaluate the quality of budget execution by spending; the organization of state, public and departmental control over budget execution; the requirements for compliance with budget discipline and the measures of responsibility for its observance, as well as, other factors and causes.

The even execution of budget spending within the budget year favors the quality execution of spending, the full and timely financing of institutions and events, the improvement of the quality of their work, increases the quality of state execution of its functions through the budget system and creates the basis for a positive solution of social and economic issues of the state and its citizens that depend on the state budget policy, etc.

On the other hand, uneven financing of state budget spending within a budget year can lead to a decrease in the quality of expenditure execution, untimely and incomplete financing of institutions and activities, violates the quality of state execution of its functions through the budget system, creates the basis for additional accumulation of social and economic problems of state and its citizens, etc.

The budget policy is the organization of the state budget process and it consists of two parts. The first is the development of the budget execution program and the second is the practical implementation of the planned activities. As will be shown below, these two sides of the budget policy do not coincide. The state budget policy has its own levers (methods); incentives and sanctions; tools and other components.

We will make an assessment of the uniform distribution of expenses throughout the year by quarters and months based on the comparison of expenses with the highest level to total expenses for the year (high) with those with the lowest level (low). With a uniform distribution of expenses this indicator should be equal to one.

The analysis of quarterly execution of the state budgets of Ukraine and Canada for 2013-2017 presented in Tables 1 and 2. Each quarter of the year accounts for 25 percent of annual spending. As can be seen, for Ukraine (Table 1) the equal financing of budgetary spending is not observed for the quarters – 21 percent in the 1st quarter, 23 percent in the 2nd, 24 percent in the 3rd, and 32 percent of total spending in the 4th quarter.

Table 1. The analysis of the quarterly spending of the state budget of Ukraine for 2013-2017 as a percentage of the total [15]

Quarter of the budget year	Spending		
	Average	High	Low
1 (January - March)	20,65	22,07	18,35
2 (April- June)	23,05	24,00	21,51
3 (July -September)	24,06	25,04	22,18
4 (October-December)	32,24	35,84	29,58
Total	100,00		

Thus, spending in the fourth quarter exceeded spending in the first quarter of the budget year by one and half times. The highest share of expenses in the fourth quarter was 36 percent in 2015, while the lowest share of expenses in the first quarter was 18 percent of total expenses.

Table 2. The analysis of the spending of the state budget of Canada for 2013–2017 for the quarters of the Canadian budget year as a percentage of the total [14]

Quarter of the budget year	Spending		
	Average	High	Low
1 (April-June)	23,91	24,27	23,63
2 (July -September)	24,28	24,97	23,45
3 (October-December)	24,52	25,07	24,15
4 (January - March)	27,29	27,72	26,95
Total	100,00		

On the other hand, in Canada (Table 2) the uniformity of financing of budget spending by quarters is observed at a higher level - in the 1st, 2nd and 3rd quarters - 24 percent and in the 4th quarter 27 percent of total expenses . Thus, spending in the fourth quarter were 10 percent more than spending in the first quarter of the budget year. The highest share in the fourth quarter was 28 percent in 2014, while the lowest share of expenses in the 1st quarter was 24 percent of total expenses in 2015, 2016, 2017.

The analysis of the monthly execution of the state budgets of Ukraine and Canada for 2013-2017 is presented in Tables 3 and 4. Each month of the year accounts for approximately 8 1/3 percent. As can be seen, for Ukraine (Table 3) the equal financing of budget spending by months is not observed - in January, the share was 5.7 percent of total expenses, and in December - more than 14 percent. Thus, spending in the last month of the year exceeded spending in the first month of the budget year by two and half times. The highest share of expenses in December was 17 percent in 2015, and the lowest share of expenses in January was 5 percent. It is not hard to imagine the burden which is placed on a staff of budget organizations who receive funds and on a staff of state budget bodies allocating and financing these expenses at the end of the budget year - and this is despite the fact that at the beginning of the budget year financing amounted to only 1/3 of the year-end amount, that is, at the end of the year, in December, there is a stress of overload in financing expenses, and at the very beginning of the budget year - in January, there comes a shock from underfunding of expenses.

Table 3. The analysis of the monthly spending of the state budget of Ukraine for 2013-2017 as a percentage of the total [15]

Month	Average	High	Low
January	5,70	6,22	5,20
February	6,65	8,07	4,36
March	8,30	9,68	6,69
April	7,54	8,42	6,64
May	7,55	7,95	7,03
June	7,96	8,15	7,72
July	7,35	8,48	6,51
August	7,77	8,17	6,87
September	8,94	9,83	7,79
October	8,67	9,93	7,70
November	9,33	10,47	8,66
December	14,24	16,70	12,16
Total	100,00		

On the other hand, in Canada (Table 4), the uniformity of financing of budget spending by months is carried out at a much higher level - for 11 months of the budget year financing amounted to 7.8-8.4 percent of total expenses for the year and only in March - last month of the budget year, the share of spending amounted to more than 11 percent. Thus, spending in the last month of the year exceeded spending in the first month of the budget year by one third. The highest proportion of spending in March (11.3 percent) was in 2015, and the lowest in August was 7.1 percent of total spending for 2014. Even having much more organized, comparing to Ukraine, monthly allocation of budget funds, in 1987 the Chancellor of Canada's Treasury called this uneven allocation of budget funds at the end of the year "March Madness" [12, p.2].

Table 4. The analysis of the monthly spending of the state budget of Canada for 2013-2017 for the months of the Canadian budget year as a percentage of the total [14]

Month	Average	High	Low
April	8,06	8,36	7,83
May	7,81	7,87	7,78
June	8,04	8,13	7,84
July	8,17	8,35	7,85
August	7,96	8,57	7,15
September	8,16	8,93	7,83
October	8,21	8,47	8,01
November	8,15	8,30	8,04
December	8,16	8,29	7,93
January	8,37	8,62	8,11
February	7,81	8,03	7,64
March	11,10	11,37	10,85
Total	100,00		

American researchers note that at the end of the budget year, the desire to use the allocated budget funds as soon as possible is so tense that "merchants and contractors camped outside contracting offices on September 30th (the close of the budget year) just in case money came through to fund their contracts"[12, p.2].

The suspension of the Government Shutdown 2019, 2018, and 2013 [15] can be recalled. Such an uneven distribution of budgetary funds at the end of a budget year leads to various factors - the severity of budget allocation within one budget year; the absence of multi-year budget planning and budget planning based on the principle of “planning from what has been achieved”, in which the principle of “use or lose forever” operates at the year-end [16, p. 18]; the prohibition of the use of budget savings for other purposes of public institutions, etc.

In Canada, in contrast to Ukraine, there is a reporting cycle on public spending, [17] which provides for 3 periods of parliamentary deliveries - 1 period from April 1st to June 23rd, 2 - from June 24th to December 10th, 3 - from December 11th to March 26th. [17]

Table 5. The comparison Ukraine and Canada GDP (billion US dollars) 2013-2017 [18-19]

Years	Ukraine	Canada
2013	183,31	1 842,63
2014	131,81	1 799,27
2015	90,62	1 559,62
2016	93,27	1 535,77
2017	112,15	1 653,04
2017 to 2013 (percent)	61,18	89,71

As can be seen, from the comparative analysis of the GDP dynamics for 2013–2017, in both countries the certain decrease in GDP observed during this period. However, in Canada, in which the level of budgetary discipline with financing expenses is much higher than in Ukraine, the decline in GDP is observed in a much smaller amount. On the other hand, in Ukraine, where in the last month of the fiscal year the spending were almost three times higher than the spending in the first month of the budget year, the loss in GDP was 40 percent. Thus, the state budget of Ukraine has lost its function of an instrument of economic development.

A comparison of budget spending of Ukraine and Canada by quarters and months have been carried out. It was found that in Canada, the gap between the first and last quarter and the month of the budget year is much smaller than in Ukraine. The main factors influencing the content of state budget spending have been indicated. The advantages, disadvantages and threats from uneven financing of budget spending by quarters and months of the budget year have been presented. The comparison of the GDP change rates for the analyzed period shows that less uneven spending of the budget at the end of the year in Canada has led to the positive results.

It is necessary for Ukraine to determine legislatively and normatively the provision on the state budget policy, as well as, the requirements for state bodies on the high-quality and effective execution of budgets. They must report on them and make appropriate decisions. After the adoption of the Budget Code in 2010, it's necessary not only to reform the institutional organization of budget policy and improve the mechanism of its internal work, but also to increase the role of budget policy in the economic life of society and the state.

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